

Alternative Energy Brief
April 2007

Welcome to the April 2007 Guinness Atkinson Alternative Energy Brief.

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Fund performance

The Guinness Atkinson Alternative Energy Fund has started the year brightly. We were up 3.46% in March continuing our good run. While we feel that neither of the two major indices in the area exactly reflect our approach, we have outperformed WilderHill Clean Energy Index (which is investible) by 6.00% YTD and we are 3.43% behind the WilderHill New Energy Global Innovation Index. We note that this index includes a number of companies in which we would not invest as they have less than 50% of their business in alternative energy.

**Total Return for March 2007, Total Return for 2007 to end March,
Total Return from inception.**

Total returns	Mar 07	YTD 07	From inception:
Guinness Atkinson Alternative Energy Fund (03/31/06)	3.46%	14.56%	5.12%
WilderHill New Energy Global Innovation Index	5.99%	17.99%	26.61%
WilderHill Clean Energy Index	2.24%	8.56%	-12.41%

Expense Ratio 1.98%

All return figures represent average annualized returns except for periods of one year or less which are actual returns.

Performance data quoted represents past performance; past performance 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. Performance data current to the

most recent month end may be obtained by visiting www.gafunds.com or calling 800-915-6566.

The funds impose a redemption fee of 2% on shares held less than 30 days. Performance data does not reflect the redemption fee. If reflected, total returns would be reduced.

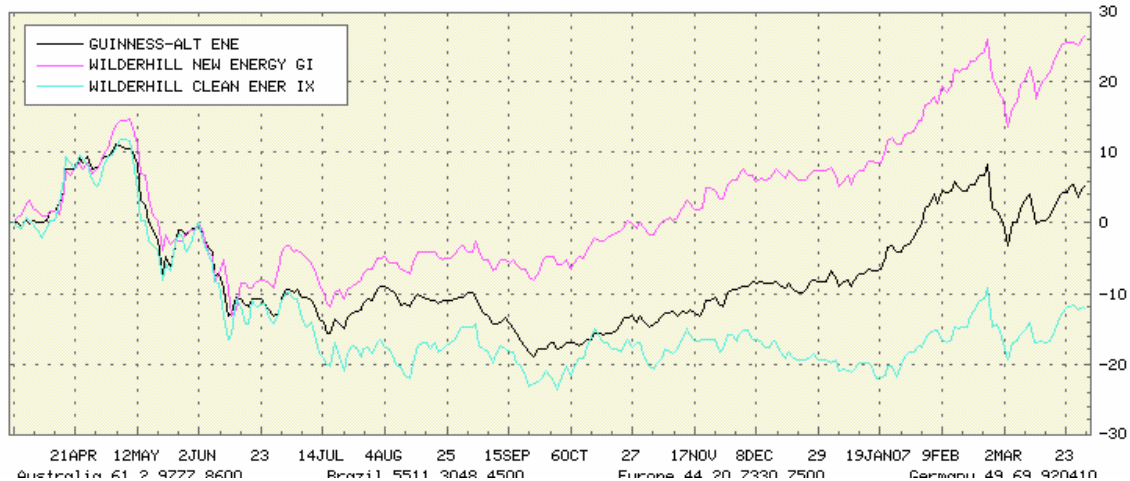
Short term performance, in particular, is not a good indication of the fund's future performance, and an investment should not be made based solely on returns.

COMPARATIVE RETURNS

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Securities	Range	Crcncy	Prc Appr	Total Ret	Difference	Annual Eq
1 GAAEX US Equity	3/31/06 - 3/30/07	USD	5.12 %	5.12 %	-21.50 %	5.13 %
2 NEX Index		USD	25.31 %	26.62 %		26.71 %
3 ECO Index		USD	-13.08 %	-12.42 %	-39.04 %	-12.45 %

(* = No dividends or coupons)



Sector breakdown

We benefited from switching into solar in Q4 2006 and maintain our exposure at 25.19%. We are bullish on wind and have 16.18% exposure, with investments in the leading wind turbine manufacturers and wind farm developers. Over the longer term we continue to be most excited about the prospects for wind, solar and hydro power. These three combined account for 53.32% of the portfolio. The laggard areas are our fuelcell stocks, and we have reduced our fuelcell holdings to below 10% of the fund. We have an 8.41% position in biofuels stocks, which are mainly in biodiesel rather than ethanol companies at the moment. We continue to monitor the ethanol sector for attractive entry opportunities. Efficiency stocks make up 11.40% of the portfolio and include investments in the carbon sector, hybrid vehicles and specific efficiency companies. Geothermal stocks are 6.80% of the portfolio. This is an area which we find highly

attractive and are constrained by the limited supply of high quality investment opportunities.

