

## **STATEMENT OF ADDITIONAL INFORMATION**

### **GUINNESS ATKINSON FUNDS**

*ALTERNATIVE ENERGY FUND (GAAEX)*

*ASIA FOCUS FUND (IASMX)*

*ASIA PACIFIC DIVIDEND FUND (GAADX)*

*CHINA & HONG KONG FUND (ICHKX)*

*GLOBAL ENERGY FUND (GAGEX)*

*GLOBAL INNOVATORS FUND (IWIRX)*

**May 1, 2010**

This Statement of Additional Information (the “SAI”) is not a prospectus, but should be read in conjunction with the current prospectus dated May 1, 2010, pursuant to which the Funds listed above are offered. This SAI is incorporated by reference in its entirety into the prospectus. The report on the audited statement of assets and liabilities of the Funds included in the Fund’s Annual Report for the year ended December 31, 2009 is incorporated by reference in its entirety into this SAI. Please retain this SAI for future reference.

For a free copy of the prospectus or certain Funds’ annual report, please call toll-free 1-800-915-6565.

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## GENERAL INFORMATION AND HISTORY

Guinness Atkinson Funds (the “Trust”) was first organized as a Maryland corporation on January 7, 1994 and converted to a Delaware statutory trust (formerly known as a Delaware business trust) on April 28, 1997 as an open-end, series, management investment company. Between June 30, 2000 and April 28, 2003, the Trust was called Investec Funds. Between March 6, 1997 and June 30, 2000, the Trust was called Guinness Flight Investment Funds. Between January 7, 1994 and April 28, 1997, the Trust was called Guinness Flight Investment Funds, Inc. Currently, the Trust offers the six separate, non-diversified, series portfolios listed on the front page of this SAI, each of which has unique investment objectives and strategies.

The **Alternative Energy Fund** commenced operations on March 31, 2006.

The **Asia Focus Fund** commenced operations on April 29, 1996.

The **Asia Pacific Dividend Fund** commenced operations on March 31, 2006.

The **China & Hong Kong Fund** commenced operations on June 30, 1994.

The **Global Energy Fund** commenced operations on June 30, 2004.

The **Global Innovators Fund** commenced operations on December 15, 1998. Prior to April 28, 2003, the Fund was known as the Wired Index Fund.

## INVESTMENT OBJECTIVE AND POLICIES

### General Information about the Funds

Each Fund’s objective is a fundamental policy and may not be changed except by a majority vote of shareholders.

In addition to the primary investment strategies set forth in the prospectus, each Fund may invest in investment grade debt securities or the unrated equivalent as determined by the Fund’s advisor, and may also invest up to 5% of its net assets in options on equity securities and warrants, including those traded in the over-the-counter markets. Investment grade debt securities are generally considered to be those rated Baa<sup>3</sup> or better by Moody’s Investor Services (“Moody’s”) or BBB- or better by Standard & Poor Corporation (“S&P”).

No Fund intends to employ leveraging techniques. Accordingly, no Fund will purchase new securities if amounts borrowed exceed 5% of its total assets at the time the loan is made. A Fund may invest in Money Market Instruments in anticipation of investing cash positions. “Money Market Instruments” are short-term (less than twelve months to maturity) investments in (a) obligations of the United States or foreign governments, their respective agencies or instrumentalities; (b) bank deposits and bank obligations (including certificates of deposit, time deposits and bankers’ acceptances) of United States or foreign banks denominated in any currency; (c) floating rate securities and other instruments denominated in any currency issued by international development agencies; (d) finance company and corporate commercial paper and other short-term corporate debt obligations of United States and foreign corporations meeting the credit quality standards set by the Trust’s Board of Trustees (the “Board”); and (e) repurchase agreements with banks and broker-dealers with respect to such securities. While no Fund intends to limit the amount of its assets invested in Money Market Instruments, except to the extent believed necessary to achieve their investment objective, no Fund expects under normal market conditions to have a substantial portion of its assets invested in Money Market Instruments.

The following information concerning the Funds augments the disclosure provided in the prospectus.

Guinness Atkinson Asset Management, Inc., the Funds' investment advisor ("Guinness Atkinson" or the "Advisor"), does not intend to invest in any security in a country where the currency is not freely convertible to United States dollars, unless it has obtained the necessary governmental licensing to convert such currency or other appropriately licensed or sanctioned contractual guarantee to protect such investment against loss of that currency's external value, or Guinness Atkinson has a reasonable expectation at the time the investment is made that such governmental licensing or other appropriately licensed or sanctioned guarantee would be obtained or that the currency in which the security is quoted would be freely convertible at the time of any proposed sale of the security by the Funds.

Each Fund may invest indirectly in issuers through sponsored or unsponsored American Depositary Receipts ("ADRs"), European Depositary Receipts ("EDRs"), Global Depositary Receipts ("GDRs"), Global Depositary Shares ("GDSs") and other types of Depositary Receipts (which, together with ADRs, EDRs, GDRs, and GDSs, are hereinafter referred to as "Depositary Receipts"). Depositary Receipts may not necessarily be denominated in the same currency as the underlying securities into which they may be converted. In addition, the issuers of the stock of unsponsored Depositary Receipts are not obligated to disclose material information in the United States and, therefore, there may not be a correlation between such information and the market value of the Depositary Receipts. ADRs are Depositary Receipts typically issued by a United States bank or trust company that evidence ownership of underlying securities issued by a foreign corporation. GDRs and other types of Depositary Receipts are typically issued by foreign banks or trust companies, although they also may be issued by either a foreign or a United States corporation. Generally, Depositary Receipts in registered form are designed for use in the United States securities markets and Depositary Receipts in bearer form are designed for use in securities markets outside the United States. For purposes of a Fund's investment policies, investments in ADRs, GDRs and other types of Depositary Receipts will be deemed to be investments in the underlying securities. Depositary Receipts other than those denominated in United States dollars will be subject to foreign currency exchange rate risk. Certain Depositary Receipts may not be listed on an exchange and therefore may be illiquid securities.

Securities in which a Fund may invest include those that are neither listed on a stock exchange nor traded over-the-counter. As a result of the absence of a public trading market for these securities, they may be less liquid than publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized from these sales could be less than those originally paid by the Fund or less than what may be considered the fair value of such securities. Further, companies whose securities are not publicly traded may not be subject to the disclosure and other investor protection requirements that would be applicable if their securities were publicly traded. If such securities are required to be registered under the securities laws of one or more jurisdictions before being resold, the Fund may be required to bear the expenses of registration. To the extent that such securities are illiquid by virtue of the absence of a readily available market, or legal or contractual restrictions on resale, they will be subject to the Fund's investment restrictions on illiquid securities, discussed below.

Each Fund, together with any of its "affiliated persons," as defined in the Investment Company Act of 1940, as amended (the "1940 Act"), may only purchase up to 3% of the total outstanding securities of any underlying investment company. Accordingly, when a Fund or such "affiliated persons" hold shares of any of the underlying investment companies, the Fund's ability to invest fully in shares of those investment companies is restricted, and Guinness Atkinson must then, in some instances, select alternative investments that would not have been its first preference.

There can be no assurance that appropriate investment companies will be available for investment. No Fund intends to invest in such investment companies unless, in the judgment of Guinness Atkinson, the potential benefits of such investment justify the payment of any applicable premium or sales charge.

**Convertible Securities.** Each Fund may invest in convertible securities. Convertible securities are generally bonds, notes, preferred stocks, warrants or other securities that may be converted or exchanged for a prescribed amount of common stock or other security of the same or a different issuer or into cash within a particular period of time at a specified price or formula. A convertible security generally entitles the holder to receive the dividend or

interest until the convertible security matures or is redeemed, converted or exchanged. Before conversion, convertible securities generally have characteristics similar to both fixed income and equity securities.

**Warrants and Rights.** Each Fund may invest in warrants or rights (including those acquired in units or attached to other securities) that entitle the holder to buy equity securities at a specific price for a specific period of time but will do so only if such equity securities are deemed appropriate by the Advisor. Warrants do not have voting rights, do not earn dividends, and do not entitle the holder to any rights with respect to the assets of the corporation that has issued them. They do not represent ownership of the underlying companies but only the right to purchase shares of those companies at a specified price on or before a specified exercise date. Warrants tend to be more volatile than the underlying stock, and if at a warrant's expiration date the stock is trading at a price below the price set in the warrant, the warrant will expire worthless. Conversely, if at the expiration date the stock is trading at a price higher than the price set in the warrant, a Fund can acquire the stock at a price below its market value. The prices of warrants do not necessarily parallel the prices of the underlying securities.

**Lending Portfolio Securities.** Each Fund may lend portfolio securities up to 33-1/3% of its total assets. Each Fund may lend its portfolio securities to brokers, dealers and other financial institutions, provided it receives cash collateral that at all times is maintained in an amount equal to at least 100% of the current market value of the securities loaned. By lending its portfolio securities, a Fund can increase its income through the investment of the cash collateral. For the purposes of this policy, each Fund considers collateral consisting of U.S. government securities or irrevocable letters of credit issued by banks whose securities meet the Fund's investment standards to be the equivalent of cash. From time to time, a Fund may return to the borrower (or a third party that is unaffiliated with the Fund and that is acting as a "placing broker") a part of the interest earned from the investment of collateral received for securities loaned.

The Securities and Exchange Commission (the "SEC") currently requires that the following conditions must be met whenever portfolio securities are loaned: (1) the lender must receive at least 100% cash collateral from the borrower; (2) the borrower must increase such collateral whenever the market value of the securities rises above the level of such collateral; (3) the lender must be able to terminate the loan at any time; (4) the lender must receive reasonable interest on the loan, as well as any dividends, interest or other distributions payable on the loaned securities, and any increase in market value; (5) the lender may pay only reasonable custodian fees in connection with the loan; and (6) while voting rights on the loaned securities may pass to the borrower, the Board must terminate the loan and regain the right to vote the securities if a material event adversely affecting the investment occurs.

