

Alternative Energy Brief
June 2007

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Welcome to the June 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 May, 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 **5.60%** in May which takes us to up **26.68%** for the year to date (YTD) 2007. 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 13.50% YTD and we are 1.07% behind the WilderHill New Energy Global Innovation Index (which has not been 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 Returns as of 5/31/07

Total returns	May 07	YTD 07	1 Year	From inception:
Guinness Atkinson Alternative Energy Fund (03/31/06)	5.60%	26.68%	17.46%	16.24%
WilderHill New Energy Global Innovation Index	2.92%	27.75%	38.66%	37.10%
WilderHill Clean Energy Index	1.83%	13.18%	-6.15%	-8.69%

Total Returns as of 3/31/07

Total returns	Mar 07	YTD 07	1 Year	From inception:
Guinness Atkinson Alternative Energy Fund (03/31/06)	3.46%	14.56%	5.12%	5.12%
WilderHill New Energy Global Innovation Index	5.99%	17.99%	26.62%	26.62%
WilderHill Clean Energy Index	2.24%	8.56%	-12.42%	-12.42%

Gross Expense Ratio 2.60%

Net Expense Ratio* 1.98%

* The expense ratio shown is from the most recent prospectus (April 30, 2007). The Fund has an expense cap in place and the advisor is contractually obligated to cap the total expenses at least through June 30, 2008. The Advisor has guaranteed total fund operating expenses (as a percentage of net assets) will not exceed 1.98% through June 30, 2008 or until such a later date as the Advisor determines.

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.

Sector breakdown

We benefited from switching into solar in Q4 2006 and have increased our exposure further to 29.23%. We are bullish on wind and have 14.38% 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 56.72% of the portfolio. The most laggard area is our fuelcell stocks, which we have reduced to 7.13% of the fund. We have a 9.29% 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 10.76% of the portfolio and include investments in the carbon sector, hybrid vehicles and specific efficiency companies. Geothermal stocks are 6.73% 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

46.37% of the portfolio is invested in companies domiciled in Europe, led by Germany which accounts for 14.86%. 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 8.27% and 5.21% respectively. We have just 24.88% 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. We have 5.45% invested in Brazil and 6.87% invested in Australia, demonstrating that 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	29.23%	Europe	46.37%
Wind	14.38%	North America	24.88%
Hydro	13.11%	Asia	11.06%
Efficiency	10.76%	Australia	8.43%
Fuelcell	7.13%	Latin America	5.45%
Biofuel	9.29%	Cash	3.80%
Geothermal	6.73%		
Biomass Energy	5.28%		
Wave/tidal	0.29%		
Cash	3.80%		
	100.00%		100.0%

Liquidity analysis

Mkt Cap \$m	Positions	% of Assets	Position size	Positions	% of Assets
>1000	22	52.19%	Full	13	40.99%
500-1000	5	8.86%	Half	28	51.69%
250-500	7	12.35%	Research	17	3.52%
100-250	14	12.70%			
50-100	10	9.21%			
<50	4	0.90%			
Cash		3.80%	Cash		3.80%
Total	62	100.00%		58	100.00%

The liquidity of the portfolio remains good. Roughly half (52.19%) of the portfolio is in stocks with a market capitalisation of over \$1 billion and only 0.90% 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 32 half units, with a further 17 research positions. This also enables us to benefit from a strict rebalancing discipline.

Stock performance

Top 5	Size	May	Bottom 5	Size	April
Quantum Fuel	Half	36.92%	Agcert	Research	-20.49%
Echelon	Half	34.67%	Mechanical Technology	Research	-16.67%
Acciona	Half	18.84%	Railpower	Research	-15.68%
Hydrogenics	Half	18.82%	Carotech	Research	-15.34%
CPFL Energia	Half	18.26%	Azure Dynamics	Research	-11.90%

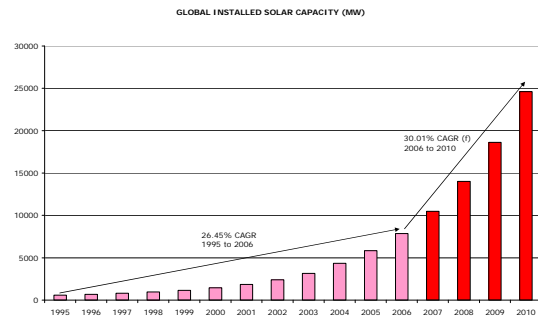
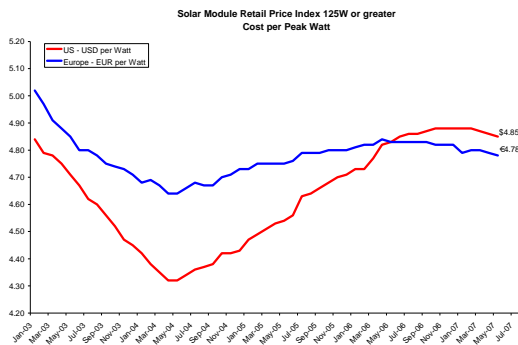
May saw strong performance across most of the sectors we are in. Quantum Fuel Systems recovered somewhat after earlier poor performance and announced interesting future contracts. Echelon performed well as execution continued according to company plans. Acciona benefited from a U.S. wind turbine contract and better clarity on the stock post its acquisition of part of Endesa. Hydrogenics is a fuelcell company we hold which recovered well in May and CPFL Energia was a recent purchase which benefited from a sharp rally in the Latin American markets.

