



Alternative Energy Brief
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Welcome to the January 2008 Guinness Atkinson Alternative Energy Brief.

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Sector and geographic breakdown

Sector	% of Assets	Region*	% of Assets
Solar	46.38%	Europe	53.72%
Wind	28.45%	North America	28.96%
Hydro	9.48%	Asia	15.37%
Efficiency	8.52%	Australasia	0.59%
Geothermal	6.05%	Latin America	2.86%
Biomass Energy	2.27%		
Biofuel	0.35%		

- region is as per company domicile.

The portfolio at year end 2008 is reasonably concentrated in the wind and solar sectors, with 46.38% in solar and 28.45% in Wind. We believe these sectors have the best long term growth potential of the alternative energy space. Stock prices have been hit hard, but that provides an opportunity in the event of a recovery in the markets. While the lack of capital is creating difficult trading conditions now, valuations reflect much of this concern, and we believe that the higher quality companies should do well later in 2009.

For the solar sector, lower prices should ultimately enable the industry to grow faster sooner, and much of these prices are matched by ongoing cost reductions and lower silicon prices. We have exposure to thin film solar panel manufacturing via our holding in First Solar and are otherwise invested across the photovoltaic value chain.

The wind sector has seen concerns over the quality of contract backlogs and potential declining orderbooks and prices for turbine manufacturers. However, costs (particularly steel) are falling too, which should assist the turbine manufacturers in maintaining margins. This should feed through into higher returns for developers with access to capital, who should also benefit from lower financing costs. We have exposure to turbine manufacturing and to wind farm developers in the fund.

Our hydro holdings are in utilites and small independent power producers. These businesses have solid cashflows and low cost bases. As such, we believe they are well placed in the current economic environment.

Efficiency is an area where the Obama stimulus plan will likely provide a wealth of opportunity. However, the biggest beneficiary is the eventual energy user. We have interesting investments in ground source heat pumps, building efficiency and smart metering, with some exposure to transmission grid service providers.

We are invested in three geothermal companies, of which one is the principle builder of systems, Ormat, the second is a Philippine utility and the third small position is invested in a hot rock project in Australia. We expect geothermal to become a more important part of alternative energy plans as a result of its low costs and established technology.

Our biomass investment is in a company where the biomass part of the business is being used to finance the development of a wind portfolio. We think there are some interesting niche biomass projects and we are interested in those companies that do not have constraints on future biomass supply.

We have a small research holding in biofuels. We monitor the sector closely, but have concerns about overcapacity and negative margins in the US ethanol refining sector.

We have no investments in fuelcells, tidal or wave power companies, but remain interested in these areas.

The fund has 53.72% of its holdings in companies domiciled in Europe, reflecting the more mature European industry. North America accounts for 28.96% of the fund of which 5.67% is in Canada. The fund's 18.82% of emerging markets holdings is principally in Asia, with our investment in Chinese companies making up 13.10% of the fund.

Top Ten Holdings as of 12/31/08	% of Assets
SMA Solar Technology AG	4.34%
JA Solar Holdings Co. Ltd.	4.06%
Q-Cells AG	3.94%
Solarworld AG	3.90%
Echelon Corporation	3.81%
SunPower Corporation	3.75%
Iberdrola Renovables	3.67%
Vestas Wind Systems A/S	3.66%
Suntech Power Holdings Co. Ltd.	3.66%
First Solar, Inc.	3.50%

Liquidity analysis as at 12/31/08

Mkt Cap \$m	Positions	% of Assets	Position size	Positions	% of Assets
>1000	19	62.96%	Full	22	68.97%
500-1000	2	6.34%	Half	15	28.81%
250-500	5	10.54%	Research	10	3.71%
100-250	9	12.29%			
50-100	4	6.28%			
<50	8	3.08%			

The liquidity of the fund remains excellent, with 62.96% of the fund in companies with a market capitalisation over US\$1,000 million. The fund now has 22 full units and 15 half units. We have successfully moved the portfolio to lower the number of half units as valuation and liquidity levels have made it more attractive to hold more full units.

