



Alternative Energy Brief

May 2007

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Welcome to the May 2007 Guinness Atkinson Alternative Energy Brief.

In this issue:

- Fund Performance
- Portfolio Breakdown
- Stock Performance
- Trading and Fundamentals

In this issue we cover the strong performance of the fund in April, look at the composition of the portfolio and where we have profited and finally look at the changing fundamentals of the alternative energy industry. We provide statistics on the wind, solar and biofuels industries, as all are entering new phases of their development. We currently particularly favour the wind and solar sectors where companies are achieving conventional returns in sturdy high growth markets.

Fund performance

The Guinness Atkinson Alternative Energy Fund was up **4.72%** in April 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 8.87% YTD and we are 4.08% behind the WilderHill New Energy Global Innovation Index (which is not investible). 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 April 2007, Total Return for 2007 to end April, Total Return from inception.

Total returns	Apr 07	YTD 07	From inception:
Guinness Atkinson Alternative Energy Fund (03/31/06)	4.72%	19.97%	10.08%
WilderHill New Energy Global Innovation Index	5.13%	24.05%	33.12%
WilderHill Clean Energy Index	2.34%	11.10%	-10.36%

Expense Ratio 1.98%

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.

Sector breakdown

We benefited from switching into solar in Q4 2006 and have increased our exposure to 26.11%. We are bullish on wind and have 14.57% 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 52.88% of the portfolio. The most laggard area is our fuelcell stocks, which we have reduced to 8.88% of the fund. We have a 7.72% 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, but remain concerned about the risks associated with independent commodity inputs and outputs. Efficiency stocks make up 11.62% of the portfolio and include investments in the carbon sector, hybrid vehicles and specific efficiency companies. Geothermal stocks are 6.89% 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

49.68% of the portfolio is invested in companies' domiciled Europe, led by Germany which accounts for 15.42%. 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 8.58% and 6.09% respectively. We have just 27.09% 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	26.11%	Europe	49.68%
Wind	14.57%	North America	27.09%
Hydro	12.20%	Asia	7.24%
Efficiency	11.62%	Australia	7.98%
Fuelcell	8.88%	Latin America	2.19%
Biofuel	7.72%	Cash	5.82%
Geothermal	6.89%		
Biomass Energy	5.83%		
Wave/tidal	0.80%		
Cash	5.82%		
	100.00%		100.0%

Liquidity analysis

Mkt Cap \$m	Positions	% of Assets	Position size	Positions	% of Assets
>1000	18	49.53%	Full	13	43.44%
500-1000	3	7.69%	Half	28	46.34%
250-500	7	13.74%	Research	17	4.40%
100-250	11	12.30%			
50-100	13	10.06%			
<50	3	0.86%			
Cash		5.82%	Cash		5.82%
Total	57	100.00%		58	100.00%

The liquidity of the portfolio remains good. Roughly half (49.53%) of the portfolio is in stocks with a market capitalisation of over \$1 billion and only 0.86% 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 28 half units, with a further 17 research positions. This also enables us to benefit from a strict rebalancing discipline.

Stock performance

Top 5	Size	April	Bottom 5	Size	April
Azure Dynamics	Research	64.08%	Solartron	Research	-34.05%
Solar-Fabrik	Half	50.69%	Ocean Power Tech	Research	-31.20%
Trading Emissions	Half	31.22%	Natural Fuels Australia	Half	-17.68%
Westport Innovations	Half	29.44%	Babcock and Brown Environmental	Half	-17.68%
Clipper Windpower	Half	29.33%	Ormat Technologies	Full	-13.04%

April saw strong performance across most of the sectors we are in. Azure Dynamics, a developer of hybrid powertrains announced a sales contract in Mexico, validating their product to a certain extent. Solar Fabirk continued to perform well. This had been one of the most undervalued solar stocks and continues still to trade at a discount to the solar sector. Trading Emissions benefited from an increase in the price of carbon credits. 2008 carbon dioxide emissions credits have increased from \$12.25 per tonne on February 20, 2007 to \$19.03 per tonne on April 30, 2007. Clipper Windpower continues to progress well and we think that the market is beginning to recognize the value in their portfolio of development sites in addition to the potential for the wind turbine business.

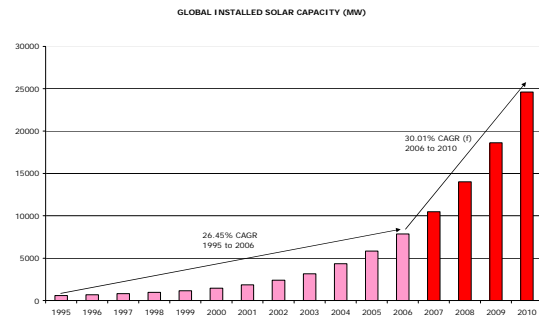
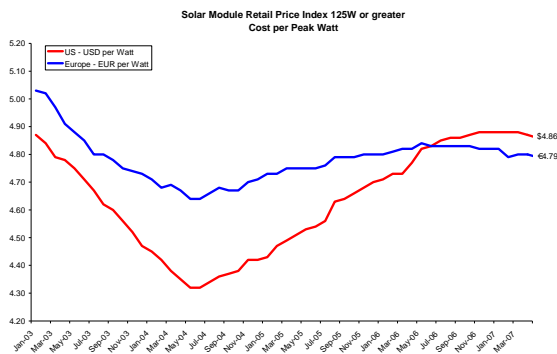
The two worst performing stocks were smaller research positions – Solartron, a Thai solar stock, has struggled amongst uncertainty over the support from the regime for investing in solar and ocean power technologies, which fell after raising \$100 million in the U.S. markets. We did not participate in the capital raising, but are interested in the