## **ADDITIONAL INVESTMENT STRATEGIES AND RISKS**

The following information supplements the discussion of the Funds' investment policies and strategies described in the prospectus. In pursuing its investment objective, each Fund invests as described below and employs the investment techniques described in the prospectus and elsewhere in this SAI.

### **Options and Futures Strategies**

Through the writing of call options and the purchase of options and the purchase and sale of stock index futures contracts, interest rate futures contracts, foreign currency futures contracts and related options on such futures contracts, Guinness Atkinson may at times seek to hedge against a decline in the value of securities included in a Fund's portfolio or an increase in the price of securities that it plans to purchase for the Fund or to reduce risk or volatility while seeking to enhance investment performance. Expenses and losses incurred as a result of such hedging strategies will reduce a Fund's current return.

The ability of a Fund to engage in the options and futures strategies described below will depend on the availability of liquid markets in such instruments. Although no Fund will enter into an option or futures position unless a liquid secondary market for such option or futures contract is believed by Guinness Atkinson to exist, there is no assurance that a Fund will be able to effect closing transactions at any particular time or at an acceptable price. Reasons for the absence of a liquid secondary market include the following: (i) there may be insufficient trading

interest in certain options; (ii) restrictions may be imposed by an exchange on opening transactions or closing transactions or both; (iii) trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of options or underlying securities; (iv) unusual or unforeseen circumstances may interrupt normal operations on an exchange; (v) the facilities of an exchange or the Options Clearing Corporation (“OCC”) may not at all times be adequate to handle current trading volume; or (vi) one or more exchanges could, for economic or other reasons, decide or be compelled at some future date to discontinue the trading of options (or a particular class or series of options), in which event the secondary market thereon would cease to exist, although outstanding options on that exchange that had been issued by the OCC as a result of trades on that exchange would continue to be exercisable in accordance with their terms.

Low initial margin deposits made upon the opening of a futures position and the writing of an option involve substantial leverage. As a result, relatively small movements in the price of the contract can result in substantial unrealized gains or losses. However, to the extent that a Fund purchases or sells futures contracts and options on futures contracts and purchases and writes options on securities and securities indexes for hedging purposes, any losses incurred in connection therewith should, if the hedging strategy is successful, be offset, in whole or in part, by increases in the value of securities held by the Fund or decreases in the prices of securities the Fund intends to acquire. It is impossible to predict the amount of trading interest that may exist in various types of options or futures. Therefore, no assurance can be given that a Fund will be able to utilize these instruments effectively for the purposes stated below. Furthermore, a Fund’s ability to engage in options and futures transactions may be limited by tax considerations. Although a Fund will only engage in options and futures transactions for limited purposes, such transactions involve certain risks. No Fund will engage in options and futures transactions for leveraging purposes.

Upon purchasing futures contracts of the type described above, each Fund will maintain in a segregated account with its custodian cash or liquid securities with a value, marked-to-market daily, at least equal to the dollar amount of the Fund’s purchase obligation, reduced by any amount maintained as margin. Similarly, upon writing a call option, each Fund will maintain in a segregated account with its custodian, liquid securities with a value, marked-to-market daily, at least equal to the market value of the underlying contract (but not less than the strike price of the call option) reduced by any amounts maintained as margin.

### **Writing Covered Call Options on Securities**

Call options may be used to anticipate a price increase of a security on a more limited basis than would be possible if the security itself were purchased. Each Fund may write only covered call options. Since it can be expected that a call option will be exercised if the market value of the underlying security increases to a level greater than the exercise price, this strategy will generally be used when Guinness Atkinson believes that the call premium received by the Fund plus anticipated appreciation in the price of the underlying security up to the exercise price of the call, will be greater than the appreciation in the price of the security. By writing a call option, a Fund limits its opportunity to profit from any increase in the market value of the underlying security above the exercise price of the option.

Each Fund may write covered call options on optionable securities (stocks, bonds, foreign exchange related futures, options and options on futures) of the types in which it is permitted to invest in seeking to attain its objective. Call options written by a Fund give the holder the right to buy the underlying securities from the Fund at a stated exercise price. As the writer of the call option, the Fund is obligated to own the underlying securities subject to the option (or comparable securities satisfying the cover requirements of securities exchanges).

A Fund will receive a premium from writing a call option, which increases the writer’s return in the event the option expires unexercised or is closed out at a profit. The amount of the premium will reflect, among other things, the relationship of the market price of the underlying security to the exercise price of the option, the term of the option and the volatility of the market price of the underlying security. By writing a call option, a Fund limits its opportunity to profit from any increase in the market value of the underlying security above the exercise price of the option.

Each Fund may terminate an option that it has written prior to its expiration by entering into a closing purchase transaction in which it purchases an option having the same terms as the option written. A Fund will realize a profit or loss from such transaction if the cost of such transaction is less or more, respectively, than the premium received from the writing of the option. Because increases in the market price of a call option will generally reflect increases in the market price of the underlying security, any loss resulting from the repurchase of a call option is likely to be offset in whole or in part by unrealized appreciation of the underlying security owned by a Fund.

Options written by a Fund will normally have expiration dates not more than one year from the date written. The exercise price of the options may be below (“in-the-money”), equal to (“at-the-money”) or above (“out-of-the-money”) the current market price of the underlying securities at the times the options are written. A Fund may engage in buy-and-write transactions in which the Fund simultaneously purchases a security and writes a call option thereon. Where a call option is written against a security subsequent to the purchase of that security, the resulting combined position is also referred to as buy-and-write. Buy-and-write transactions using in-the-money call options may be utilized when it is expected that the price of the underlying security will remain flat or decline moderately during the option period. In such a transaction, the Fund’s maximum gain will be the premium received from writing the option reduced by any excess of the price paid by the Fund for the underlying security over the exercise price. Buy-and-write transactions using at-the-money call options may be utilized when it is expected that the price of the underlying security will remain flat or advance moderately during the option period. In such a transaction, the Fund’s gain will be limited to the premiums received from writing the option. Buy-and-write transactions using out-of-the-money call options may be utilized when it is expected that the premiums received from writing the call option plus the appreciation in market price of the underlying security up to the exercise price will be greater than the appreciation in the price of the underlying security alone. In any of the foregoing situations, if the market price of the underlying security declines, the amount of such decline will be offset wholly or in part by the premium received and the Fund may or may not realize a loss.

To the extent that a secondary market is available on the exchanges, the covered call option writer may liquidate his position prior to the assignment of an exercise notice by entering a closing purchase transaction for an option of the same series as the option previously written. The cost of such a closing purchase, plus transaction costs, may be greater than the premium received upon writing the original option, in which event the writer will have incurred a loss in the transaction.

### **Purchasing Put and Call Options on Securities**

Each Fund may purchase put options to protect its portfolio holdings in an underlying security against a decline in market value. Such hedge protection is provided during the life of the put option since the Fund, as holder of the put option, is able to sell the underlying security at the put exercise price regardless of any decline in the underlying security’s market price. In order for a put option to be profitable, the market price of the underlying security must decline sufficiently below the exercise price to cover the premium and transaction costs. By using put options in this manner, a Fund will reduce any profit that it might otherwise have realized in the underlying security by the premium paid for the put option and by transaction costs.

Each Fund may also purchase call options to hedge against an increase in prices of securities that it wants ultimately to buy. Such hedge protection is provided during the life of the call option since a Fund, as holder of the call option, is able to buy the underlying security at the exercise price regardless of any increase in the underlying security’s market price. In order for a call option to be profitable, the market price of the underlying security must rise sufficiently above the exercise price to cover the premium and transaction costs. By using call options in this manner, the Fund will reduce any profit it might have realized had it bought the underlying security at the time that it purchased the call option by the premium paid for the call option and by transaction costs.

### **Purchase and Sale of Options and Futures on Stock Indices**

Each Fund may purchase and sell options on stock indices and stock index futures as a hedge against movements in the equity markets.

Options on stock indices are similar to options on specific securities except that, rather than the right to take or make delivery of the specific security at a specific price, an option on a stock index gives the holder the right to receive, upon exercise of the option, an amount of cash if the closing level of that stock index is greater than, in the case of a call, or less than, in the case of a put, the exercise price of the option. This amount of cash is equal to such difference between the closing price of the index and the exercise price of the option expressed in dollars multiplied by a specified multiple. The writer of the option is obligated, in return for the premium received, to make delivery of this amount. Unlike options on specific securities, all settlements of options on stock indices are in cash and gain or loss depends on general movements in the stocks included in the index rather than on price movements in particular stocks. Currently, index options traded include the S&P 100 Index, the S&P 500 Index, the NYSE Composite Index, the AMEX Market Value Index, the National Over-the-Counter Index and other standard broadly based stock market indices.

A stock index futures contract is an agreement in which one party agrees to deliver to the other an amount of cash equal to a specific dollar amount multiplied by the difference between the value of a specific stock index at the close of the last trading day of the contract and the price at which the agreement is made. For example, the China & Hong Kong Fund may invest in Hang Seng Composite Index Futures. No physical delivery of securities is made.

If Guinness Atkinson expects general stock market prices to rise, it might purchase a call option on a stock index or a futures contract on that index as a hedge against an increase in prices of particular equity securities they ultimately want to buy. If in fact the stock index does rise, the price of the particular equity securities intended to be purchased may also increase, but that increase would be offset in part by the increase in the value of a Fund's index option or futures contract resulting from the increase in the index. If, on the other hand, Guinness Atkinson expects general stock market prices to decline, it might purchase a put option or sell a futures contract on the index. If that index does in fact decline, the value of some or all of the equity securities in a Fund's portfolio may also be expected to decline, but that decrease would be offset in part by the increase in the value of the Fund's position in such put option or futures contract.

#### **Purchase and Sale of Interest Rate Futures**

Each Fund may purchase and sell U.S. dollar interest rate futures contracts on U.S. Treasury bills, notes and bonds and non-U.S. dollar interest rate futures contracts on foreign bonds for the purpose of hedging fixed income and interest sensitive securities against the adverse effects of anticipated movements in interest rates.

