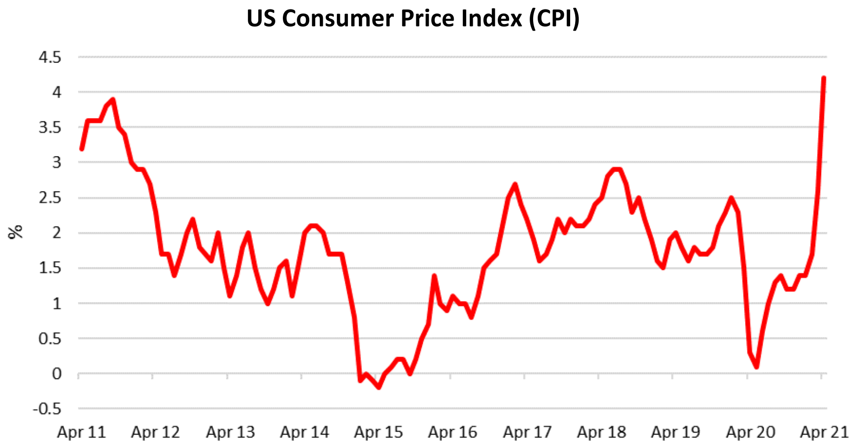
Guinness Atkinson

Global Innovators Fund

Managers Update – June 2021

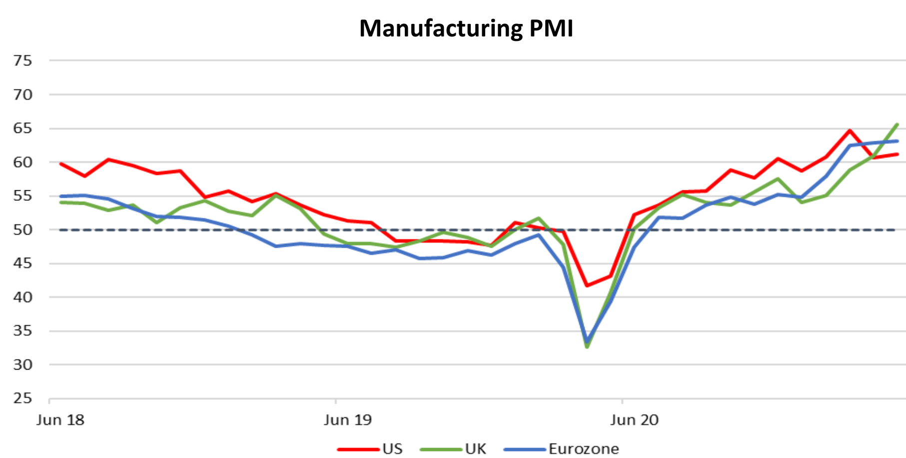
<u>May in review:</u>

Despite the closing of Q1 earnings season which saw S&P 500 companies report earnings growth of 47% year-on-year (yoy) growth relative to consensus of 20%, markets were much more muted as investors continued to grapple with inflationary concerns leading to weakness in growth stocks (particularly IT and Consumer Discretionary) which weighed on global benchmark performances. Indeed, US headline inflation rose 4.2% yoy in April, well above expectations, echoing concerns that economies could become over-heated which may lead to a dialling back of monetary support. Treasury Secretary Janet Yellen's comments at the beginning of the month on the potential need for interest rate hikes (before backtracking a day later), only sought to raise those concerns. However, looking under the hood, the relatively high inflation figure continues to be propped up by certain areas of the market, most notably US car prices which rose 21% in April.



Source: Bureau of Labor Statistics

Away from inflation, economic data continued to be positive with US manufacturing and service Purchasing Managers Indicies (PMI) both beating expectations. Similarly, across Europe and the UK, the story was comparable with PMIs well into expansionary territory (above 50 indicating expansion).



Source: ISM, Bloomberg

This alongside continued strength in the vaccine rollout across the UK and the US - while Europe made significant headway in catching up - made for continued force in the rotation out of growth stocks and into value-oriented industries. This was subsequently a drag on the portfolio from an asset allocation perspective, as IT, the fund's largest overweight exposure, ended the month as the second worst performing sector. Similarly, the sustained strength in Banks and Energy stocks was a drag on the portfolio as we continue to hold no exposure in these areas.