Geographical breakdown

51.15% of the portfolio is invested in companies domiciled Europe, led by Germany which accounts for 16.54%. This reflects the advanced state of the alternative energy industry in Germany which has been driven by government policy and subsidies. The other leading countries in Europe are Spain and the United Kingdom, where we have invested 9.22% and 6.59% respectively. We have just 28.42% of the portfolio invested in North America, as valuations are generally higher, but the industry is growing at a higher rate because of improving government and popular support and this mitigates the higher valuations to a certain extent. The alternative energy story is truly a global story and we therefore invest in opportunities in all geographies, and expect to continue to have a broad geographic spread of investments.

Sector	% of Assets	Region	% of Assets
Solar	25.19%	Europe	51.15%
Wind	16.18%	North America	28.42%
Hydro	11.95%	Asia	7.41%
Efficiency	11.40%	Australia	5.89%
Fuelcell	9.54%	Latin America	3.41%
Biofuel	8.41%	Cash	3.72%
Geothermal	7.19%		
Biomass Energy	5.62%		
Wave/tidal	0.80%		
Cash	3.72%		
	100.00%		100.0%

Liquidity analysis

Mkt Cap \$m	Positions	% of Assets	Position size	Positions	% of Assets
>1000	18	51.52%	Full	13	44.47%
500-1000	3	4.99%	Half	27	45.18%
250-500	7	13.79%	Research	17	6.63%
100-250	11	14.37%			
50-100	13	9.70%			
<50	3	1.91%			
Cash		3.72%	Cash		3.72%
Total	57	100.00%		57	100.00%

We have improved the liquidity of the portfolio significantly. The majority (51.52%) of the portfolio is in stocks with a market capitalisation of over \$1 billion and only 1.91% of the portfolio is invested in stocks with a market capitalisation below \$50 million. We are endeavouring to maintain a balance between holding larger capitalisation more liquid stocks and positions in smaller capitalisation less liquid stocks where the value and growth opportunity might be greater. We have segmented the portfolio into three types of holding: full, half and research. We currently hold 13 full units and 27 half units, with a further 17 research positions. This also enables us to benefit from a strict rebalancing discipline.

Stock performance

Top 5	Size	March	Bottom 5	Size	March
Gamesa	Full	26.01%	Hydrogenics	Half	-18.80%
Theolia	Full	23.27%	Fuel Systems Solutions	Half	-15.40%
Vestas	Full	19.96%	Quantum Fuel Systems	Half	-15.28%
MEMC Electronic Materials	Full	17.47%	Biopetrol Industries	Full	-13.67%
Boralex	Half	17.30%	Ceres Power	Half	-11.48%

In March we saw good performance from the wind sector with three of our top five performing stocks coming from the wind sector. The on going bidding between Areva and Suzlon for Repower helped lift most stocks in the sector. Gamesa also benefited from a \$270 million order for turbines. Theolia continued its impressive performance in the first two months of the year with another impressive month in March with the stock up 151.54% for the first quarter of 2007. This performance has largely been driven by Theolia's acquisition of GE Energy Financial Services' wind farms in Germany which increased its installed capacity from 78MW to 243MW. Vestas benefited from a number of new turbine orders and analyst estimate upgrades.

MEMC Electronic Materials has benefited from its ability to manufacture solar grade polysilicon in a rising price environment. Boralex is a Canadian hydro stock and has continued its strong start to the year.

The worst performing stocks mainly came from the fuelcell and efficiency sectors. Hydrogenics, Fuel Systems Solutions and Quantum Fuel Systems all lacked positive news flow from orders or technological breakthroughs in the first quarter and drifted lower. Ceres Power, a UK based fuelcell developer, dropped after their half year results showed increased product development costs. Biopetrol Industires was affected by concerns over margins in the German Biodiesel market, sparked by a profit warning from Verbio (not held). German Biodiesel producers who supply the domestic market have suffered from margin compression due to increased feedstock prices and lower diesel prices. This can be mitigated by exporting output and being flexible with what feedstock is used.

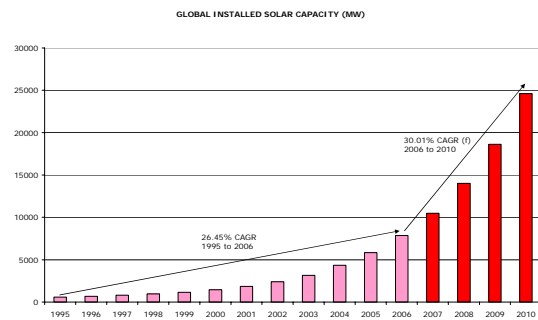
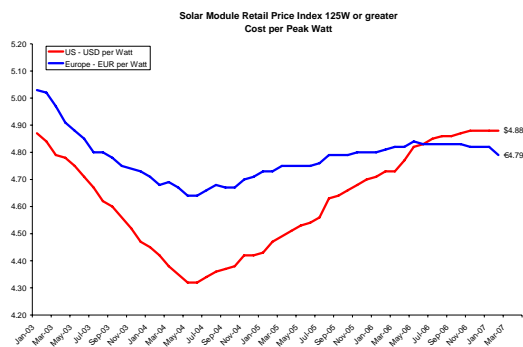
Trading

