

**Alternative Energy Brief**  
**December 2007**

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Welcome to the December 2007 Guinness Atkinson Alternative Energy Brief.

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## Fund performance

The Guinness Atkinson Alternative Energy Fund was down 5.00% in November which takes us to 40.80% for the year to date (YTD) as of 11/30/2007. Broad equity markets were weaker and we saw some investor move out of higher beta names which weighed on the sector. As we have been for much of the year, we performed between the two main benchmarks that we follow.

### Total Returns as of 11/30/07

Total returns	Nov 07	YTD 07	1 Year	From inception
Guinness Atkinson Alternative Energy Fund (03/31/06)	-5.00%	40.80%	42.54%	16.60%
WilderHill New Energy Global Innovation Index	-3.67%	52.24%	53.93%	32.97%
WilderHill Clean Energy Index	-6.39%	36.80%	31.06%	6.09%

Gross Expense Ratio 2.60%

Net Expense Ratio\* 1.98%

### Total Returns as of 12/31/07

Total returns	Dec 07	YTD 07	1 Year	From inception
Guinness Atkinson Alternative Energy Fund (03/31/06)	1.34%	42.68%	42.68%	16.61%
WilderHill New Energy Global Innovation Index	4.69%	59.38%	59.38%	34.54%
WilderHill Clean Energy Index	16.14%	58.88%	58.88%	15.21%

\* 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](http://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	37.51%	Europe	54.69%
Wind	26.79%	North America	23.94%
Hydro	14.16%	Asia	13.93%
Efficiency	8.22%	Australia/NZ	6.04%
Geothermal	6.82%	Latin America	4.52%
Fuelcell	4.76%		
Biofuel	3.00%		
Biomass Energy	1.73%		
Wave/Tidal	0.14%		

Solar remains the highest weighted sector with 37.51% 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 have remained in the stocks where we can see valuation upside – there are a number of highly volatile solar stocks where the valuation is challenging in our view (and which we do not hold). We have increased our position in wind further from 20.67% to 26.79% through performance and increased holdings. Our positions in wind are split evenly between turbine manufacturers and wind farm developers. Turbine manufacturers are benefiting 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 3.00% of the fund now, although we are monitoring valuations carefully for an attractive re-entry point. We prefer biofuels stocks that have some form of vertical integration. Biofuel refining stocks have most potential as shorter term trading ideas. Fuelcells remain some way from mass commercialization and we currently hold 3 niche investments which we hope will give us access to some of the early winners. Biomass Energy accounts for 1.73% 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 54.69% of the assets in the fund versus 23.94% in North America. This reflects the earlier development of the European wind and solar industries. We have 24.49% in Asia, Australia and Latin America and are continually looking for international opportunities that are under the US investor's radar screen.

## Liquidity analysis

Mkt Cap \$m	Positions	% of Assets	Position size	Positions	% of Assets
>1000	27	67.69%	Full	16	52.33%
500-1000	6	9.98%	Half	30	45.89%
250-500	6	9.79%	Research	16	4.90%
100-250	11	9.67%			
50-100	7	4.60%			
<50	5	1.40%			

The liquidity of the portfolio remains good. The percentage of the portfolio that is in stocks with a market capitalization of over \$1 billion has crept up to 67.69% today and only 1.40% of the portfolio is invested in stocks with a market capitalization 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 capitalization more liquid stocks and positions in smaller capitalization 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 16 full units and 30 half units, with a further 16 research positions. This enables us to benefit from a strict rebalancing discipline.

## Stock performance

Top 5	Size	Nov	Bottom 5	Size	Nov
Suntech	Full	34.44%	Agcert	Research	-62.84%
Solar Millenium	Half	18.00%	Quantum Fuel Sys	Research	-45.22%
Wacker Chemie	Half	14.03%	VRB Power	Research	-43.18%
Theolia	Full	11.79%	Motech	Half	-28.22%
Q-Cells	Full	10.61%	Natural Fuel	Research	-28.04%

The solar sector again had a strong month in November, with four of our top five stocks in the solar sector. Suntech, the leading Chinese solar stock again performed well and it was predominantly the higher quality names that performed better. Theolia is a French wind farm developer and they began to recover after the stock had suffered through a financing for future projects.

There was a long list of poor performing stocks this month, but again, most of the worst performing positions were research positions. Quantum Fuel Systems, a hydrogen fuel company has suffered as a result of the pressures on US car manufacturers. They should benefit as they refocus on their core technology business after a disastrous foray into manufacturing. Motech has been a surprise poor performer – it is a Taiwanese solar manufacturer with a solid reputation, but the stock has not benefited from the rise in the broader Asian markets or the solar sector – for us this is one to watch for the future. Natural Fuels continues the hangover of poor performance in biofuels stocks.

## Trading

As a matter of good housekeeping, we cleared out our research portfolio of a number of stocks where the initial premise or reason for interest was no longer valid, or where the size of the company and its prospects made it unlikely to make it into the main portfolio.

We sold our position in Brasil Ecodiesel as we felt that the valuation was no longer supported by the fundamentals. We bought back in to Nordex as there was a buying opportunity and the progress of the company has caught up with the valuation. We took a position in the IPO of Innergex a Canadian wind developer and took a position in Solaria, a Spanish solar player.

Thank you for your continuing support.

Tim Guinness  
Edward Guinness  
Matthew Page  
*December 2007*

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.

Beta measures the volatility of a fund, as compared to that of the overall market. The market's beta is 1.00; a beta higher than 1.00 is considered to be more volatile than the market, while a beta lower than 1.00 is considered to be less volatile.

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.

<b>Top Ten Holdings as of 12/31/07</b>	<b>% of Assets</b>
Vestas Wind Systems A/S	4.02%
Q-Cells AG	3.85%
Suntech Power Holdings Co Ltd	3.65%
Theolia SA	3.49%
Gamesa Corp Tecnologica SA	3.40%
Iberdrola Renovabl	3.37%
Verbund - Oesterreichische Elektrizitaetswirtschafts AG	3.26%
Conergy AG	3.26%
Ormat Technologies Inc	3.24%
Clipper Windpower PLC	3.18%

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