Relative performance of MSCI World Growth vs MSCI World Value

Source: Bloomberg

Past Performance does not guarantee future results

Stock performances

Anta Sports (+14.0% USD):

Anta Sports, the largest domestic sportswear brand in China, was the fund's best performing stock over the month as Chinese retail sales continued to benefit from the opening up of the economy. Although Chinese retail sales missed estimates for April (up 17.7% yoy vs estimated 25.0%), there was increased optimism that the government would roll out new policy support measures for the industry to boost consumption. Expected policies were further supported as concerns over China's aging population grew, with the latest census data showing China was on the cusp of population stagnation after years of rapid growth. This led to the announcement during May, that married couples could now have up to 3 children – 5 years after China ended it 'one-child policy'. Elsewhere, there was also optimism that Anta has, and would continue to take market share from Western competitors Nike and Adidas, as the fallout from the avoidance of Xingjang cotton persisted - albeit slightly more muted.

Nvidia (+8.2% USD):

Chip designer Nvidia was a top performer for the fund this month. The announcement of a 4-for-1 stock split in mid-May saw the beginning of a rally - the first split in four years following a 1,600% gain. Nvidia has been a key beneficiary of the pandemic-induced global chip shortage, with the resumption of the manufacturing sector causing demand to sky-rocket and prices to surge. This resulted in another record quarter for the firm, with earnings per share ($3.66) and revenue ($5.66bn) beating analyst expectations by +11% and 5% respectively, causing a further rally in the stock. Crypto-currency miners have contributed to shortages of Graphic Processing Units in Nvidia's largest segment, Gaming, resulting in the release of a purpose built crypto-mining chip. This will ease some supply shortage that has negatively affected gamers, alongside drive growth in the Crypto segment. Nvidia's Datacenter segment (about 40% of sales) is well positioned for further growth, following the release of the firms first CPU chip, Grace. Further CPU activity could follow should the acquisition of ARM holdings get the green light, although this is currently facing multiple regulatory hurdles.

Amazon (-7.0% USD):

Despite Amazon's blowout Q1 results on the last day of April, positive sentiment was short-lived as the tech sector slid at the beginning of May. Investors rotated towards more defensive areas of the market, following Treasury Secretary Janet Yellen's comments on the potential need for interest rate hikes, before backtracking a day later. Investors were also spooked by the issuance of $18.5 bn debt, Amazon's biggest bond sale ever, the same day as inflation fears swept through Wall Street, sending the stock down 3%. Amazon announced the acquisition of MGM Studio's for $9bn, a move met with limited enthusiasm by investors. Despite this difficult month, Amazon's Q1 results at the beginning of the period give emphasis to the underlying strength of the business, with an acceleration of growth in some of their most important lines (AWS +32% revenue, Advertising +77%, Online retail +44%) contributing to their highest margin quarter ever (operating margin 8.2%).

New Oriental Education (-33.0% USD):

Having seen its share price peak in February, New Oriental Education, China's second-largest after-school tutoring (AST) provider, has seen sustained weak share price performance as investors grapple with continued news surrounding possible tighter AST regulation. While increased regulation is not new to the Chinese education industry, more recent speculation has sent broad education share prices down. During the month, the State Council and Ministry of Education held a press conference to discuss the 14th Five-Year Plan on education in which they commented on 'outstanding problems' within the industry including false or inaccurate advertising, teacher certificates, and teaching contents. While we believe tighter regulations could impact New Oriental's growth and costs, ultimately with a highly fragmented market such as Chinese tutoring, regulation should drive out smaller competitors, solidifying leaders such as New Oriental Education.

We thank you for your continued support.

Portfolio Managers

Matthew Page, CFA

Dr Ian Mortimer, CFA

Summary performance

For the month of April, the Guinness Atkinson Global Innovators Fund provided a total return of -0.08% (USD) against the MSCI World Index net total return of 1.44% (USD). Hence, the fund underperformed the benchmark by 1.52% (USD).

Ongoing vaccine rollouts, the reopening of many economies, and continued fiscal and monetary support from governments continued into May. And as was the case in April, inflation continued to be a hot topic, with US inflation coming in at 4.2% - above expectations and well above the US Fed's long-term targeted 2%. Markets were, however, more muted to the move as it remains to be seen if this period of inflation is more transitionary. This, together with broadly strong economic data across the month reiterated strength in the so-called 'Reflationary trade' or 'Reopening trade', as Banks and Energy stocks continued to lead markets, while IT and consumer discretionary lagged. This resulted in the MSCI World Value index up 3.0% over the month vs the MSCI World Growth down 0.1%. It should be noted, however, that inflation is not necessarily 'bad' per se – rising inflation from a low level and in a gradual manner would likely be good for equity markets (at is signals a growing, stable economy) – so any inflation 'concerns' need to be tempered by an analysis of the level and speed of any increase.