Each Fund may purchase futures contracts in anticipation of a decline in interest rates when it is not fully invested in a particular market in which it intends to make investments to gain market exposure that may in part or entirely offset an increase in the cost of securities it intends to purchase. No Fund considers purchases of futures contracts to be a speculative practice under these circumstances. In a substantial majority of these transactions, a Fund will purchase securities upon termination of the futures contract.

Each Fund may sell U.S. dollar and non-U.S. dollar interest rate futures contracts in anticipation of an increase in the general level of interest rates. Generally, as interest rates rise, the market value of the fixed income securities held by a Fund will fall, thus reducing the net asset value to the holder. This interest rate risk can be reduced without employing futures as a hedge by selling long-term fixed income securities and either reinvesting the proceeds in securities with shorter maturities or by holding assets in cash. This strategy, however, entails increased transaction costs to a Fund in the form of dealer spreads and brokerage commissions.

The sale of U.S. dollar and non-U.S. dollar interest rate futures contracts provides an alternative means of hedging against rising interest rates. As rates increase, the value of a Fund's short position in the futures contracts will also tend to increase, thus offsetting all or a portion of the depreciation in the market value of the Fund's investments that are being hedged. While a Fund will incur commission expenses in entering and closing out futures positions (which is done by taking an opposite position from the one originally entered into, which operates to terminate the position in the futures contract), commissions on futures transactions are lower than transaction costs incurred in the purchase and sale of portfolio securities.

## **Options on Stock Index Futures Contracts and Interest Rate Futures Contracts**

Each Fund may write call options and purchase call and put options on stock index and interest rate futures contracts. Each Fund may use such options on futures contracts in connection with its hedging strategies in lieu of purchasing and writing options directly on the underlying securities or stock indices or purchasing and selling the underlying futures. For example, a Fund may purchase put options or write call options on stock index futures or interest rate futures, rather than selling futures contracts, in anticipation of a decline in general stock market prices or rise in interest rates, respectively, or purchase call options on stock index or interest rate futures, rather than purchasing such futures, to hedge against possible increases in the price of equity securities or debt securities, respectively, that the Fund intends to purchase.

## **Purchase and Sale of Currency Futures Contracts and Related Options**

In order to hedge its portfolio and to protect it against possible variations in foreign exchange rates pending the settlement of securities transactions, a Fund may buy or sell foreign currencies or may deal in forward currency contracts. Each Fund may also invest in currency futures contracts and related options. If a fall in exchange rates for a particular currency is anticipated, a Fund may sell a currency futures contract or a call option thereon or purchase a put option on such futures contract as a hedge. If it is anticipated that exchange rates will rise, a Fund may purchase a currency futures contract or a call option thereon or sell (write) a put option to protect against an increase in the price of securities denominated in a particular currency the Fund intends to purchase. These futures contracts and related options thereon will be used only as a hedge against anticipated currency rate changes, and all options on currency futures written by a Fund will be covered.

A currency futures contract sale creates an obligation by a Fund, as seller, to deliver the amount of currency called for in the contract at a specified future time for a specified price. A currency futures contract purchase creates an obligation by a Fund, as purchaser, to take delivery of an amount of currency at a specified future time at a specified price. Although the terms of currency futures contracts specify actual delivery or receipt, in most instances the contracts are closed out before the settlement date without the making or taking of delivery of the currency. Closing out of a currency futures contract is effected by entering into an offsetting purchase or sale transaction. Unlike a currency futures contract, which requires the parties to buy and sell currency on a set date, an option on a currency futures contract entitles its holder to decide on or before a future date whether to enter into such a contract or let the option expire.

Each Fund will write (sell) only covered call options on currency futures. This means that a Fund will provide for its obligations upon exercise of the option by segregating sufficient cash or short-term obligations or by holding an offsetting position in the option or underlying currency future, or a combination of the foregoing. Each Fund will, so long as it is obligated as the writer of a call option on currency futures, own on a contract-for-contract basis an equal long position in currency futures with the same delivery date or a call option on stock index futures with the difference, if any, between the market value of the call written and the market value of the call or long currency futures purchased maintained by the Fund in cash, cash equivalents or liquid securities in a segregated account with its custodian. If, at the close of business on any day, the market value of the call purchased by a Fund falls below 100% of the market value of the call written by the Fund, the Fund will so segregate an amount of cash, cash equivalents or other liquid securities equal in value to the difference. Alternatively, a Fund may cover the call option through segregating with the custodian an amount of the particular foreign currency equal to the amount of foreign currency per futures contract option times the number of options written by the Fund.

If other methods of providing appropriate cover are developed, each Fund reserves the right to employ them to the extent consistent with applicable regulatory and exchange requirements.

In connection with transactions in stock index options, stock index futures, interest rate futures, foreign currency futures and related options on such futures, a Fund will be required to deposit as "initial margin" an amount of cash and liquid securities generally equal to from 5% to 10% of the contract amount. Thereafter, subsequent payments (referred to as "variation margin") are made to and from the broker to reflect changes in the value of the futures contract.

## **Options on Foreign Currencies**

Each Fund may write call options and purchase call and put options on foreign currencies to enhance investment performance and for hedging purposes in a manner similar to that in which futures contracts on foreign currencies, or forward contracts, will be utilized as described above. For example, a decline in the dollar value of a foreign currency in which portfolio securities are denominated will reduce the dollar value of such securities, even if their value in the foreign currency remains constant. In order to protect against such diminution in the value of portfolio securities, a Fund may purchase put options on the foreign currency. If the value of the currency does decline, the Fund will have the right to sell such currency for a fixed amount in dollars and will thereby offset, in whole or in part, the adverse effect on its portfolio that otherwise would have resulted.

Conversely, where a rise in the dollar value of a currency in which securities to be acquired are denominated is projected, thereby increasing the cost of such securities, a Fund may purchase call options thereon. The purchase of such options could offset, at least partially, the effects of the adverse movements in exchange rates. As in the case of other types of options, however, the benefit to a Fund deriving from purchases of foreign currency options will be reduced by the amount of the premium and related transaction costs. In addition, where currency exchange rates do not move in the direction or to the extent anticipated, a Fund could sustain losses on transactions in foreign currency options that would require it to forego a portion or all of the benefits of advantageous changes in such rates.

Also, where a Fund anticipates a decline in the dollar value of foreign currency denominated securities due to adverse fluctuations in exchange rates it could, instead of purchasing a put option, write a call option on the relevant currency. If the expected decline occurs, the option will most likely not be exercised, and the diminution in value of portfolio securities will be offset by the amount of the premium received. As in the case of other types of options, however, the writing of a foreign currency option will constitute only a partial hedge up to the amount of the premium, and only if rates move in the expected direction. If this does not occur, the option may be exercised and the Fund would be required to sell the underlying currency at a loss that may not be offset by the amount of the premium. Through the writing of options on foreign currencies, a Fund also may be required to forego all or a portion of the benefits that might otherwise have been obtained from favorable movements in exchange rates.

Each Fund intends to write only covered call options on foreign currencies. A call option written on a foreign currency by a Fund is “covered” if the Fund owns the underlying foreign currency covered by the call or has an absolute and immediate right to acquire that foreign currency without additional cash consideration (or for additional cash consideration held in a segregated account by its custodian, which acts as the Fund’s custodian, or by a designated sub-custodian) upon conversion or exchange of other foreign currency held in its portfolio. A call option is also covered if a Fund has a call on the same foreign currency and in the same principal amount as the call written where the exercise price of the call held (a) is equal to or less than the exercise price of the call written or (b) is greater than the exercise price of the call written if the difference is maintained by the Fund in cash or liquid securities in a segregated account with its custodian or with a designated sub-custodian.

## **Forward Foreign Currency Exchange Contracts**

Each Fund may purchase or sell forward foreign currency exchange contracts (“forward contracts”) to attempt to minimize the risk to the Fund from variations in foreign exchange rates. A forward contract is an obligation to purchase or sell a specific currency for an agreed price at a future date, which is individually negotiated and privately traded by currency traders and their customers. A Fund may enter into a forward contract, for example, when it enters into a contract for the purchase or sale of a security denominated in a foreign currency in order to “lock in” the U.S. dollar price of the security (“transaction hedge”). Additionally, for example, when a Fund believes that a foreign currency may suffer a substantial decline against the U.S. dollar, it may enter into a forward sale contract to sell an amount of that foreign currency approximating the value of some or all of the Fund’s securities denominated in such foreign currency, or when the Fund believes that the U.S. dollar may suffer a substantial decline against foreign currency, it may enter into a forward purchase contract to buy that foreign currency for a fixed dollar amount (“position hedge”). In this situation, the Fund may, in the alternative, enter into a forward contract to sell a different foreign currency for a fixed U.S. dollar amount where it believes that the U.S. dollar value of the currency to be sold pursuant to the forward contract will fall whenever there is a decline in the

U.S. dollar value of the currency in which portfolio securities of the sector are denominated (“cross-hedge”). If a Fund enters into a position hedging transaction, cash not available for investment or liquid securities will be placed in a segregated account in an amount sufficient to cover the Fund’s net liability under such hedging transactions. If the value of the securities placed in the segregated account declines, additional cash or securities will be placed in the account so that the value of the account will equal the amount of the Fund’s commitment with respect to its position hedging transactions. As an alternative to maintaining all or part of the separate account, a Fund may purchase a call option permitting it to purchase the amount of foreign currency being hedged by a forward sale contract at a price no higher than the forward contract price or the Fund may purchase a put option permitting it to sell the amount of foreign currency subject to a forward purchase contract at a price as high or higher than the forward contract price. Unanticipated changes in currency prices would result in lower overall performance for a Fund than if it had not entered into such contracts.

Generally, no Fund will enter into a forward foreign currency exchange contract with a term of greater than one year. At the maturity of the contract, a Fund may either sell the portfolio security and make delivery of the foreign currency, or may retain the security and terminate the obligation to deliver the foreign currency by purchasing an “offsetting” forward contract with the same currency trader obligating the Fund to purchase, on the same maturity date, the same amount of foreign currency.

