



Alternative Energy Brief June 2008

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Welcome to the June 2008 Guinness Atkinson Alternative Energy Brief.

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Fund performance

The Guinness Atkinson Alternative Energy Fund was up 2.87% for the one month period ending May 31, 2008. We are down 7.45% year to date, which is broadly in line with the WilderHill New Energy Global Innovation Index and well ahead of the WilderHill Clean Energy Index.

For performance to the most recent quarter and month end [click here](#).

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.

The broad markets remain volatile and we are seeing caution in high beta, high growth stocks. Overhanging the sector is uncertainty over the continuation of investment tax credits and production tax credits in the key US market, and we expect the sector may perform better once there is clarity on this. The prospects for the sector remain good for both the medium and long term, with the key energy prices – oil, gas and electricity moving to new highs, and concerns about energy security and climate change remaining high on both consumer and government priority lists.

Total Returns as of 05/31/08

Total returns	May 08	YTD 08	1 Year	From inception
Guinness Atkinson Alternative Energy Fund (inception 03/31/06)	2.87%	-7.45%	4.25%	9.26%
WilderHill New Energy Global Innovation Index	5.76%	-6.63%	16.49%	22.93%
WilderHill Clean Energy Index	7.93%	-18.67%	14.17%	1.94%

Gross Expense Ratio 1.58%

Net Expense Ratio* 1.64%

* 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.

Sector and geographic breakdown

Sector	% of Assets	Region	% of Assets
Solar	43.28%	Europe	54.17%
Wind	28.36%	North America	23.81%
Efficiency	8.69%	Asia	11.68%
Geothermal	6.62%	Australasia	4.34%
Hydro	6.07%	Latin America	3.22%
Biomass Energy	2.39%		
Biofuel	1.81%		

We maintained our overweight position in Solar stocks with a 43.28% holding. 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 28.36% 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 8.69% of the portfolio in efficiency stocks.

Hydro forms a lower risk strand of the portfolio, with a current weight of 6.07%. 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 6.62% 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 1.81% of the fund now, although we are monitoring valuations carefully. We prefer biofuels stocks that have some form of vertical integration (ie they manage their own feedstock production). Biofuel refining stocks have most potential as shorter term trading ideas.

Biomass Energy accounts for 2.39% 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 54.17% of the assets in the fund versus 23.81% in North America. This reflects the earlier development of the European wind and solar industries. We have 19.24% 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	64.19%	Full	16	44.86%
500-1000	9	17.17%	Half	22	47.23%
250-500	5	7.77%	Research	11	5.13%
100-250	9	7.21%			
50-100	0	0.00%			
<50	3	0.89%			

The liquidity of the portfolio remains good. The percentage of the portfolio that is in stocks with a market capitalization of over \$1 billion is now 64.19% and only 0.89% 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 22 half units, with a further 11 research positions. This enables us to benefit from a strict rebalancing discipline.

Valuation

Valuation metrics	2007	2008 Estimate	2009 Estimate
P/E	194.79	32.26	18.40
P/Sales	3.01	2.06	1.54
EV/Sales	3.38	2.31	1.73
EPS growth		503.80%	75.30%
Sales growth		46.41%	33.71%
% of the fund with positive earnings	83.85%	89.48%	96.75%

Source: GA estimates, Bloomberg

We have decided to include some valuation metrics for the portfolio to demonstrate why we perceive there to be an investment opportunity in the sector. The fund is trading on a 32.26x P/E multiple in 2008 which falls to an 18.40x P/E multiple in 2009. This is a function of the strong growth in earnings and the percentage of holdings with positive EPS increasing from 89.48% to 96.75%. On an EV/Sales basis, the fund is trading on 2.31x 2008 sales, falling to 1.73x 2009 sales. We think that this emphasizes how the alternative energy companies in which we are invested are companies that have been achieving real sales and earnings rather than promising future sales, and can be analyzed using conventional financial metrics – they do not require a “new paradigm” to justify valuations.

Stock performance

Top 5	Size	May	Bottom 5	Size	May
Maple Energy	Research	50.00%	Tanfield	Full	-19.90%
LDK Solar	Half	45.09%	E-Ton Solar Tech	Half	-17.83%
Echelon	Half	31.08%	Solaria	Half	-15.65%
Daystar	Research	27.60%	Innergex	Half	-15.41%
Vestas Wind	Full	26.00%	REC	Full	-13.42%

May saw mixed performance across the sectors. LDK Solar and Daystar had strong performance which was offset by E-Ton Solar, Solaria and REC. In the wind sector, Vestas performed strongly while Innergex struggled. Tanfield was a disappointment to us – the stock trades on very attractive multiples and is entering the potentially high growth electric vehicle market as a leader. Echelon is an efficiency play that bounced back well. Maple again topped the performance list on the back of the high oil price which has improved the situation for ethanol producers with their own feedstock.

Trading

We sold our holdings in 2 solar companies Jetion Holdings and SAG Solarstrom and we lowered our research holding in Maple Energy on the back of the spike over May.

Thank you for your continuing support.

Tim Guinness
Edward Guinness
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June 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 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.

Price to earnings (P/E) ratio is a common tool for comparing the prices of different common stocks and is calculated by dividing the current market price of a stock by the earnings per share.

Price to sales ratio: a tool for calculating a stock's valuation relative to other companies, calculated by dividing a stock's current price by its revenue per share.

Enterprise Value to Sales (EV/Sales) is a valuation measure that compares the enterprise value of a company to the company's sales. EV/sales gives investors an idea of how much it costs to buy the company's sales

Earnings per share (EPS) is calculated by taking the total earnings divided by the number of shares outstanding.

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 05/31/08	% of Assets
SunPower Corp	3.45%
Nordex AG	3.40%
Vestas Wind Systems A/S	3.33%
Iberdrola Renovables	3.29%
Gamesa Corp Tecnologica SA	3.25%
Ormat Technologies Inc	3.13%
PNOC Energy Development Corp	3.11%
Wacker Chemie AG	3.10%
Theolia SA	3.10%
Q-Cells AG	3.10%

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