We were pleased to see that all of our worst performing stocks were research holdings, validating our structural approach.

Trading

During May we positioned the fund to have additional solar exposure in Asia by buying half units in Taiwanese solar module manufacturers, E-Ton Solar and Motech Industries and in the IPO of China Sunergy. We also bought Brasil Ecodiesel and CPFL Energia in Brazil. We exited our position in Ballard Power.

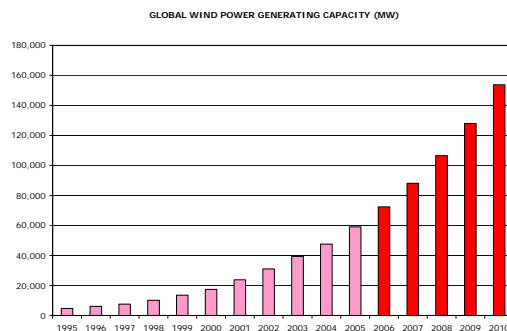
Solar fundamentals



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 €4.78 and retail prices flat in the U.S. at \$4.85. 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

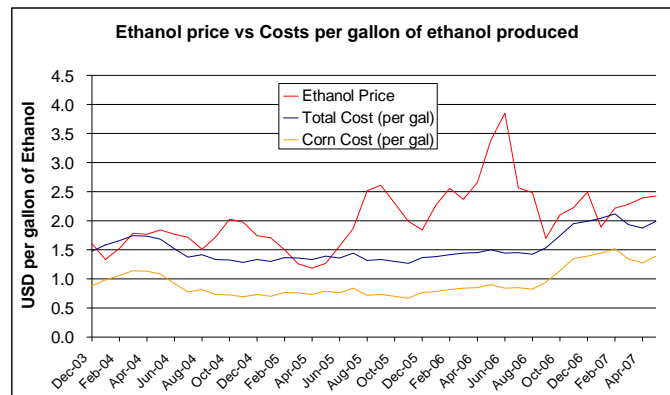


Sources: EIA Advanced Scenario,

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 there is considerable room for growth in global turbine demand.

Biofuels fundamentals

The price of corn has been rising for the last nine months which has squeezed margins in the ethanol refining industry. 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. This caused corn prices to fall to \$3.58 at the beginning of April, but they have since rebounded to \$3.90 at the end of May. Ethanol prices have not followed the rise in gasoline prices because of the glut of ethanol plants coming online. At these corn and ethanol prices, margins for ethanol refiners are slim to negative.

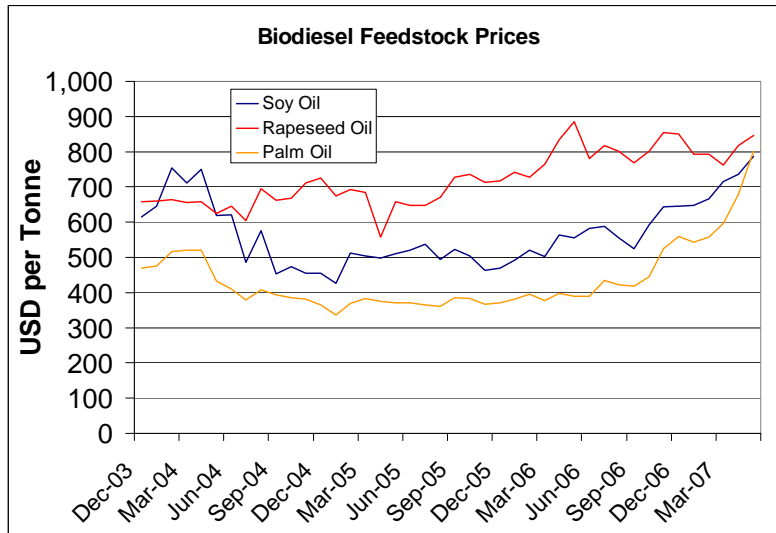


Source: Bloomberg. We have assumed a yield of 2.8 gallons of ethanol per bushel of corn. Total cost includes an extra 60c per gallon from natural gas, transport costs, and labour and also includes revenue from sales of distillers grains.

While most of the feedstock prices used in biodiesel production have also risen but not to the extent that corn has, palmoil has recently more than doubled in price from a year ago. 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.



Thank you for your continuing support.

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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 will involve greater volatility and political, economic and currency risks and difference in accounting methods. The Fund is non-diversified meaning its assets may be concentrated in fewer individual holdings than diversified funds. Therefore, the Fund is more exposed to individual stock volatility than diversified funds. The Fund also invests in smaller companies, which will involve additional risks such as limited liquidity and greater 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.

Top Ten Holdings as of 5/31/07	% of Assets
Renewable Energy Corp AS	3.50%
Solarworld AG	3.45%
Q-Cells AG	3.38%
Conergy AG	3.36%
Cia Energetica de Minas Gerais	3.25%
Iberdrola SA	3.24%
Verbund – Oesterreichische Elektrizitaetswirtschafts AG	3.22%
PNOC Energy Development Corp	3.21%
Gamesa Corp Tecnologica SA	3.18%
Vestas Wind Systems A/S	3.13%

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