In the solar sector we took a unit in REC, a fully integrated module manufacturer and one of the largest worldwide producers of solar grade polysilicon. It is a stock which we have been following closely and decided to buy when the price dipped at the beginning of March. We took profit in Solar Millennium and Evergreen Solar.

We have been looking for ways to increase our exposure to the wind sector, because unlike the solar sector, there are relatively few pure play wind companies we can invest in. We therefore decided to take a half unit in Acciona for its wind farm assets.

We bought a half unit in Water Furnace Industries, a Canadian company that produces ground source heat pumps as the price had come off after their results. We took a full unit in PNOC Energy Development, a Philippine company with significant geothermal assets.

Solar fundamentals

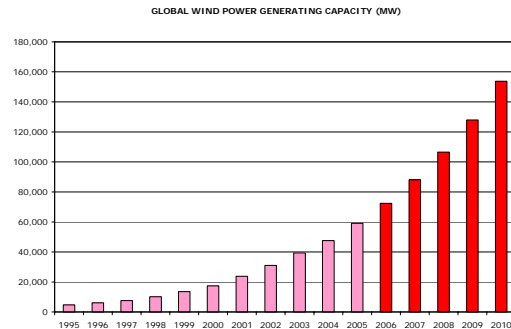


Sources: Solarbuzz LLC, IEA Photovoltaic Powersystems Programme, Photon International

Solar prices appear to be peaking in Europe and the US, with retail prices in Europe now at €4.79 and retail prices flat in the US at \$4.88. The two can be considered separate markets, but both are dependent on Silicon prices, which continue to be at record highs. Installed capacity is forecast to increase at 30.01% per annum (Photon International), which gives a strong momentum to the industry. We would expect the growth to increase

dramatically when costs get down to c.\$2 per Watt, which is the industry's target over the next 5-10 years.

Wind fundamentals



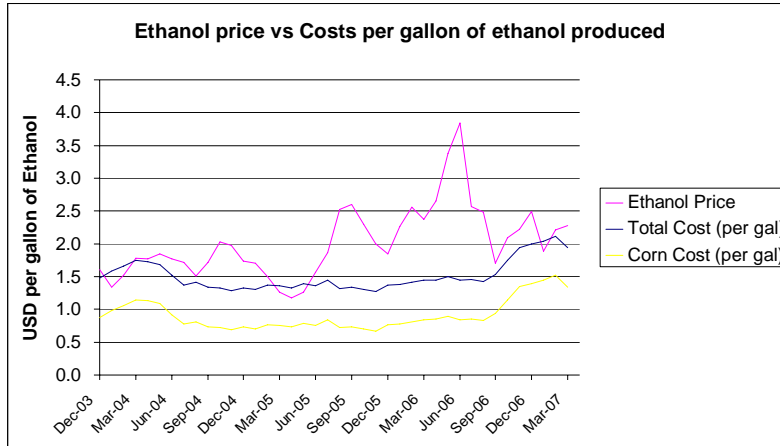
Source: EIA Advanced Scenario

The wind industry is in our opinion at a sweet spot where turbine cost has reached a level where wind site developers can profitably install and operate wind farms without the need for subsidies. Demand is high and turbine manufacturers are operating at full capacity. This has caused turbine prices to flatten and even increase in certain circumstances. The turbine manufacturers are therefore able to strive for economies of scale in a highly profitable environment and when turbine prices decrease again, the increasing volumes should allow continued profitability. Growth is forecast to be 21.1% annually to 2010. Denmark has now exceeded 20% of electricity production capacity from wind and is setting the global benchmark for integration of intermittent electricity sources into national grid supplied electricity networks. This demonstrates that there is considerable room for growth in global turbine demand.

The recent bids for Repower, EDP's acquisition of Horizon Energy and continuing contract wins for turbine manufacturers underpin valuations in the sector. China has announced that it will spend \$2 billion on wind capacity this year and other countries are increasing their commitments to developing further wind capacity.