It is impossible to forecast with absolute precision the market value of portfolio securities at the expiration of the contract. Accordingly, it may be necessary for a Fund to purchase additional foreign currency on the spot market (and bear the expense of such purchase) if the market value of the security is less than the amount of foreign currency the Fund is obligated to deliver and if a decision is made to sell the security and make delivery of the foreign currency. Conversely, it may be necessary to sell on the spot market some of the foreign currency received upon the sale of the portfolio security if its market value exceeds the amount of foreign currency the Fund is obligated to deliver.

If a Fund retains the portfolio security and engages in an offsetting transaction, it will incur a gain or a loss (as described below) to the extent that there has been movement in forward contract prices. If a Fund engages in an offsetting transaction, it may subsequently enter into a new forward contract to sell the foreign currency. Should forward prices decline during the period between entering into a forward contract for the sale of a foreign currency and the date the Fund enters into an offsetting contract for the purchase of the foreign currency, the Fund will realize a gain to the extent the price of the currency the Fund has agreed to sell exceeds the price of the currency it has agreed to purchase. Should forward prices increase, the Fund will suffer a loss to the extent the price of the currency the Fund has agreed to purchase exceeds the price of the currency the Fund has agreed to sell.

A Fund’s dealing in forward foreign currency exchange contracts will be limited to the transactions described above. Of course, no Fund is required to enter into such transactions with regard to its foreign currency-denominated securities and will not do so unless deemed appropriate by Guinness Atkinson. It also should be realized that this method of protecting the value of a Fund’s portfolio securities against the decline in the value of a currency does not eliminate fluctuations in the underlying prices of the securities. It simply establishes a rate of exchange that one can achieve at some future point in time. Additionally, although such contracts tend to minimize the risk of loss due to a decline in the value of the hedged currency, at the same time they tend to limit any potential gain that might result should the value of such currency increase.

#### **Additional Risks of Futures Contracts and Related Options, Forward Foreign Currency Exchange Contracts and Options on Foreign Currencies**

The market prices of futures contracts may be affected by certain factors. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, investors may close futures contracts through offsetting transactions that could distort the normal relationship between the securities and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market may also cause temporary price distortions.

In addition, futures contracts in which a Fund may invest may be subject to commodity exchange imposed limitations on fluctuations in futures contract prices during a single day. Such regulations are referred to as “daily price fluctuation limits” or “daily limits.” During a single trading day no trades may be executed at prices beyond the daily limit. Once the price of a futures contract has increased or decreased by an amount equal to the daily limit, positions in those futures cannot be taken or liquidated unless both a buyer and seller are willing to effect trades at or within the limit. Daily limits, or regulatory intervention in the commodity markets, could prevent a Fund from promptly liquidating unfavorable positions and adversely affect operations and profitability.

Options on foreign currencies and forward foreign currency exchange contracts (“forward contracts”) are not traded on contract markets regulated by the Commodity Futures Trading Commission (“CFTC”) and are not regulated by the SEC. Rather, forward currency contracts are traded through financial institutions acting as market makers. Foreign currency options are traded on certain national securities exchanges, such as the Philadelphia Stock Exchange and the Chicago Board Options Exchange, subject to SEC regulation. In the forward currency market, there are no daily price fluctuation limits, and adverse market movements could therefore continue to an unlimited extent over a period of time. Moreover, a trader of forward contracts could lose amounts substantially in excess of its initial investments, due to the collateral requirements associated with such positions.

Options on foreign currencies traded on national securities exchanges are within the jurisdiction of the SEC, as are other securities traded on such exchanges. As a result, many of the protections provided to traders on organized exchanges will be available with respect to such transactions. In particular, all foreign currency option positions entered into on a national securities exchange are cleared and guaranteed by the OCC, thereby reducing the risk of counterparty default. Further, a liquid secondary market in options traded on a national securities exchange may exist, potentially permitting a Fund to liquidate open positions at a profit prior to exercise or expiration, or to limit losses in the event of adverse market movements.

The purchase and sale of exchange-traded foreign currency options, however, are subject to the risks of the availability of a liquid secondary market described above, as well as the risks regarding adverse market movements, margining of options written, the nature of the foreign currency market, possible intervention by governmental authorities and the effects of other political and economic events. In addition, exercise and settlement of such options must be made exclusively through the OCC, which has established banking relationships in applicable foreign countries for this purpose. As a result, the OCC may, if it determines that foreign governmental restrictions or taxes would prevent the orderly settlement of foreign currency option exercises, or would result in undue burdens on the OCC or its clearing member, impose special procedures on exercise and settlement, such as technical changes in the mechanics of delivery of currency, the fixing of dollar settlement prices or prohibitions on exercise.

In addition, futures contracts and related options and forward contracts and options on foreign currencies may be traded on foreign exchanges, to the extent permitted by the CFTC. Such transactions are subject to the risk of governmental actions affecting trading in or the prices of foreign currencies or securities. The value of such positions also could be adversely affected by (a) other complex foreign political and economic factors, (b) lesser availability than in the United States of data on which to make trading decisions, (c) delays in a Fund’s ability to act upon economic events occurring in foreign markets during non-business hours in the United States and the United Kingdom, (d) the imposition of different exercise and settlement terms and procedures and margin requirements than in the United States, and (e) lesser trading volume.

### **Forward Commitments**

Each Fund may make contracts to purchase securities for a fixed price at a future date beyond customary settlement time (“forward commitments”) because new issues of securities are typically offered to investors, such as the Funds, on that basis. Forward commitments involve a risk of loss if the value of the security to be purchased declines prior to the settlement date. Although a Fund will enter into such contracts with the intention of acquiring the securities, the Fund may dispose of a commitment prior to a settlement date if Guinness Atkinson deems it appropriate to do so. A Fund may realize short-term profits or losses upon the sale of forward commitments.

## Regulatory Matters

In connection with its proposed futures and options transactions, each Fund will file with the CFTC a notice of eligibility for exemption from the definition of (and therefore from CFTC regulation as) a “commodity pool operator” under the Commodity Exchange Act.

The staff of the SEC has taken the position that the purchase and sale of futures contracts and the writing of related options may involve senior securities for the purposes of the restrictions contained in Section 18 of the 1940 Act on investment companies issuing senior securities. However, the staff has issued letters declaring that it will not recommend enforcement action under Section 18 if an investment company:

- (i) sells futures contracts on an index of securities that correlate with its portfolio securities to offset expected declines in the value of its portfolio securities;
- (ii) writes call options on futures contracts, stock indexes or other securities, provided that such options are covered by the investment company’s holding of a corresponding long futures position, by its ownership of portfolio securities that correlate with the underlying stock index, or otherwise;
- (iii) purchases futures contracts, provided the investment company establishes a segregated account (“cash segregated account”) consisting of cash or cash equivalents in an amount equal to the total market value of such futures contracts less the initial margin deposited therefor; and
- (iv) writes put options on futures contracts, stock indices or other securities, provided that such options are covered by the investment company’s holding of a corresponding short futures position, by establishing a cash segregated account in an amount equal to the value of its obligation under the option, or otherwise.

In addition, each Fund is eligible for, and is claiming, exclusion from the definition of the term Commodity Pool Operator in connection with the operations of the Fund, in accordance with subparagraph (1) of paragraph (a) of CFTC Rule 4.5, because the Fund represents that it will operate in a manner such that:

- (i) the Fund will use commodity futures or commodity options contracts solely for bona fide hedging purposes within the meaning and intent of Commission Rule 1.3(z)(1); provided, however, that in addition, with respect to positions in commodity futures or commodity option contracts that do not come within the meaning and intent of Rule 1.3(z)(1), the Fund will not enter into commodity futures and commodity options contracts for which the aggregate initial margin and premiums exceed five (5) percent of the fair market value of the Fund’s assets, after taking into account unrealized profits and unrealized losses on any such contracts it has entered into; and, provided further, that in the case of an option that is in-the-money at the time of purchase, the in-the-money amount as defined in Commission Rule 190.01(x) may be excluded in computing such five (5) percent;
- (ii) the Fund will not be, and has not been, marketing participations to the public as or in a commodity pool or otherwise as or in a vehicle for trading in the commodity futures or commodity options markets;
- (iii) the Fund will disclose in writing to each prospective participant the purpose of and the limitations on the scope of the commodity futures and commodity options trading in which the Fund intends to engage; and
- (iv) the Fund will submit to such special calls as the Commission may make to require the Fund to demonstrate compliance with the provisions of Commission Rule 4.5(c).

Each Fund will conduct its purchases and sales of futures contracts and writing of related options transactions in accordance with the foregoing.

### **Repurchase Agreements**

Each Fund may enter into repurchase agreements. Under a repurchase agreement, a Fund acquires a debt instrument for a relatively short period (usually not more than one week) subject to the obligation of the seller to repurchase and the Fund to resell such debt instrument at a fixed price. The resale price is in excess of the purchase price in that it reflects an agreed upon market interest rate effective for the period of time during which the Fund's money is invested. The Fund's risk is limited to the ability of the seller to pay the agreed upon sum upon the delivery date. When a Fund enters into a repurchase agreement, it obtains collateral having a value at least equal to the amount of the purchase price. Repurchase agreements can be considered loans as defined by the 1940 Act, collateralized by the underlying securities. The return on the collateral may be more or less than that from the repurchase agreement. The securities underlying a repurchase agreement will be marked to market every business day so that the value of the collateral is at least equal to the value of the loan, including the accrued interest earned. In evaluating whether to enter into a repurchase agreement, Guinness Atkinson will carefully consider the creditworthiness of the seller. If the seller defaults and the value of the collateral securing the repurchase agreement declines, the Fund may incur a loss.

