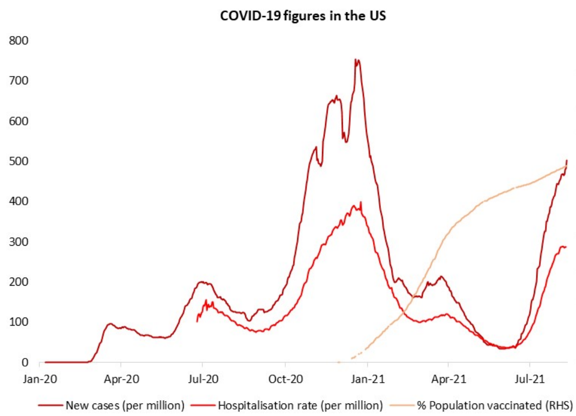
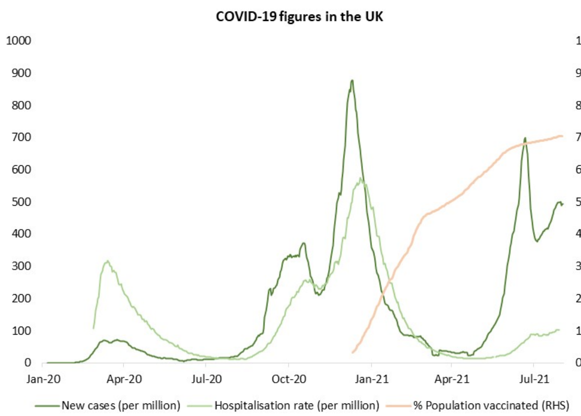
Guinness Atkinson
Global Innovators Fund
Managers Update – September 2021

August in review:

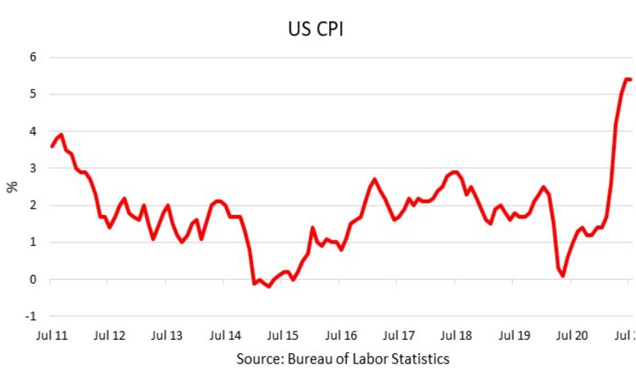
In the month where the US ended its withdrawal from Afghanistan, bringing an end to its 20-year war, back home the country continued to struggle to disconnect rising covid-19 cases with rising hospitalisations. Within the UK, however, where 70% of the populations has now had at least one dose of vaccine, the rising case numbers have not led to a proportionate rise in hospitalization, enabling the economy to remain open. Indeed it is likely more developed regions with high vaccination uptakes will lead the recovery, while other regions may lag causing ongoing disruptions to supply chains. Further still, talk of waning vaccination protection has led a number of countries to announce booster programs.

