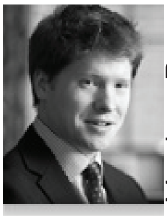
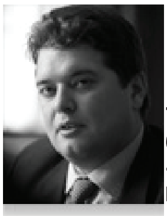
Alternative Energy *brief*



Matthew Page



Ed Guinness

May 2009

Commentary and Review by co-portfolio managers Edward Guinness and Matthew Page

In the last few weeks we have seen a number of encouraging events with regulatory momentum maintained, access to capital for publicly listed companies return and early signs of the effects of the US stimulus plan.

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In recent weeks there have been a number of encouraging events for the alternative energy sector.

Policy highlights
• The Obama administration released details of the permitting process for offshore wind projects in federal waters.
• The China Securities Journal stated that PV capacity in China could reach 10,000-20,000MW in 2020, quoting the head of the Renewable Energy Development Centre. This is significantly higher than the Chinese government's previous target of 1,800MW announced earlier in the month.

Capital markets are open for high quality alternative energy companies
• Vestas, the Danish wind turbine manufacturer, raised $1 billion to strengthen its balance sheet.
• In the US, Sunpower, a manufacturer of high efficiency solar modules, raised $418 million for general corporate purposes and to enable them to make acquisitions in the future.
• In the first quarter of 2009 only $64.5 million was raised by alternative energy companies in public markets. In the fourth quarter of 2008 the figure was $1.1 billion. So far in the second quarter of 2009 we have seen $1.4 billion raised.

Companies demonstrate confidence in the outlook for alternative energy sector
• Q-cells, a German solar cell manufacturer raised €530 million by selling their stake in Norwegian polysilicon supplier Renewable Energy Corp. This will enable Q-cells to pay down some of their outstanding debt. It also signals

that Q-cells is less concerned about their ability to secure polysilicon which has been a bottleneck for the solar industry over the last three years.

• Suntech Power, a Chinese manufacturer of solar modules, announced that it bought back $150.4 million of convertible bonds in the first quarter of 2009.

• Iberdrola Renovables, the world's largest international developer and operator of wind farms increased their guidance for capital expenditure on new wind projects for 2009. This suggests that the improved economics of wind projects in the US, thanks to the recently improved regulatory environment, is persuading developers to push-on with developing their pipeline this year.

First quarter earnings were expected to be poor with the credit freeze severely exacerbating what is seasonally a weak quarter for many alternative energy companies. Of the companies that have reported so far there have generally been no great shocks. Company guidance for 2009 has generally been reiterated with optimism expressed for the second half of the year. With the wider economy showing signs of life and with the oil price up over 80% since its low in December, we believe that investors are starting to look towards the second half of 2009 and 2010 where the effects of the significantly improved regulatory environment should start to be seen.

Sector and Geographic Breakdown

Sector	% of Assets	Domicile	% of Assets
Solar	42.56%	Europe	51.11%
Wind	27.96%	North America	27.14%
Efficiency	7.28%	Asia	15.22%
Geothermal	7.17%	Australasia	0.54%
Hydro	9.53%	Latin America	3.08%
Biofuel	0.25%		
Biomass Energy	2.34%		

The portfolio is reasonably concentrated in the wind and

solar sectors, with 42.56% in solar and 27.96% 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 do appear to have bottomed out with both sectors performing well in April. Whilst trading conditions are still difficult due to a lack of project financing, access to this capital does seem to be improving. Given the significantly improved regulatory environment that supports the development of the solar and wind industries, higher quality companies should report improved earnings in the second half of 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 (in addition to the improved subsidy regimes globally). 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 order books 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 utilities 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 heat recycling, with some exposure to transmission grid service providers.

We are invested in three geothermal companies, of which one is the principal 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 only 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 fuel cells, tidal or wave power companies, but remain interested in these areas.

The fund has 51.11% of its holdings in companies domiciled in Europe, reflecting the more mature European industry. North America accounts for 27.14% of the fund of which 5.11% is in Canada. The fund's 18.30% of emerging markets holdings is principally in Asia, with our investment in Chinese companies making up 12.00% of the fund.