### **Illiquid and Restricted Securities**

Each Fund has adopted the following investment policy, which may be changed by the vote of the Board. No Fund will invest in illiquid securities if, immediately after such investment, more than 15% of the Fund's net assets (taken at market value) would be invested in such securities. For this purpose, illiquid securities include (a) securities that are illiquid by virtue of the absence of a readily available market or legal or contractual restrictions on resale; (b) participation interests in loans that are not subject to puts; (c) covered call options on portfolio securities written by the Fund over-the-counter and the cover for such options; and (d) repurchase agreements not terminable within seven days.

Historically, illiquid securities have included securities subject to contractual or legal restrictions on resale because they have not been registered for sale to the public, securities that are otherwise not readily marketable and repurchase agreements having a maturity of longer than seven days. Mutual funds do not typically hold a significant amount of these restricted or other illiquid securities because of the potential for delays on resale and uncertainty in valuation. Limitations on resale may have an adverse effect on the marketability of portfolio securities and a mutual fund might be unable to dispose of restricted or other illiquid securities promptly or at reasonable prices and might thereby experience difficulty in satisfying redemptions within seven days. A mutual fund might also have to register such restricted securities in order to dispose of them resulting in additional expense and delay. Adverse market conditions could impede such a public offering of securities.

Although securities that may be resold only to "qualified institutional buyers" in accordance with the provisions of Rule 144A under the Securities Act of 1933, as amended, are technically considered "restricted securities," a Fund may purchase Rule 144A securities without regard to the limitation on investments in illiquid securities described above, provided that a determination is made that such securities have a readily available trading market. Guinness Atkinson will determine the liquidity of Rule 144A securities under the supervision of the Board. The liquidity of Rule 144A securities will be monitored by Guinness Atkinson, and if as a result of changed conditions, it is determined that a Rule 144A security is no longer liquid, a Fund's holdings of illiquid securities will be reviewed to determine what, if any, action is required to assure that the Fund does not exceed its applicable percentage limitation for investments in illiquid securities.

In reaching a liquidity decision, Guinness Atkinson will consider, among other things, the following factors: (1) the frequency of trades and quotes for the security; (2) the number of dealers wishing to purchase or sell the security and the number of other potential purchasers; (3) dealer undertakings to make a market in the security and (4) the nature of the security and the nature of the marketplace trades (e.g., the time needed to dispose of the security, the method of soliciting offers and the mechanics of the transfer).

## **RISK FACTORS AND SPECIAL CONSIDERATIONS**

### **Concentration Risk**

The Alternative Energy Fund will concentrate its investments (that is, invest more than 25% of its total assets) in the following group of industries: solar energy, wind energy, biofuels, hydrogen, geothermal energy, energy efficiency, and hydroelectricity (collectively, “Alternative Energy Companies”). The Fund’s concentration in Alternative Energy Companies may present more risks than would be the case with funds that invest more broadly in numerous industries and sectors of the economy. A downturn in Alternative Energy Companies would have a larger impact on the Fund than on a fund that does not concentrate in these sectors. Alternative Energy Companies can be significantly affected by the supply of and demand for specific products and services, the supply and demand for relevant energy sources, the price of those sources, capital investment, government regulation, world events and economic conditions. Alternative Energy Companies also can be significantly affected by events relating to international political developments, energy conservation, commodity prices, and tax and government regulations. At times, the performance of securities of Alternative Energy Companies will lag the performance of securities of companies in other sectors or the broader market as a whole.

### **Small- and Mid-Cap Issuers**

Investors should be aware that investments in small- or mid-cap issuers carry more risk than investments in issuers with market capitalizations greater than \$1 billion or \$5 billion, respectively. Generally, small- or mid-cap companies rely on limited product lines, financial resources, and business activities that make them more susceptible to setbacks or downturns. In addition, the stock of such companies may be more thinly traded. Accordingly, the performance of small- or mid-cap issuers may be more volatile. Small- and mid-cap issuers may be organized, located or may operate in foreign or emerging market countries or derive a significant portion of their revenues from such countries. In addition, the securities of such issuers may be traded principally on an exchange located in a foreign or emerging market country. The risks of investing in foreign and emerging markets securities are discussed below.

### **Foreign and Emerging Markets Securities**

Investors should recognize that investing in securities of companies in foreign and emerging market countries involves certain special considerations and risk factors that are not typically associated with investing in securities of U.S. companies. The following disclosure augments the information provided in the prospectus.

#### **Economic and Political Risks**

The economies of foreign countries may differ unfavorably from the United States economy in such respects as, but not limited to, growth of domestic product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payment positions. Further, economies of foreign countries generally may be heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by the economic conditions of the countries in which they trade, as well as trade barriers, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by such countries.

With respect to any foreign country, there is the possibility of nationalization, expropriation or confiscatory taxation, political changes, government regulations, social instability or diplomatic developments (including war) that could adversely affect the economies of such countries or a Fund’s investments in those countries. In addition, internal laws and regulations concerning contracts or property may be undeveloped compared to other legal systems, and it may be more difficult to obtain a judgment in a court outside the United States or enforce a foreign judgment (in U.S. or foreign courts).

## **China Political Risks**

The Chinese economy previously operated as a Socialist economic system, relying heavily upon government planning from 1949, the year in which the Communists seized power, to 1978, the year Deng Xiaoping instituted his first economic reforms.

Economic reforms in China are transforming its economy into a market system that has stimulated significant economic growth. Farm reform led to the doubling of China's farmers' incomes over the 1980's. The next stage of reform gave rise to small scale entrepreneurs and stimulated light and medium industry. In addition, a cheap and abundant supply of labor has attracted foreign investment in China. Six special economic zones were set up by the central government providing tax advantages to foreign investors and many more followed at a provincial government level. Further, the Shenzhen and Shanghai Stock Exchanges opened about ten years ago. Class "A" and Class "B" shares are traded on both exchanges. While only resident Chinese can purchase Class "A" shares, foreign investors (such as the Funds) can purchase Class "B" shares. Over the period 1978 to 2006, China's gross domestic product grew between 9% and 10% per annum. By 1995, China had become one of the world's major trading nations.

In 1984, China and Britain signed the Joint Declaration, which allowed for the termination of British rule in Hong Kong on June 30, 1997, but which maintains the previously existing capitalist economic and social system of Hong Kong for 50 years beyond that date. Obviously, there are risks arising from Hong Kong's return to China under the "one country two systems" proposal. However, Hong Kong and China are interdependent in terms of tourism, financial services and investment. Guinness Atkinson believes that China is unlikely to damage the Hong Kong economy and destroy the value of their investments. Today, Hong Kong's stock market is one of the largest in the world and is highly liquid and extensively regulated.

Notwithstanding the beliefs of Guinness Atkinson, investors should realize that there are significant risks to investing in China and Hong Kong. The risks include:

- (1) that political instability may arise as a result of indecisive leadership;
- (2) that hard line Marxist Leninists might regain the political initiative;
- (3) that social tensions caused by widely differing levels of economic prosperity within Chinese society might create unrest, as they did in the tragic events of 1989, culminating in the Tiananmen Square incident;
- (4) that the threat of armed conflict exists over the unresolved situation concerning Taiwan;
- (5) that because of China's totalitarian government, property could be nationalized, expropriated or confiscated;
- (6) that due to the relatively undeveloped commercial and corporate legal systems, companies cannot obtain legal redress or collect judgments;
- (7) that the government of China will discontinue or alter economic reforms adopted in recent years; and
- (8) inflation, currency fluctuation, interest rate or inflation rate fluctuation risks that are specific to China.

Investors should further realize that the central government of China is communist and, while a liberal attitude towards foreign investment and capitalism prevails at present, a return to hard line communism and a reaction against capitalism and the introduction of restrictions on foreign investment is a possibility. Changes in policy could increase risks of nationalization, expropriation or confiscation of property. There can be no assurance that the

Chinese government will continue to pursue its economic reform policies or, if it does, that those policies will be successful. The issue of “B” shares and “H” shares by Chinese companies and the ability to obtain a “back-door listing” through “Red Chips” is still regarded by the Chinese authorities as an experiment in economic reform. “Back door listing” is a means by which Mainland Chinese Companies acquire and invest in Hong Kong Stock Exchange listed companies (“Red Chips”) to obtain quick access to international listing and international capital. The reformist elements that now dominate Chinese policies remain ideologically communist and political factors may, at any time, outweigh economic policies and the encouragement of foreign investment. The Funds will be highly sensitive to any significant change in political, social or economic policy in China, which could affect interest, inflation and currency rates, and fluctuation in these rates. Such sensitivity may, for the reasons specified above, adversely affect the capital growth and thus the performance of the Funds. Guinness Atkinson, however, believes that the process of reform has now gone too far to be easily reversed.

Investment in China at present involves above average risk due to a number of special factors described herein. Investment in the Asia Focus, Asia Pacific Dividend, and China & Hong Kong Funds (collectively, the “Asia Funds”) should be regarded as long term in nature. These Funds are suitable only for those investors who can afford the risks involved and should constitute only a limited part of an investor’s portfolio. The price of these Funds may experience significant fluctuations.

### **Securities Market Risks**

In general, trading volume on foreign stock exchanges is substantially less than that on the New York Stock Exchange (the “NYSE”). Further, securities of some foreign companies are less liquid and more volatile than securities of comparable United States companies. Securities without a readily available market will be treated as illiquid securities for purposes of a Fund’s limitations on such purchases. Similarly, volume and liquidity in most foreign bond markets can be substantially less than in the United States, and consequently, volatility of price can be greater than in the United States. Fixed commissions on foreign markets are generally higher than negotiated commissions on United States exchanges; however, each Fund will endeavor to achieve the most favorable net results on its portfolio transactions and may be able to purchase the securities in which the Fund may invest on other stock exchanges where commissions are negotiable.