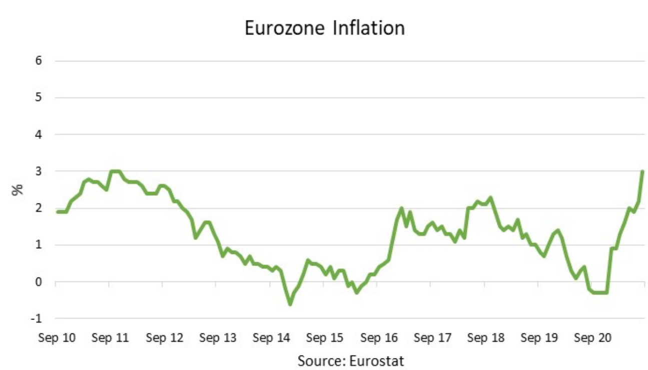


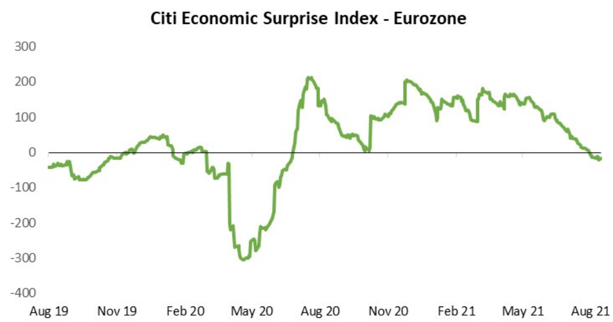


Source: Bloomberg

Although the delta variant continues to be a concern, broad macroeconomic data remains positive: manufacturing and service PMIs (Purchasing Managers' Index) in the US came in at 61.2 and 55.4 respectively, while the Eurozone printed 61.5 and 59.5 respectively – pointing to continued economic expansion. However, with broad reopening of economies and ongoing loose monetary and fiscal policies, concerns that economies may run too hot persisted. In the US, headline Consumer Price Index (CPI) delivered 5.4%, while in the Eurozone, CPI came in at 3.0% - both surpassing economist's expectations while remaining at decade highs. Further, the momentum of economic data, having now rolled off the troughs of 2020, seems to be losing steam: the Citi Economic surprise indices for the US and Eurozone – an indication of whether data was surprising to the upside or downside – both made their way into negative territory.







Source: Bloomberg

However, with broadly expansionary data, investors once again looked to the US Federal Open Market Committee (FOMC) meeting for indications of monetary tightening. And indeed, Jerome Powell gave a clear signal that the US Fed could begin dialling back its stimulus program this year as the economy had made "clear progress" in its recovery. In the month's meeting, Jerome Powell commented that the US central bank had met the first two of its goals before it begins unwinding its bond buying program, with substantial progress towards its goal of averaging 2% inflation and maximum employment.

Elsewhere, China continued its regulatory tightening across sectors, with gaming now firmly in its sights. At the end of the month, new rules were released by Chinese State media, that would only allow children (under 18) to play video games for one hour on Fridays, Saturdays, and Sunday. Having sold Tencent – the world's largest gaming company – in July, the fund was not exposed to the increasingly tight regulatory environment enforced upon many of China's biggest internet businesses. Within the fund, we only hold exposure to one Chinese stock – Anta Sports, the country's leading sports apparel producer – which we do not currently expect to be caught up in the ongoing regulatory changes.

Stock performance

Nvidia +14.8% USD:

Over the month, Nvidia continued its impressive run for the year, reporting results that were ahead of expectations as demand in data centers and gaming persisted – although they did point to supply chain constraints as being a potential challenge. Further still, Nvidia's revenue guidance for Q3 was also ahead of expectations coupled with gross margin guidance of 67% vs estimates of 66.1%. Aside from results, Nvidia CEO Jensen Huang commented that he was confident regulators would clear the planned acquisition of Arm, however admitted that discussions with regulators had taken longer than expected. While the acquisition would be an obvious benefit to Nvidia's full suite product offerings, Nvidia continues to perform strongly as demand from end-markets have accelerated the need for the company's high-end graphic processing units – a trend that does not look to be easing in a post-pandemic world and which has left the stock as the fund's top performer year-to-date.

Infineon +11.8%:

Having been the fund's second worst performer over July, Infineon ended August as the fund's second *best* performer. The semiconductor business, which primarily focuses on power management units for industrial and automotive markets, reported quarterly earnings at the beginning of August that were broadly in-line with estimates however raised their margin and free cash flow outlooks. Although the company has been affected by reduced semiconductor outputs from Malaysia which is dealing with new covid outbreaks, alongside broader supply constraints in the automotive sector, the company's book-to-bill ratio of 2.4x continues to indicate strong demand for the business as constraints ease. Infineon is one of the leading power semiconductor manufacturers globally, with exposure to long-term growth drivers including the electrification of vehciles, and clean energy generation, and which we believe will continue to benefit going forward.

Mastercard -10.3% and Visa -6.9%:

While there was a lack of direct news for Visa, the company suffered from the read-across from ongoing anticompetitive court battles that Mastercard is involved in. Over the month, a UK court ruled that a lawsuit of more than £10bn on behalf of 46m consumers could be brought against Mastercard. The lawsuit, which had previously been rejected, is intended to compensate consumers and small retailers for what they believe to be anti-competitive interchange fees set by Mastercard – a fee charged to retailers for card use. While the potential payout is significant, the claim has been reduced in value from around £14bn and could be expected to reduce further. We continue to monitor the situation, however remain bullish on the longer-term potential for both payment giants with the transition to a cash-less society providing an extended growth runway.

