



Alternative Energy Brief
October 2007

Written by Tim Guinness, Lead Manager of the Alternative Energy Fund ([GAAEX](#))
Edward Guinness, Co-Manager of the Alternative Energy Fund
Matthew Page, Co-Manager of the Alternative Energy Fund

Welcome to the October 2007 Guinness Atkinson Alternative Energy Brief.

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Fund performance

The Guinness Atkinson Alternative Energy Fund was up 9.49% in September which takes us to up 35.75% for the year to date (YTD) 2007. The sector as a whole recovered sharply from the August doldrums and we benefited from our heavy solar weighting.

Total Returns as of 9/30/07

Total returns	Sept 07	YTD 07	1 Year	From inception
Guinness Atkinson Alternative Energy Fund (03/31/06)	9.49%	35.75%	50.43%	15.75%
WilderHill New Energy Global Innovation Index	8.91%	42.77%	60.83%	32.87%
WilderHill Clean Energy Index	7.32%	32.18%	36.63%	4.38%

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 and geographic breakdown

Sector	% of Assets	Region	% of Assets
Solar	38.55%	Europe	51.65%
Wind	16.79%	North America	23.52%
Hydro	14.37%	Asia	12.46%
Efficiency	9.29%	Australia/NZ	6.75%
Biofuel	7.14%	Latin America	6.13%
Geothermal	6.81%		
Fuelcell	5.87%		
Biomass Energy	1.74%		
Wave/Tidal	0.18%		

Solar has now increased to form 38.55% of the assets of the Fund. We think that the next 5 years should carry the solar industry to a position where the holy grail of grid parity is achievable. Investments in solar cover all elements of the value chain from silicon producers to cell and module manufacturers. We are 16.79% invested in Wind investments, split between turbine manufacturers and wind farm developers. Turbine manufacturers have benefited from tight market conditions, and wind farm developers are well placed because of faster approval cycles and increasing asset values. Hydro forms a lower risk bedrock to the portfolio. The overarching idea behind holding these is because of their low operating cost which means that increases in electricity prices and payments for carbon credits go straight to the bottom line. Geothermal power has similar dynamics, and is similarly location constrained, but is at a much earlier stage of implementation. We remain circumspect about biofuels which account for 7.14% of the Fund. We prefer biofuel stocks that have some form of vertical integration. Biofuel refining stocks have the most potential as shorter term trading ideas. Fuelcells remain some way from mass commercialisation and we currently hold 3 niche investments which we hope will give us access to some of the early winners. Biomass Energy accounts for 1.74% of the Fund. There are a number of opportunities in this space, but the growth potential and returns are less attractive. Wave/Tidal power has very few investment opportunities to date, but we are following the sector keenly. Our only holding is a small research position.

Europe accounts for 51.65% of the assets in the Fund versus 23.52% in North America. This reflects the earlier development of the European wind and solar industries. We have 25.34% in Asia, Australasia and Latin America and are continually looking for international opportunities that are under the U.S. investor's radar screen.

Liquidity analysis

Mkt Cap \$m	Positions	% of Assets	Position size	Positions	% of Assets
>1000	24	61.04%	Full	15	49.23%
500-1000	7	12.14%	Half	29	45.00%
250-500	8	9.81%	Research	23	6.28%
100-250	10	10.47%			
50-100	10	6.03%			
<50	8	1.03%			

The liquidity of the portfolio remains good. More than half (61.04%) of the portfolio is in stocks with a market capitalisation of over \$1 billion and only 1.03% of the portfolio is invested in stocks with a market capitalisation below \$50 million. The universe of high quality large cap alternative energy stocks is growing fast, both organically and from new issues. 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 15 full units and 29 half units, with a further 23 research positions. This enables us to benefit from a strict rebalancing discipline.

Stock performance

Top 5	Size	Sept	Bottom 5	Size	Sep
China Sunergy	Half	67.89%	Railpower	Research	-41.26%
Westport Innovations	Half	46.95%	Agcert	Research	-38.69%
SAG Solarstrom	Half	41.71%	Agri Energy	Research	-21.78%
Solon AG	Full	38.45%	Jetion	Half	-17.68%
EDF Energies Nouvelles	Half	28.34%	Natural Fuels	Research	-16.45%

China Sunergy bounced straight back after a disappointing August helped by signing a wafer supply contract. Westport Innovations inched closer to delivering on its LA ports contract – recognition of this drove the stock higher. SAG Solarstrom is another distressed solar stock which has started to move up. Solon is a stock where we had increased our position to a full unit after a visit to their facilities in Germany. They will be well placed to benefit from the high solar growth and performed well in September notwithstanding a capital raise.

Again, most of the worst performing positions were research positions. Railpower has been highly volatile and the stock continues to languish. Agcert we hold to follow the fortunes of the carbon credit markets. Their business model has been shown not to work as a result of lower production at each facility. Jetion is a solar stock which stands at a significant discount to the solar sector at large, partly because of its London listing. It declined on slight disappointment over its interim results. Natural Fuels is a legacy

biofuels position we own, where the margins achievable are negligible at current commodity prices.

Trading

For September, no changes were made to the portfolio other than reclassification.

Thank you for your continuing support.

Tim Guinness
Edward Guinness
Matthew Page
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Commentary for our views on global energy and Asia markets is available on our website. Please [click here](#) to view.

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 9/30/07	% of Assets
Vestas Wind Systems A/S	3.76%
Renewable Energy Corp AS	3.66%
Conergy AG	3.64%
Q-Cells AG	3.54%
Solarworld AG	3.53%
Solon AG Fuer Solartechnik	3.43%
Verbund - Oesterreichische Elektrizitaetswirtschafts AG	3.43%
PNOC Energy Development Corp	3.25%
Cia Energetica de Minas Gerais	3.24%
Ormat Technologies Inc	3.19%

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