technology. Natural Fuels Australia and Babcock and Brown Environmental are the co-owners of a biodiesel plant in Darwin, Australia and have suffered as a result of higher palm oil prices. Ormat Technologies missed their earnings forecasts.

Trading

We sold our position in Nordex to take profit, and replaced it in the wind section of our portfolio with a half unit in Babcock and Brown Wind Partners when they came to the market for additional capital. They are a leading investor in wind farms internationally. We also took a half unit in Contact Energy, a New Zealand utility, with significant geothermal and wind assets.

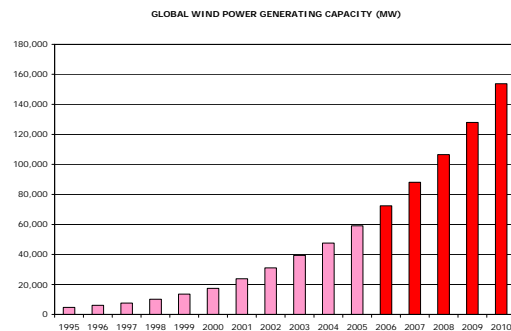
Solar fundamentals



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

Solar prices appear to be peaking in Europe and the U.S., with retail prices in Europe now at €4.79 and retail prices in the US at \$4.86. 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



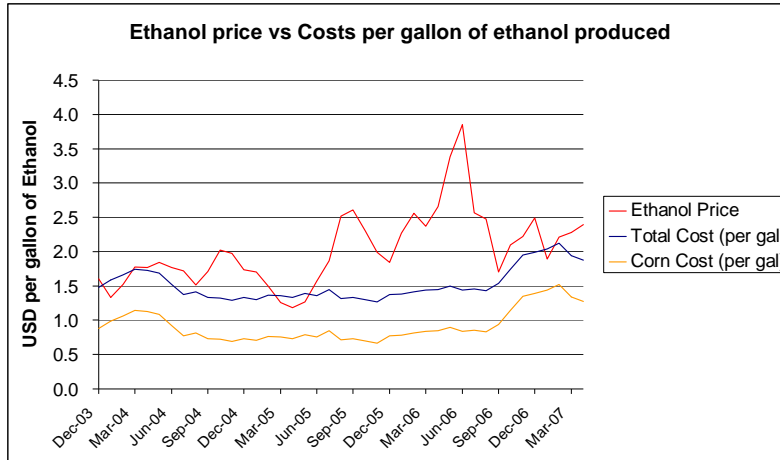
Sources: EIA Advanced Scenario,

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.

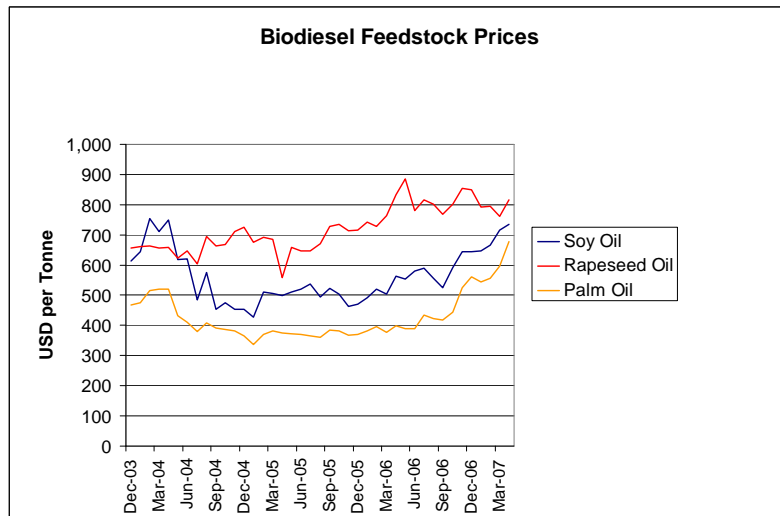
Biofuels fundamentals

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 \$3.58 at the beginning of April. We note that \$3.58 is still markedly higher than the \$2.10 run rate seen from 2002 to 2006. While there is now a theoretical margin for ethanol refiners to earn, it will take a number of quarters to get through the hedging programmes put in place.



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, but that reflects a difference in quality of the output. The recent price convergence between the three oils means that there is no advantage for operators in using Palm Oil at current prices. As seen in the chart below, feedstock price volatility can best be arbitrated by operators who can switch between different feedstocks.



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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Thank you for your continuing support.

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