With regard to Mainland China, both the Shanghai and the Shenzhen securities markets are in their infancy and are undergoing a period of development and change. This may lead to trading volatility, difficulty in the settlement and recording of transactions and difficulty in interpreting and applying the relevant regulations. In addition, the choice of investments available to the Funds will be severely limited as compared with the choice available in other markets due to the small but increasing number of “B” share issues currently available. There is a low level of liquidity in the Chinese securities markets, which are relatively small in terms of both combined total market value and the number of “B” shares available for investment. Shareholders are warned that this could lead to severe price volatility.

### **Interest Rate Fluctuations**

Generally, the value of fixed income securities will change as interest rates fluctuate. During periods of falling interest rates, the values of outstanding long-term debt obligations generally rise. Conversely, during periods of rising interest rates, the value of such securities generally declines. The magnitude of these fluctuations generally will be greater for securities with longer maturities.

### **Governmental Credit Risk**

The obligations of foreign government entities, including supranational issuers, have various kinds of government support. Although obligations of foreign governmental entities include obligations issued or guaranteed by national, provincial, state or other governments with taxing power, or by their agencies, these obligations may or may not be supported by the full faith and credit of a foreign government.

### **Accounting Standards and Legal Framework**

Many foreign companies are not generally subject to uniform accounting, auditing, and financial reporting standards, practices and disclosure requirements comparable to those applicable to United States companies. Consequently, there may be less publicly available information about such companies than about United States companies. Further, there is generally less governmental supervision and regulation of foreign stock exchanges, brokers and listed companies than in the United States. All issuers of “B” shares, “H” shares and Red Chips, in which the Funds may invest, are, however, required to produce accounts that are prepared in accordance with international accounting standards.

With regard to China, the national regulatory and legal framework for capital markets and joint stock companies is not well developed compared to those of Western countries. Certain matters of concern to foreign shareholders are not adequately dealt with or are only covered in a number of national and local laws and regulations. As the efficacy of such laws and regulations is as yet uncertain, there can be no assurance as to the extent to which rights of foreign shareholders will be protected.

### **Additional Foreign Currency Considerations**

A substantial portion of each Fund’s assets will be invested in securities of entities in foreign markets and a substantial portion of the income received by the Funds will be in foreign currencies. If the value of the foreign currencies in which a Fund receives its income falls relative to the U.S. dollar between the earning of the income and the time at which the Fund converts the foreign currencies to U.S. dollars, the Fund will be required to liquidate securities in order to make distributions if the Fund has insufficient cash in U.S. dollars to meet distribution requirements. The liquidation of investments, if required, may have an adverse impact on a Fund’s performance.

Changes in foreign currency exchange rates also will affect the value of securities in a Fund’s portfolio and the unrealized appreciation or depreciation of investments. Further, a Fund may incur costs in connection with conversions between various currencies. Foreign exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell a foreign currency to a Fund at one rate, while offering a lesser rate of exchange should the Fund desire immediately to resell that currency to the dealer. Each Fund will conduct its foreign currency exchange transactions either on a spot (i.e., cash) basis at the spot rate prevailing in the foreign currency exchange market, or through entering into forward, futures or options contracts to purchase or sell foreign currencies.

Each Fund may enter into forward currency exchange contracts and currency futures contracts and options on such futures contracts, as well as purchase put or call options on currencies, in U.S. or foreign markets to protect the value of some portion or all of its portfolio holdings against currency risks by engaging in hedging transactions. There can be no guarantee that instruments suitable for hedging currency or market shifts will be available at the time when a Fund wishes to use them. Moreover, investors should be aware that in most emerging market countries, such as China, the markets for certain of these hedging instruments are not highly developed and that in many emerging market countries no such markets currently exist.

### **Investment Funds and Repatriation Restrictions**

Some foreign countries have laws and regulations that currently preclude direct foreign investment in the securities of their companies. However, indirect foreign investment in the securities listed and traded on the stock exchanges in these countries is permitted by certain foreign countries through investment funds that have been specially authorized. See “Tax Matters” for an additional discussion concerning such investments.

In addition to the foregoing investment restrictions, prior governmental approval for foreign investments may be required under certain circumstances in some foreign countries, and the extent of foreign investment in foreign companies may be subject to limitation. Foreign ownership limitations also may be imposed by the charters of individual companies to prevent, among other concerns, violation of foreign investment limitations.

Repatriation of investment income, capital and the proceeds of sales by foreign investors may require governmental registration and/or approval in some foreign countries. A Fund could be adversely affected by delays in or a refusal to grant any required governmental approval for such repatriation.

A Fund may invest in other registered investment companies, including open-end funds, closed-end funds and exchange traded funds (ETFs), subject to limitations set forth in the 1940 Act. This may include investment in money market mutual funds in connection with the Funds' management of daily cash positions. Investments in the securities of other registered investment companies may involve duplication of management fees and expenses. If a Fund invests in such investment funds, the Fund's shareholders will bear not only their proportionate share of the expenses of the Fund, but also will bear indirectly similar expenses of the underlying investment funds. The Fund would continue to pay its own management fees and other expenses with respect to its investments in shares of closed-end investment companies.

Section 12(d)(1)(A) of the 1940 Act generally prohibits a fund from purchasing (1) more than 3% of the total outstanding voting stock of another fund; (2) securities of another fund having an aggregate value in excess of 5% of the total assets of the acquiring fund; and (3) securities of the other fund and all other funds having an aggregate value in excess of 10% of the value of the total assets of the acquiring fund. Under an exception to this rule, the Funds are subject only to the 3% limit so long as the Funds do not charge a sales charge in excess of 1.5%.

### **INVESTMENT RESTRICTIONS AND POLICIES**

Investment restrictions are fundamental policies and cannot be changed without approval of the holders of a majority (as defined in the 1940 Act) of the outstanding shares of a Fund. As used in the prospectus and SAI, the term "majority of the outstanding shares" of a Fund means, respectively, the vote of the lesser of (i) 67% or more of the shares of the Fund present at a meeting, if the holders of more than 50% of the outstanding shares of the Fund are present or represented by proxy, or (ii) more than 50% of the outstanding shares of the Fund. The following are the Funds' investment restrictions set forth in their entirety. In contrast to the investment restrictions described below, investment policies are not fundamental and may be changed by the Board without shareholder approval.

#### **Investment Restrictions**

No Fund may:

1. Issue senior securities, except that the Fund may borrow up to 33-1/3% of the value of its total assets from a bank (i) to increase its holdings of portfolio securities, (ii) to meet redemption requests, or (iii) for such short-term credits as may be necessary for the clearance or settlement of the transactions. The Fund may pledge its assets to secure such borrowings.
2. Buy or sell commodities or commodity contracts or real estate or interests in real estate (including real estate limited partnerships), except that it may purchase and sell futures contracts on stock indices, interest rate instruments and foreign currencies, securities that are secured by real estate or commodities, and securities of companies that invest or deal in real estate or commodities.
3. Make loans, except through repurchase agreements to the extent permitted under applicable law.
4. Act as an underwriter except to the extent that, in connection with the disposition of portfolio securities, it may be deemed to be an underwriter under applicable securities laws.
5. Purchase securities on margin, except such short-term credits as may be necessary for clearance of transactions and the maintenance of margin with respect to futures contracts.
6. Make short sales of securities or maintain a short position (except that the Fund may maintain short positions in foreign currency contracts, options and futures contracts).

7. Purchase or otherwise acquire the securities of any open-end investment company (except in connection with a merger, consolidation, acquisition of substantially all of the assets or reorganization of another investment company) if, as a result, the Fund and all of its affiliates would own more than 3% of the total outstanding stock of that company.

None of the Asia Focus, Asia Pacific Dividend, China & Hong Kong, or Global Innovators Funds may:

1. Invest 25% or more of the total value of its assets in a particular industry, except that this restriction shall not apply to U.S. government securities.

### **Non-Fundamental Investment Policies**

The Alternative Energy Fund may not:

1. Invest 25% or more of the total value of its assets in a particular industry; except that the Alternative Energy Fund will invest more than 25% in securities in the alternative energy sectors and may invest more than 25% in U.S. government securities.

The Global Energy Fund may not:

1. Invest 25% or more of the total value of its assets in a particular industry; except that the Global Energy Fund will invest more than 25% in securities in the energy sectors and may invest more than 25% in U.S. government securities.

Percentage restrictions apply at the time of acquisition, and, except with respect to borrowings, any subsequent change in percentages due to changes in market value of portfolio securities or other changes in total assets will not be considered a violation of such restrictions.

### **Code of Ethics**

The Trust, Guinness Atkinson and Quasar Distributors, LLC, the distributor of the Funds (the “Distributor”), each has adopted a code of ethics, as required by applicable law, that is designed to prevent affiliated persons of the Trust, Guinness Atkinson and the Distributor from engaging in deceptive, manipulative or fraudulent activities in connection with securities held or to be acquired by a Fund (which may also be held by persons subject to a code of ethics). There can be no assurance that the codes of ethics will be effective in preventing such activities.

### **PORTFOLIO TRANSACTIONS**

All orders for the purchase or sale of portfolio securities are placed on behalf of the Funds by Guinness Atkinson subject to the supervision of the Board and pursuant to authority contained in the Agreement between the Trust and Guinness Atkinson. In selecting brokers or dealers, Guinness Atkinson will consider various relevant factors, including, but not limited to, the best net price available, the size and type of the transaction, the nature and character of the markets for the security to be purchased or sold, the execution efficiency, settlement capability, financial condition of the broker-dealer firm, the broker-dealer’s execution services rendered on a continuing basis and the reasonableness of any commissions.

In addition to meeting the primary requirements of execution and price, brokers or dealers may be selected who provide research services, or statistical material or other services to the Funds or to Guinness Atkinson for the Funds’ use, that, in the opinion of the Board, are reasonable and necessary to the Funds’ normal operations. As permitted by Section 28(e) of the Securities Exchange Act of 1934, Guinness Atkinson may cause the Funds to pay a broker-dealer that provides brokerage and research services to Guinness Atkinson (for the Funds and/or other accounts for which Guinness Atkinson exercises investment discretion) an amount of commission for effecting a securities transaction for a Fund greater than the amount other broker-dealers would have charged for effecting the transaction if Guinness Atkinson determines in good faith that the greater commission is reasonable in relation to the

value of the brokerage and research services provided by the executing broker-dealer viewed in terms of either a particular transaction or Guinness Atkinson's overall responsibilities to accounts over which it exercises investment discretion. Not all such brokerage and research services may be useful or of value in advising the Funds.