Overall, fund performance vs the benchmark can be attributed to:

- The rotation into value-orientated sectors was a drag on the portfolio over the month – Banks and Energy finished the month as the top performing industries, which the fund has no exposure to.
- Stock selection from the fund's consumer discretionary exposure was a drag on relative performance, although primarily a consequence of one stock, New Oriental Education, which fell 33.0% (USD) over the month.
- IT, which lagged over the month created a drag from an asset allocation perspective. However, this was more than offset by positive stock selection within the sector, particularly from the fund's semiconductor holdings which were a bright subset of broad IT weakness.
- Additionally, *not* owning Apple in the fund, the benchmark's largest constituent, was a positive for the fund as the stock fell 5% over the month.

as of 05.31.2021 (in USD)	1 year	3 years annualized	5 years annualized	10 years annualized
Global Innovators, Investor Class[1]	48.03%	18.52%	20.17%	15.39%
Global Innovators, Institutional Class[2]	48.39%	18.82%	20.47%	15.55%
MSCI World Index NR	40.63%	14.39%	14.22%	10.30%

Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. For most recent month-end and quarter-end performance, https://www.gafunds.com/our-funds/global-innovators-fund/#fund_performance or call (800) 915-6566.

Guinness Atkinson
Global Innovators Fund
Managers Update – June 2021

as of 03.31.2021 (in USD)	1 year	3 years annualized	5 years annualized	10 years annualized
Global Innovators, Investor Class1	69.25%	16.96%	19.11%	14.91%
Global Innovators, Institutional Class2	69.69%	17.24%	19.41%	15.06%
MSCI World Index NR	54.03%	12.79%	13.35%	9.87%

All returns after 1 year annualized.

[1] Investor class (IWIRX) Inception 12.15.1998 Expense ratio* 1.24%

[2] Institutional class (GINNX) Inception 12.31.2015 Expense ratio* 0.99% (net); 1.07% (gross)

[2] Performance data shown for Global Innovators, Institutional Class (GINNX), prior to its launch date on 12/31/15, uses performance data from the Global Innovators, Investor Class (IWIRX).

*The Advisor has contractually agreed to reimburse expenses (excluding Acquired Fund Fees and Expenses, interest, taxes, dividends on short positions and extraordinary expenses) in order to limit the Fund's Total Annual Operating Expenses to 1.24% for the Investor class and 0.99% for the Institutional class through June 30, 2025. To the extent that the Advisor absorbs expenses to satisfy this cap, it may recoup a portion or all of such amounts absorbed at any time within three fiscal years after the fiscal year in which such amounts were absorbed, subject to the expense cap in place at the time recoupment is sought, which cannot exceed the expense cap at the time of waiver. The expense limitation agreement may be terminated by the Board of the Fund at any time without penalty upon 60 days' notice.

Mutual fund investing involves risk and loss of principal is possible. Investments in foreign securities involve greater volatility, political, economic and currency risks and differences in accounting methods. These risks are greater for emerging markets countries. The Fund also invests in medium and smaller companies, which will involve additional risks such as limited liquidity and greater volatility. The Fund's focus on the technology, internet and communications sectors are extremely competitive and subject to rapid rates of change.

Securities mentioned are not recommendations to buy or sell any security.

Current and future portfolio holdings are subject to risk.

Top 10 holdings for Global Innovators Fund, as of 05/31/2021:

1. NVIDIA Corp	4.07%
2. Facebook Inc	3.89%
3. ANTA Sports Products Ltd	3.78%
4. Applied Materials Inc	3.77%
5. Roper Technologies Inc	3.62%
6. Cisco Systems Inc	3.60%
7. Lam Research Corp	3.55%

8. ABB Ltd	3.54%
9. Alphabet Inc - A Shares	3.50%
10. KLA-Tencor Corp	3.47%

For a complete list of holdings for the Global Innovators Fund, please visit: https://www.gafunds.com/our-funds/global-innovators-fund/

The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectuses contain this and other important information and can be obtained by calling 800- 915-6565 or visiting www.gafunds.com. Read and consider it carefully before investing.

Earnings growth is not representative of the Fund's future performance.

MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets.

The Purchasing Managers' Index (PMI) is an index of the prevailing direction of economic trends in the manufacturing and service sectors.

Earnings per share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock.

Capital expenditures (CapEx) are funds used by a company to acquire, upgrade, and maintain physical assets such as property, technology, or equipment. CapEx is often used to undertake new projects or investments by a company.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. Indexes are available for the U.S. and various geographic areas.

Price-Earnings (P/E) ratio is a valuation ratio of a company's current share price compared to its per-share earnings. Forward earnings differ from trailing earnings, which is the figure quoted more often, as they are a projection and not a fact.

One cannot invest directly in an index.

Distributed by Foreside Fund Services, LLC