Biofuels fundamentals

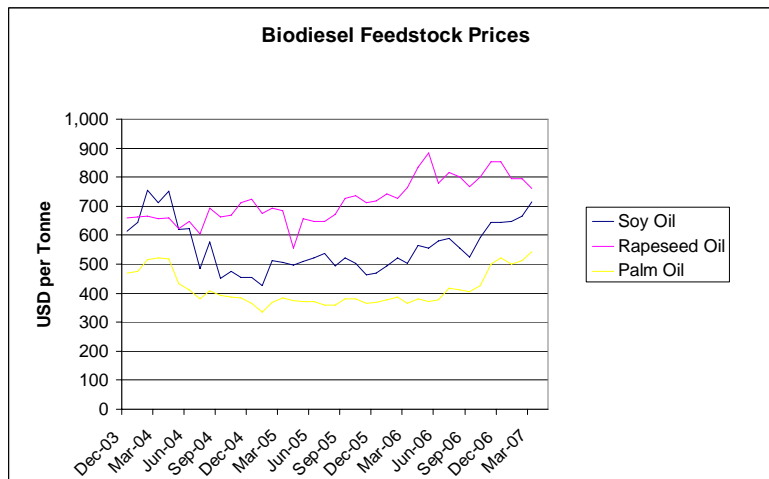
The price of corn has been rising for the last six months which has squeezed margins in the ethanol refining industry. However, in March the Department of Agriculture released a report on prospective corn plantings that estimated that American farmers would plant 90.5 million acres of corn in 2007, a 15% increase over last year and the most since 1944. The corn price has since dropped from its high of \$4.37 per bushel in February to around \$3.50 at the beginning of March. We note that \$3.50 is still markedly higher than the \$2.10 run rate seen from 2002 to 2006.



Source: Bloomberg.

We have assumed a yield of 2.8 gallons of ethanol per bushel of corn. Total cost includes an extra 60c per gallon from natural gas, transport costs, and labour and also includes revenue from sales of distillers grains.

The feedstock prices used in biodiesel production have also risen but not to the extent that corn has. Some biodiesel producers' ability to use a range of feedstocks allows them to use whichever feedstock may be cheapest. Rapeseed oil has been the most expensive followed by Soy oil and then Palm Oil. However, there have been occasions where this relationship has not held true. As seen in the chart below, feedstock price volatility can best be arbitrated by operators who can switch between different feedstocks.



Source: Bloomberg

Total returns reflect a fee waiver in effect and in the absence of this waiver, the total returns would be lower.

This information is authorized for use when preceded or accompanied by a prospectus for the Guinness Atkinson Global Energy Fund. The prospectus contains more complete information, including investment objectives, risks, charges and expenses related to an

ongoing investment in the Fund. Please read the prospectus carefully before investing.

The Fund invests in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. The Fund has difficulty selling small- or mid-cap or emerging market stocks during a down market due to lower liquidity and higher volatility.

Fund holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security.

The WilderHill New Energy Global Innovation Index (NEX) is a modified dollar weighted index of publicly traded companies which are active in renewable and low-carbon energy, and which stand to benefit from responses to climate change and energy security concerns.

The WilderHill Clean Energy Index (ECO) is a modified equal dollar weighted index comprised of publicly traded companies whose business's stand to benefit substantially from societal transition toward the use of cleaner energy and conservation.

One cannot invest directly in an index.

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Monthly brief format changes

As you can probably see, we have expanded the content and changed the form of the Guinness Atkinson Alternative Energy Fund monthly brief. The purpose is to communicate more effectively the composition of the portfolio and how we think about the alternative energy sector. We now provide a full monthly portfolio breakdown, with sector, geography and unit size information.

As discussed above, as the portfolio has grown we have consciously decided to make sure that the liquidity of our positions remains high. Structurally we now divide the portfolio into full units, half units and research units. We use half units to diversify risk across sectors and to enable us to trade more efficiently. For full and half units, we maintain constant weightings as far as possible which enables us to enforce a buy/sell discipline. This means we buy when stocks go down and sell when stocks go up. Research units are smaller investments in companies which we think are interesting and attractive investments but where the size or liquidity means that we do not want to hold a large position and will trade only opportunistically. They enable us to keep close track of emerging technologies.

We have changed the classifications for the sector breakdown. In particular we have split what was originally "Biofuels" into "Biofuels" and "Biomass Energy". Biofuels includes production of fuels from biomass (principally ethanol and biodiesel) for transport

purposes. Biomass energy refers to all non transport related use of biomass, typically for production of electricity. It therefore includes biogas, landfill gas and waste to energy investments. Efficiency has been expanded as a category to include hybrid vehicles, energy storage technologies, heat pumps, carbon credit producers and efficient systems and lighting manufacturers. We believe that one of the ways in which the worlds energy needs will be addressed is improved efficiency of global energy use and want to capture some of that effect within the portfolio.

We will also give ongoing statistics that reflect our view of the key drivers for stocks in the alternative energy sector.

We hope that these changes are welcomed by investors and invite any feedback you might have.

Thank you for your continuing support.

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Edward Guinness
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