For this purpose, pursuant to Section 28(e) and applicable SEC guidance and interpretations, "brokerage and research services" includes (i) advice as to the value of securities; (ii) the advisability of investing in, purchasing or selling securities; (iii) the availability of securities or of purchasers or sellers of securities; (iv) furnishing analyses and reports concerning issues, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts; and (v) effecting securities transactions and performing functions incidental thereto (such as clearance, settlement, and custody) or required by rule or regulation in connection with such transactions. Generally, Guinness Atkinson and/or the Funds have received the following types of services: economic studies, industry studies, security analysis or reports, sales literature and statistical services. Guinness Atkinson shall determine the amount of allocations to brokers who provide research services and report brokerage allocations, on an overall basis and involving research services, regularly to the Board.

The receipt of research from brokers or dealers may be useful to Guinness Atkinson in rendering investment management services to its other clients, and conversely, such information provided by brokers or dealers who have executed orders on behalf of Guinness Atkinson's other clients may be useful to Guinness Atkinson in carrying out its obligations to the Funds. To the extent the Funds' portfolio transactions are used to obtain such services, the brokerage commissions paid by the Funds may exceed those that might otherwise be paid by an amount that cannot be presently determined. The fees paid by the Funds to Guinness Atkinson are not reduced because Guinness Atkinson receives brokerage and research services. While such services are not expected to reduce the Guinness Atkinson's expenses, Guinness Atkinson might, through use of the services, avoid the additional expenses that would be incurred if it attempted to develop comparable information on its own.

Guinness Atkinson may receive research services, or statistical material or other services to the Funds from research providers that are not affiliated with an executing broker or dealer, but which have entered into payment arrangements involving an executing broker or dealer ("Third Party Research Services"). Under a typical Third Party Research Services payment arrangement, the research provider agrees to provide services to an investment adviser in exchange for specified payments to the research provider by a broker or dealer that executes portfolio transactions for clients of the investment adviser. The investment adviser and the executing broker or dealer enter into a related agreement specifying the amount or the ratio of commissions on portfolio transactions as consideration for the executing broker or dealer making payments for Third Party Research Services received by the investment adviser. Essentially, the investment adviser and the broker-dealer establish a pool of commission credits and the broker-dealer pays research providers directly from this pool, and the broker-dealer agrees that it will use credits only to pay for research services that are permissible under Section 28(e).

Guinness Atkinson is authorized to place portfolio transactions with brokerage firms that have provided assistance in the distribution of shares of the Funds and is authorized to use the Distributor on an agency basis, to effect a substantial amount of the portfolio transactions that are executed on the New York or American Stock Exchanges, regional exchanges and foreign exchanges where relevant, or that are traded in the over-the-counter market.

Brokers or dealers who execute portfolio transactions on behalf of a Fund may receive commissions that are in excess of the amount of commissions that other brokers or dealers would have charged for effecting such transactions provided the Advisor determines in good faith that such commissions are reasonable in relation to the value of the brokerage and/or research services provided by such executing brokers or dealers viewed in terms of a particular transaction or Guinness Atkinson's overall responsibilities to a Fund.

It may happen that the same security will be held by other clients of Guinness Atkinson. When the other clients are simultaneously engaged in the purchase or sale of the same security, the prices and amounts will be allocated in accordance with a formula considered by Guinness Atkinson to be equitable to each, taking into consideration such factors as size of account, concentration of holdings, investment objectives, tax status, cash availability, purchase cost, holding period and other pertinent factors relative to each account. In some cases this system could have a

detrimental effect on the price or volume of the security as far as a Fund is concerned. In other cases, however, the ability of a Fund to participate in volume transactions will produce better executions for the Fund.

Brokerage commissions paid by the Funds were as follows:

Year Ended December 31,	Alternative Energy Fund <sup>(1)</sup>	Asia Focus Fund <sup>(2)</sup>	Asia Pacific Dividend Fund <sup>(3)</sup>	China & Hong Kong Fund <sup>(4)</sup>	Global Energy Fund <sup>(5)</sup>	Global Innovators Fund <sup>(6)</sup>
2009	\$70,953	\$204,843	\$15,576	\$83,402	\$84,316	\$48,134
2008	\$336,658	\$131,418	\$97,838	\$263,155	\$104,257	\$103,231
2007	\$357,856	\$144,379	\$120,568	\$154,239	\$75,247	\$80,105

<sup>(1)</sup> The Alternative Energy Fund's lower brokerage commissions in 2009 were due to lower portfolio purchases and sales.

<sup>(2)</sup> The Asia Focus Fund's higher brokerage commissions in 2009 were due to higher shareholder subscriptions and redemptions, which necessitated increased portfolio purchases and sales.

<sup>(3)</sup> The Asia Pacific Dividend Fund's lower brokerage commissions in 2009 were due to lower portfolio purchases and sales.

<sup>(4)</sup> The China & Hong Kong Fund's higher brokerage commissions in 2008 were due to higher trading activity on the Fund.

<sup>(5)</sup> The Global Energy Fund's higher brokerage commissions in 2008 were principally due to higher shareholder activities, which necessitated increased portfolio purchases and sales.

<sup>(6)</sup> The Global Innovator Fund's higher brokerage commissions in 2008 were due to higher trading activity on the Fund.

The Global Energy Fund paid \$1,836 in brokerage commissions on transactions aggregating \$3,675,079 executed by broker under a Third Party Research Service payment arrangement during the year ended December 31, 2009. None of the other Funds paid any commissions under Third Party Research Service arrangements during the previous three fiscal years.

The following are the Funds' portfolio turnover rates:

	Fiscal Year Ended 12/31/09	Fiscal Year Ended 12/31/08
Alternative Energy Fund <sup>(1)</sup>	47.10%	94.76%
Asia Focus Fund	31.35%	28.89%
Asia Pacific Dividend Fund	26.03%	48.02%
China & Hong Kong Fund <sup>(2)</sup>	7.87%	26.62%
Global Energy Fund <sup>(3)</sup>	51.74%	74.90%
Global Innovators Fund	50.54%	36.49%

<sup>(1)</sup> The Alternative Energy Fund's higher portfolio turnover rate in 2008 was due to higher shareholder subscriptions and redemptions, which necessitated increased portfolio purchases and sales.

<sup>(2)</sup> The China & Hong Kong Fund's lower portfolio turnover rate in 2009 was due to lower shareholder activities compared to 2008.

<sup>(3)</sup> The Global Energy Fund's higher portfolio turnover rate in 2008 was driven by a greater level of portfolio activity due to volatile commodity prices.

The Funds are required to disclose information regarding investments in the securities of their "regular" broker-dealers (or parent companies of its regular broker-dealers). "Regular broker-dealers" are defined by the SEC as: (a) one of the 10 broker-dealers that received from the Funds the largest amount of brokerage commissions by participating, directly or indirectly, in the Funds' portfolio transactions during the Funds' most recent fiscal year; (b) one of the 10 broker-dealers that engaged as principal in the largest dollar amount of portfolio transactions of the Funds during the Funds' most recent fiscal year; or (c) one of the 10 broker-dealers that sold the largest amount of securities of the Funds during the Funds' most recent fiscal year. As of December 31, 2009, the Global Innovators Fund held equity securities of the Funds' regular broker-dealer, State Street Corp., in the amount of \$1,481,405 and

TD Ameritrade Holding Corp., in the amount of \$1,441,484. None of the other Funds held securities of their regular broker-dealers as of December 31, 2009.

## COMPUTATION OF NET ASSET VALUE; SECURITIES VALUATION

### NAV Calculation

The net asset value per share (“NAV”) of each of the Funds is determined at the close of business on the NYSE (generally 4:00 p.m. Eastern Time) on each day that the NYSE is open for business and the Federal Reserve Bank’s Fedline System is open and on such other days as there is sufficient trading in the Fund’s securities to affect materially the Funds’ NAVs. All of the Funds will be closed on New Year’s Day, Dr. Martin Luther King, Jr. Day, Presidents’ Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

Each Fund’s NAV is calculated by adding the value of all portfolio securities and other assets belonging to the Fund, subtracting the liabilities charged to the Fund, and dividing the result by the number of outstanding shares of the Fund. Assets belonging to a Fund consist of the consideration received upon the issuance of shares of the Fund together with all net investment income, realized gains/losses and proceeds derived from the investment thereof, including any proceeds from the sale of such investments, any funds or payments derived from any reinvestment of such proceeds, and a portion of any general assets of the Trust not belonging to a particular Fund. The liabilities that are charged to a Fund are borne proportionately by each share of the Fund. Subject to the provisions of the Trust Instrument, determinations by the Board as to the direct and allocable liabilities, and the allocable portion of any general assets, with respect to the Funds are conclusive.