Anta -5.6%:

Anta Sports, the largest domestic sports apparel business in China, was one of the fund's weakest performers over the month. While active Chinese regulators weighed on the broad Chinese equities market, the company also reported semi-annual results during the month which were taken as a negative read for investors. While Anta reported revenue and profit that beat expectations, a resurgence in covid cases in a few tier 1-2 cities within China caused a slowdown in August sales. With the resurgence temporary, we remain positive on the long-term outlook for the company given the government's promotion of sport and healthy living, as well as the company's ongoing share gains from western brands Nike and Adidas.

Changes to the Portfolio:

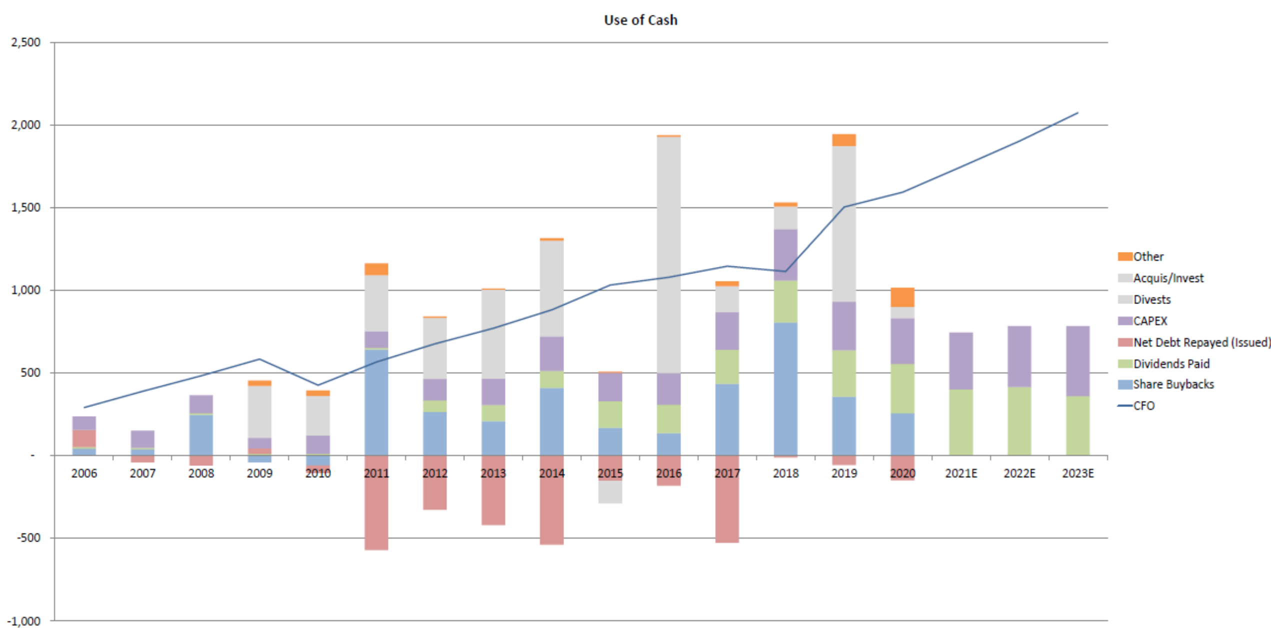
As reported in the previous commentary, we sold the fund's position in Tencent in July, with the following extract providing a rationale:

We sold Tencent on the 6th July. Increased scrutiny from the Chinese regulator on monopolistic behaviour, data security and financial stability adds an inherent level of risk to investments within the region – particularly in large, mega-cap tech stocks. At the beginning of the month, Tencent was blocked from combining gaming platforming Douyu and Huya on anti-competitive grounds. Two-weeks later, regulators ordered Tencent to end exclusive music contracts with copyright holders. Following their 2016 acquisition of China Music Group, Tencent was left controlling more than 80% of "exclusive music library resources", preventing rivals from entering the market. The firm was given 30 days to end exclusive music copyright contracts. Subsequently, the stock fell over 18% during the month. Such is the density of the interactions the regulator is having with Tencent, the drastic measures felt across a range of industries (such as those felt by the $100bn Chinese private education industry) and hefty fines (Alibaba *fined a record $2.8bn in April for abusing market dominance), the recent swing in the balance of risks is dominating the conversation around Chinese tech stocks, and is likely to continue weighing heavily on the stock price.*

In line with the fund's one-in-one-out policy, we have since initiated a new position in Amphenol, bringing fund holdings back up to 30.