Top Ten Holdings as of 04/30/09	% of Assets
First Solar	3.83%
Hansen Transmissions	3.81%
Wacker Chemie	3.79%
Vestas Wind Systems	3.61%
Gamesa	3.53%
Suntech Power	3.52%
Solarworld	3.51%
Ormat Technologies	3.41%
JA Solar	3.40%
Verbund	3.38%

Liquidity analysis as at 04/30/09

Mkt Cap $m	Positions	% of Assets
>1,000	19	64.73%
500-1,000	2	5.09%
250-500	4	7.85%
100-250	7	12.21%
50-100	3	4.31%
<50	10	2.90%

Position Size	Positions	% of Assets
Units	25	79.98%
Half units	9	13.69%
Research units	11	3.42%

The liquidity of the fund remains excellent, with 64.73% of the fund in companies with a market capitalisation over US$1,000 million and 2.91% in cash. The fund now has 25 full units and 9 half units.

Valuation as at 04/30/09

Valuation metrics	08	09	10
P/E	12.06	16.33	11.09
P/Sales	1.35	1.28	1.04
EV/Sales	1.84	1.75	1.42
EPS growth	3.94%	-26.12%	47.31%
Sales growth	17.02%	5.19%	23.29%
% NAV +ve eps	86.13%	88.47%	91.56%

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 16.33x P/E multiple in 2009 which falls to an 11.09 P/E multiple in 2010. 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 April at 872.81 was on a P/E of 14.24x based on the current (Zacks 6th May) estimate of S&P500 EPS of 61.28 for 2009.

The percentage of holdings with positive eps increases from 88.47% in 2009 to 91.56% in 2010. On an EV/Sales basis, the fund is trading on 1.75x 2009 sales, falling to 1.42x 2010 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 emphasises 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. We believe that future sales and earnings growth over the long run should provide a path to high returns.

Fund Performance (April 2009)

Total Returns as of 3/31/09

	Mar. 2009	QTD 09	YTD 09	1 Year	From Inception
Guinness Atkinson Alternative Energy Fund (inception 03/31/06)	14.07%	-10.12%	-10.12%	-63.46%	-26.33%
WilderHill New Energy Global Innovation Index	11.35%	-8.78%	-8.78%	-56.27%	-15.71%
Wilderhill Clean Energy Index	17.37%	-10.07%	-10.07%	-61.69%	-29.70%

Expense Ratio 1.69%

Total Returns as of 04/30/09

	Apr. 2009	QTD 09	YTD 09	1 Year	From Inception
Guinness Atkinson Alternative Energy Fund (inception 03/31/06)	16.02%	16.02%	4.08%	-60.65%	-22.06%
WilderHill New Energy Global Innovation Index	21.73%	21.73%	11.28%	-50.36%	-9.82%
Wilderhill Clean Energy Index	17.45%	17.45%	7.56%	-57.79%	-25.23%

Expense Ratio 1.69%

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	Mar	Bottom Five	Size	Mar
GREENTECH ENERGY SYSTEMS	Half	79.12%	INNERGEX RENEWABLE ENERGY	Half	-14.56%
HANSEN TRANSMISSIONS INT	Full	53.72%	RENESOLA LTD-ADR	Full	-13.25%
VESTAS WIND SYSTEMS A/S	Half	50.21%	ENERGY DEVELOPMENT CORP	Full	-7.89%
GAMESA CORP TECNOLOGICA SA	Full	48.44%	COMPOSITE TECHNOLOGY CORPORA	Half	-5.88%
SMA SOLAR TECHNOLOGY AG	Full	42.78%	GEODYNAMICS LTD	Research	-5.77%

Our top four performers in April were all in the wind industry. Greentech is a Danish developer of wind farms which had performed badly earlier in the year but recovered somewhat in April as the prospects for obtaining suitable project financing improved. Hansen, Vestas and Gamesa are three high quality companies in the gearbox (Hansen) and turbine (Vestas and Gamesa) manufacturing business which benefitted from the prospect of improving demand from developers. SMA Solar is the leading manufacturer of inverters for solar installations.
Innergex should benefit when financing becomes more available but struggled in April. Renesola underperformed but is a low cost Chinese solar wafer manufacturer where the outlook for demand is improving. Energy Development Corp is our Philippine Geothermal operator which saw some profit taking after a strong run in March. Composite and Geodynamics saw small declines.

We position the fund in an attempt to benefit from the long term growth of the alternative energy sector and believe that long term both energy markets and banking markets will function to the benefit of sector companies and investors. Thank you for your continuing support.

Edward Guinness

Matthew Page

April 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. Current and future portfolio holdings are subject to risk.
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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