Valuation as at 12/31/2008

Valuation metrics	07	08	09
P/E	14.61	13.55	13.04
P/Sales	1.42	1.17	0.99
EV/Sales	1.66	1.38	1.15
EPS growth		-4.07%	84.60%
Sales growth		21.08%	19.06%
% NAV +ve eps	87.26%	84.50%	89.48%

Source: GA estimates, Bloomberg. P/E based on total portfolio value but include negative earnings at zero.

We include 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 13.55x P/E multiple in 2008 which falls to a 13.04x P/E multiple in 2009. This is a function of the strong growth of the industry, notwithstanding downgrades as analysts pare their forecasts. By comparison the S&P500 at the end of December at 903.25 was on a higher P/E of 13.85x based on the current (Zacks 11 Feb) estimate of S&P500 EPS of 63.01 for 2009.

The percentage of holdings with positive eps increases from 84.50% in 2008 to 89.48% in 2009. On an EV/Sales basis, the fund is trading on 1.17x 2008 sales, falling to 0.99x 2009 sales. These are not multiples that reflect the long term growth potential of the sector, notwithstanding that there may be delays in some projects in the sector while the financing market recovers.

We think that the table above emphasizes how the alternative energy companies in which we are invested are companies that are achieving real sales and earnings today and can be analysed using conventional financial metrics – they do not require a “new paradigm” to justify valuations. Future sales and earnings growth over the long run should provide a straightforward path to attractive returns.

Fund performance (December 2008)

The Guinness Atkinson Alternative Energy Fund was up 6.6% for the one month period ending December 31, 2008. We were down 68.00% year to date, which is behind the WilderHill New Energy Global Innovation Index, but just ahead of the WilderHill Clean Energy Index. In the bigger scheme of things we are broadly in line with our benchmarks, although that is cold comfort with the sector down so far this year. While we anticipated that the alternative energy sector would be volatile, we have been surprised by how low valuations have gone as a result of the condition of the global economy and financial markets. This is particularly marked given the good operating performance of many of the companies in the sector.

Total Returns as of 12/31/08

	Dec 2008	QTD 08	YTD 08	1 Year	From inception
Guinness Atkinson Alternative Energy Fund (inception 03/31/06)	6.10%	-41.68%	-66.05%	-66.05%	-25.48%
WilderHill New Energy Global Innovation Index	8.32%	-35.62%	-60.53%	-60.53%	-14.09%
WilderHill Clean Energy Index	-0.85%	-42.49%	-69.89%	-69.89%	-29.20%

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.

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.

Stock performance

Top 5	Size	Dec	Bottom 5	Size	Dec
Geodynamics	Research	48.25%	VRB	Research	-100.0%
Solar Integrated	Research	46.67%	Clipper Windpower	Full	-62.57%
Suntech	Full	37.00%	Thermal Energy Intl	Researchb	-30.01%
Vestas	Full	29.45%	Innergex	Half	-27.29%
Iberdrola Ren.	Full	27.67%	Novera	Half	-25.20%

As a research holding, VRB has been our only energy storage holding and has finally reached the end of the road – the company is in administration. Clipper Windpower is struggling as analysts are concerned about their ability to get to profitability without further financing. Thermal Energy has had a number of projects pushed back or cancelled. Innergex and Novera are two small IPP companies in Canada and the UK respectively where we are confident that existing cashflows should enable the business to survive, but questions are being asked about their ability to finance the rollout of the pipelines of their projects.

We were pleased to see three of our core holdings, Suntech, Vestas and Iberdrola Renovables bounce back well in December. These are industry leaders and their strong performance demonstrates the flight to quality. Geodynamics is a “hot-rock” geothermal developer and Solar Integrated is an installer of commercial solar systems.

Thank you for your continuing support.

Tim Guinness
Edward Guinness
Matthew Page
February 2009

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.

The S&P 500 Index is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general.

Price to earnings ratio (P/E) is equal to a stock's market capitalization divided by its aftertax earnings over the previous 12 months. Earnings per share (EPS) measures total earnings divided by the number of shares outstanding. The price to sales ratio (P/S) is equal to the total capitalization of the company divided by total sales (revenue). The enterprise value to sales ratio (EV/S) measures a company's enterprise value in relation to its total sales (revenue). Cash flow measures the cash generating capability of a company by adding non-cash charges (e.g. depreciation) and interest expense to pretax income.

One cannot invest directly in an index.

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