Amphenol sits in the IT sector and hardware industry group but it could arguably sit in the Industrial sector. They are a market leader in the design, manufacture and marketing of interconnects and related components and systems – essentially pieces of a kit that allow power or data to be transferred from one device to another. These components are in demand from a broad group of industries including data communications, automotive, aerospace, etc., and therefore the company has exposure to a number of our innovation themes and sub-themes: Clean Electric vehicles, Robotics and Automation, Cloud Computing, AI & Big Data, 5G.

The company is managed in a very decentralized manner with 120 general managers given the freedom and responsibility to generate the target profit and loss in the manner they see fit. Partly this is a consequence of the fact they have grown by making small acquisitions as you can see from the grey bars in the chart below (they have made around 50 acquisitions since 2010).



Source: Bloomberg, company reports

We believe they continue to grow in this manner for the foreseeable future as the industry is highly fragmented with Amphenol being a market leader with only about 5% market share. Further still, the interconnects and systems the company manufactures are often customised for individual clients and are often critically important components which increases switching costs for customers creating an economic moat for the company.

We thank you for your continued support.

Portfolio Managers

Matthew Page, CFA

Dr Ian Mortimer, CFA

Summary performance

For the month of August, the Guinness Atkinson Global Innovators Fund provided a total return of 2.13% (USD) against the MSCI World Index net total return of 2.49% (USD). Hence the fund underperformed the benchmark by 0.36% (USD). Year to date, the fund has produced a total return of 19.76% (USD) against the MSCI World 17.94% (USD).

While inflationary concerns, debates over the timing of central bank monetary tightening, and the COVID-19 delta variant persisted into August, broadly positive economic data and the gradual reopening of economies enabled global equity markets to advance over the month. Overall, fund performance vs the benchmark can be attributed to the following:

- The fund's significant overweight exposure to IT - the 2nd best performing sector over the month – was a positive from an asset allocation perspective. However, individual performances from the fund's IT holdings was a more mixed picture as two semiconductor IT holdings finished the month as the top two performers (Nvidia and Infineon), while two IT software holdings ended the month as the weakest performers (Mastercard and Visa). Overall, the fund's IT exposure was a slight detractor from relative performance.

- The fund 0% exposure to Materials, Consumer Staples, and Energy, were all positive contributors to the fund performance as the sectors underperformed the broader market over the month.

- Positive stock selection from the fund's Communication Services exposure, namely through Alphabet and Facebook, was also a positive contributor.

as of 08.31.2021 (in USD)	1 year	3 years annualized	5 years annualized	10 years annualized
Global Innovators, Investor Class[1]	34.47%	21.88%	20.87%	18.03%
Global Innovators, Institutional Class[2]	34.80%	22.18%	21.17%	18.20%
MSCI World Index NR	29.76%	14.95%	14.82%	12.13%

as of 06.30.2021 (in USD)	1 year	3 years annualized	5 years annualized	10 years annualized
Global Innovators, Investor Class1	45.94%	20.99%	21.82%	16.30%
Global Innovators, Institutional Class2	46.26%	21.29%	22.12%	16.46%
MSCI World Index NR	39.04%	14.96%	14.82%	10.64%

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).

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.

*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 08/31/2021:

1.	Facebook Inc	4.10%
2.	Danaher Corp	3.96%
3.	Alphabet Inc - A Shares	3.92%
4.	Adobe Inc	3.91%
5.	Cisco Systems Inc	3.68%
6.	Microsoft Corp	3.58%
7.	Roper Technologies Inc	3.55%
8.	Apple Inc	3.54%
9.	ABB Ltd	3.52%
10.	NVIDIA Corp	3.52%

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.

Gross domestic product (GDP) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.

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

Free cash flow (FCF) represents the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets.

A book-to-bill ratio is the ratio of orders received to units shipped and billed for a specified period, generally a month or quarter.

The European Central Bank (ECB) is the central bank of the 19 European Union countries which have adopted the euro.

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.

Basis point (BPS) is a unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument. The relationship between percentage changes and basis points can be summarized as: 1% change = 100 basis points and 0.01% = 1 basis point.

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.

The Federal Open Market Committee (FMOC) is responsible for open market operations. FOMC consists of twelve members-- seven members of the Board of Governors of the Federal Reserve System; the president of the Federal Reserve Bank of New York; and four of the remaining eleven Reserve Bank presidents, who serve one-year terms on a rotating basis.

One cannot invest directly in an index.

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