**Alternative Energy Brief**
**May 2008**

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Welcome to the May 2008 Guinness Atkinson Alternative Energy Brief.

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## Fund performance

The Guinness Atkinson Alternative Energy Fund was up 7.74% in April, which beat both our two benchmarks – we have started to move back in the right direction and are beginning to see more discrimination as investors look for growth areas that will be less affected by current conditions. Year to date through April 30, 2008 we are outperforming our two benchmarks.

While the outlook for the broad markets remains choppy in our opinion, the valuations for alternative energy are looking highly attractive and the growth prospects are if anything stronger than they have been. The high oil price, the high gas price, rising coal prices and even now rising electricity prices are all improving the market for alternative energy companies, and we think that when some of the liquidity related issues shake out over the next 12-24 months and companies are valued on their fundamental prospects the sector should outperform. Few of the companies we are invested in need to raise capital in the markets to support that growth over the next 12 months and the financing market for alternative energy projects remains sturdy because of government backing to cash flows.

**Total Returns as of 04/30/08**

| Total returns | Apr 08 | YTD 08 | 1 Year | From inception |
|---|---|---|---|---|
| Guinness Atkinson Alternative Energy Fund (inception 03/31/06) | 7.74% | -10.03% | 7.01% | 8.17% |
| WilderHill New Energy Global Innovation Index | 7.22% | -11.71% | 13.42% | 21.85% |
| WilderHill Clean Energy Index | 6.59% | -24.65% | 7.75% | -1.65% |

Gross Expense Ratio 1.58%
Net Expense Ratio* 1.64%

**Total Returns as of 03/31/08**

| Total returns | Mar 08 | YTD 08 | 1 Year | From inception |
|---|---|---|---|---|
| Guinness Atkinson Alternative Energy Fund (inception 03/31/06) | 2.42% | -16.49% | 5.07% | 4.56% |
| WilderHill New Energy Global Innovation Index | 1.25% | -17.66% | 16.44% | 17.51% |
| WilderHill Clean Energy Index | -4.03% | -29.31% | 10.23% | -4.80% |

Gross Expense Ratio 2.60%
Net Expense Ratio* 1.98%

* The expense ratio shown is from the most recent prospectus (April 30, 2008). The Fund has an expense cap in place and the advisor is contractually obligated to cap the total expenses at least through June 30, 2009. The Advisor has guaranteed total fund operating expenses (as a percentage of net assets) will not exceed 1.98% through June 30, 2009 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 | 46.04% | Europe | 57.80% |
| Wind | 27.96% | North America | 23.69% |
| Efficiency | 8.47% | Asia | 10.28% |
| Hydro | 5.88% | Australasia | 5.31% |
| Geothermal | 5.87% | Latin America | 3.15% |
| Biofuel | 3.45% | | |
| Biomass Energy | 2.57% | | |

We maintained our overweight position in Solar stocks with a 46.04% holding, which continued to perform well. 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 and installers and distributors.

We hold 27.96% in wind and 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.

Efficiency includes stocks in a number of areas from hybrid vehicles and ground source heat pumps to building efficiency and LED lighting where companies will profit from reducing energy use for industry and consumers. We currently hold 8.47% of the portfolio in efficiency stocks.

Hydro forms a lower risk strand of the portfolio, with a current weight of 5.88. 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, at 5.87% of the fund, 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 3.45% of the fund now, although we are monitoring valuations carefully. We prefer biofuels stocks that have some form of vertical integration (i.e. they manage their own feedstock production). Biofuel refining stocks have most potential as shorter term trading ideas.

Biomass Energy accounts for 2.57% of the fund. There are a number of opportunities in this space, but the growth potential and returns are less attractive than elsewhere.

Fuelcells remain some way from mass commercialization and we currently hold no investments. Similarly we hold no wave/tidal investments today.

Europe accounts for 57.80% of the assets in the fund versus 23.69% in North America. This reflects the earlier development of the European wind and solar industries. We have 18.74% 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 | 23 | 65.18% | Full | 16 | 46.22% |
| 500-1000 | 8 | 15.81% | Half | 25 | 47.75% |
| 250-500 | 6 | 9.03% | Research | 10 | 6.26% |
| 100-250 | 10 | 8.04% | | | |
| 50-100 | 1 | 1.02% | | | |
| <50 | 3 | 1.15% | | | |

The liquidity of the portfolio continues to improve. The percentage of the portfolio that is in stocks with a market capitalization of over $1 billion is now 65.18% and only 1.15% of the portfolio is invested in stocks with a market capitalization below $50 million. The universe of high quality large cap alternative energy stocks has been growing both organically and from new issues, although there has been little issuance to date in 2008. 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 25 half units, with a further 10 research positions. This enables us to benefit from a strict rebalancing discipline.

**Stock performance**

| Top 5 | Size | Apr | Bottom 5 | Size | Apr |
|---|---|---:|---|---|---:|
| Maple Energy | Research | 61.25% | SAG Solarstrom | Research | -20.44% |
| E-Ton Solar Tech | Half | 51.55% | Echelon | Half | -18.19% |
| VRB Power Systems | Research | 39.17% | PNOC Energy | Full | -17.65% |
| Xantrex Technologies | Half | 27.60% | MEMC | Half | -16.28% |
| Motech Industries | Half | 26.00% | Canadian Hydro | Half | -15.53% |

For April we saw further recovery in a number of our solar names, notably our two Taiwanese holdings, Motech and E-Ton. Maple Energy was our top performer for the month and has continued to perform well in May. As a Peruvian ethanol developer they are our only biofuels holding of any note, and as well as being vertically integrated should be a low cost producer of ethanol with low import barriers to the US market. This is a research holding where the NAV at month end had reached 2.45% of NAV and is therefore making a meaningful contribution to performance. Xantrex is an interesting company who are a leading manufacturer of inverters for both solar and wind and in our opinion are still undervalued.

Echelon has had a poor month with the announcement of a small restatement to historic financial statements. PNOC Energy Development Corp, a Philippines geothermal developer, had a poor month as Asian markets suffered. SAG Solarstrom is a position where the market cap has become too small to be an attractive investment opportunity. MEMC Electronics, a leading silicon manufacturer has had some manufacturing setbacks in the first quarter, which may be short term in nature and if anything, highlight the difficulties in low cost silicon production. Canadian Hydro drifted lower on little news.

**Trading**

In April, we reduced our holding in Innergex, received payment for our Babcock and Brown Environmental holding and sold our Jetion position. We increased our solar holdings and took a position in Tanfield, the UK electric car manufacturer and distributor.

Thank you for your continuing support.

Tim Guinness
Edward Guinness
Matthew Page
*May 2008*

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 Alternative 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.

Cash flow measures the cash generating capability of a company by adding non-cash charges (e.g. depreciation) and interest expense to pretax income.

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 businesses 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 03/31/08** | **% of Assets** |
|---|---:|
| Q-Cells AG | 4.19% |
| Solaria Energy Y NPV | 4.11% |
| Suntech Power Holdings Co., Ltd. | 4.04% |
| SunPower Corporation | 3.78% |
| Nordex AG | 3.47% |
| Solarworld AG | 3.40% |
| Solon AG Fuer Solartechnik | 3.35% |
| Renewable Energy Corporation AS | 3.33% |
| Wacker Chemie AG | 3.20% |
| Iberdrola Renovables | 3.19% |

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