An example of how the Funds calculated the total offering price per share as of December 31, 2009 is as follows:

#### Alternative Energy Fund

$$\begin{array}{r} \text{Net Assets} \\ \hline \text{Shares Outstanding} \end{array} = \text{NAV}$$

$$\begin{array}{r} \$62,108,666 \\ \hline 9,386,374 \end{array} = \$6.62$$

#### Asia Focus Fund

$$\begin{array}{r} \text{Net Assets} \\ \hline \text{Shares Outstanding} \end{array} = \text{NAV}$$

$$\begin{array}{r} \$112,421,289 \\ \hline 6,377,105 \end{array} = \$17.63$$

#### Asia Pacific Dividend Fund

$$\begin{array}{r} \text{Net Assets} \\ \hline \text{Shares Outstanding} \end{array} = \text{NAV}$$

$$\begin{array}{r} \$11,379,342 \\ \hline 1,031,921 \end{array} = \$11.03$$

### China & Hong Kong Fund

<u>Net Assets</u>	=	NAV
Shares Outstanding		
<u>\$240,960,143</u>	=	\$35.13
6,859,687		

### Global Energy Fund

<u>Net Assets</u>	=	NAV
Shares Outstanding		
<u>\$75,359,889</u>	=	\$25.60
2,943,708		

### Global Innovators Fund

<u>Net Assets</u>	=	NAV
Shares Outstanding		
<u>\$36,720,924</u>	=	\$16.24
2,260,622		

## **Securities Valuation**

The Funds will invest in foreign securities and, as a result, the calculation of the Funds' NAVs may not take place contemporaneously with the determination of the prices of certain of the portfolio securities used in the calculation. Occasionally, events that affect the values of such securities and such exchange rates may occur between the times at which they are determined and the close of the NYSE and will therefore not be reflected in the computation of a Fund's NAV. If events materially affecting the value of such securities occur during such period, then these securities may be valued at their fair value as determined in good faith under procedures established by, and under the supervision of, the Board. The Funds may rely on prices provided by independent pricing services. Prices used by independent pricing services may be based on proprietary methodologies. If an independent pricing service makes an error in applying its proprietary pricing methodologies, this could result in an incorrect valuation for a security held in a Fund's portfolio. Portfolio securities of a Fund that are traded both on an exchange and in the over-the-counter market will be valued according to the broadest and most representative market. All assets and liabilities initially expressed in foreign currency values will be converted into U.S. dollar values at the mean between the bid and offered quotations of the currencies against U.S. dollars as last quoted by any recognized dealer. When portfolio securities are traded, the valuation will be the last reported sale price before the valuation point. (For securities traded on the NYSE, the valuation will be the last reported sales price as of the close of the NYSE's regular trading session, currently 4:00 p.m. New York time.) If there is no such reported sale or the valuation is based on the over-the-counter market, the securities will be valued at the last available bid price or at the mean between the bid and asked prices, as determined by the Board. As of the date of this SAI, such securities will be valued by the latter method. Securities that are traded on more than one exchange are valued on the exchange determined by the Advisor to be the primary market. Securities primarily traded in the NASD Automated Quotation ("Nasdaq") National Market System for which market quotations are readily available shall be valued using the Nasdaq Official Closing Price ("NOCP"). If the NOCP is not available, such securities shall be valued at the last sale price on the day of valuation, or if there has been no sale on such day, at the mean between the bid and asked prices. Over-the-counter ("OTC") securities that are not traded in the Nasdaq National Market System shall be valued at the most recent trade price.

Money market instruments with less than sixty days remaining to maturity when acquired by a Fund will be valued on an amortized cost basis by the Fund, excluding unrealized gains or losses thereon from the valuation.

This is accomplished by valuing the security at cost and then assuming a constant amortization to maturity of any premium or discount. If a Fund acquires a money market instrument with more than sixty days remaining to its maturity, it will be valued at current market value until the 60th day prior to maturity, and will then be valued on an amortized cost basis based upon the value on such date unless the Board determines during such 60 day period that this amortized cost value does not represent fair market value.

### PERFORMANCE INFORMATION

For purposes of quoting and comparing the performance of a Fund to that of other mutual funds and to stock or other relevant indices in advertisements or in reports to shareholders, performance will be stated in terms of total return. The total return basis combines principal and dividend income changes for the periods shown. Principal changes are based on the difference between the beginning and closing net asset values for the period and assume reinvestment of dividends and distributions paid by a Fund. Dividends and distributions are comprised of net investment income and net realized capital gains. Under SEC rules, funds advertising performance must include total return quotes calculated according to one or more of the following formulas:

#### Return Before Taxes

$$P(1 + T)^n = ERV$$

Where P = a hypothetical initial payment of \$1,000  
T = average annual total return  
n = number of years (1, 5 or 10)  
ERV = ending redeemable value of a hypothetical \$1,000 payment made at the beginning of the 1, 5 or 10 year periods or at the end of the 1, 5 or 10 year periods (or fractional portion thereof)

#### Return After Taxes on Distributions

$$P(1 + T)^n = ATV_D$$

Where P = a hypothetical initial payment of \$1,000  
T = average annual total return  
n = number of years (1, 5 or 10)  
ATV<sub>D</sub> = ending redeemable value of a hypothetical \$1,000 payment made at the beginning of the 1, 5 or 10 year periods or at the end of the 1, 5 or 10 year periods, after taxes on distributions but not after taxes on redemption

#### Return After Taxes on Distributions and Sale of Fund Shares

$$P(1 + T)^n = ATV_{DR}$$

Where P = a hypothetical initial payment of \$1,000  
T = average annual total return  
n = number of years (1, 5 or 10)  
ATV<sub>DR</sub> = ending redeemable value of a hypothetical \$1,000 payment made at the beginning of the 1, 5 or 10 year periods or at the end of the 1, 5 or 10 year periods, after taxes on distributions and redemption

In calculating the ending redeemable value, all dividends and distributions by a Fund are assumed to have been reinvested at net asset value as described in the prospectus on the reinvestment dates during the period. Total return, or "T" in the formula above, is computed by finding the average annual compounded rates of return over the 1, 5 and 10 year periods (or fractional portion thereof) that would equate the initial amount invested to the ending redeemable value.

A Fund may also from time to time include in such advertising a total return figure that is not calculated according to the formula set forth above in order to compare more accurately the Fund's performance with other measures of investment return. For example, in comparing a Fund's total return with data published by Lipper, Inc. or similar independent services or financial publications, the Fund calculates its aggregate total return for the specified periods of time by assuming the reinvestment of each dividend or other distribution at net asset value on the reinvestment date. Percentage increases are determined by subtracting the initial net asset value of the investment from the ending net asset value and by dividing the remainder by the beginning net asset value. Such alternative total return information will be given no greater prominence in such advertising than the information prescribed under the SEC's rules.

All advertisements containing performance data of any kind will include a legend disclosing that such performance data represents past performance and that 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.

#### **ADDITIONAL PURCHASE AND REDEMPTION INFORMATION**

Each Fund has elected to be governed by Rule 18f-1 under the 1940 Act, under which the Fund is obligated to redeem the shares of any shareholder solely in cash up to the lesser of 1% of the net asset value of the Fund or \$250,000 during any 90-day period. Should any shareholder's redemption exceed this limitation, a Fund can, at its sole option, redeem the excess in cash or in readily marketable portfolio securities. Such securities would be selected solely by the Fund and valued as in computing net asset value. In these circumstances a shareholder selling such securities would probably incur a brokerage charge and there can be no assurance that the price realized by a shareholder upon the sale of such securities will not be less than the value used in computing net asset value for the purpose of such redemption.

Each Fund has authorized one or more brokers to accept on its behalf purchase and redemption orders. Such brokers are authorized to designate intermediaries to accept orders on the Fund's behalf. A Fund will be deemed to have received the order when an authorized broker or broker authorized designee accepts the order. Customer orders will be priced at the Fund's net asset value next computed after they are accepted by an authorized broker or the broker authorized designee.

Each Fund generally charges a redemption fee of 2.00% of the value of shares redeemed within 30 days of purchase. Although each Fund aims to apply the redemption fee uniformly, the redemption fee may not apply in certain circumstances when it is not currently practicable for the Fund to impose the fee, such as redemptions of shares held in certain omnibus accounts held at financial intermediaries (which may impose their own fees), redemptions of shares made through systematic withdrawal or exchange plans, pre-approved asset allocation programs or automatic non-discretionary rebalancing programs, retirement plans that cannot implement the redemption fee, redemptions initiated by a Fund, or under other circumstances when the redemption does not indicate market timing activity.

#### **PORTFOLIO HOLDINGS INFORMATION**

The Advisor and the Funds maintain portfolio holdings disclosure policies that govern the timing and circumstances of disclosure to shareholders and third parties of information regarding the portfolio investments held by the Funds. These portfolio holdings disclosure policies have been approved by the Board. Disclosure of the Funds' complete holdings is required to be made quarterly within 60 days of the end of each fiscal quarter in the Annual Report and Semi-Annual Report to Fund shareholders and in the first and third quarter holdings reports on Form N-Q. These reports are available, free of charge, on the EDGAR database on the SEC's website at [www.sec.gov](http://www.sec.gov).

From time to time, rating and ranking organizations such as Standard & Poor's, Lipper, Bloomberg and Morningstar, Inc., may request complete portfolio holdings information in connection with rating the Funds. The Trust believes that these third parties have legitimate objectives in requesting such portfolio holdings information. To prevent such parties from potentially misusing portfolio holdings information, the Trust discloses such

information to the parties at or after the same time the Funds' portfolio holdings is made public on the SEC's website (quarterly within 60 days of the end of each fiscal quarter).

The Advisor discloses the Funds' top 10 holdings on Guinness Atkinson Funds' website monthly, normally with a lag of five to ten business days following the end of the month. The information is then disclosed to third parties after it has been made public on Guinness Atkinson Funds' website.

The Advisor may grant exceptions to permit additional disclosure of portfolio holdings information at differing times and with differing lag times to rating agencies, provided that (1) the recipient is subject to a confidentiality agreement, (2) the recipient will utilize the information to reach certain conclusions about the investment management characteristics of the Funds and will not use the information to facilitate or assist in any securities trading, and (3) the recipient will not provide access to third parties to this information.

Guinness Asset Management Ltd., an affiliate of the Advisor, manages other funds in a mirror image fashion to one of the Guinness Atkinson Funds. As a result, it is possible for the holdings of the Guinness Atkinson Funds to be deduced from disclosures of holdings in those funds (and visa versa). It is accepted that disclosures of holdings in those clients' portfolio may be disclosed to third parties. The Advisor has, however, undertaken to use its best endeavors to obtain confidentiality agreements similar to those described above when such disclosures occur before those Funds' holdings are made public.

In addition, the Funds' service providers, consisting of the administrator, custodian, financial printer, legal counsel and auditors, may receive portfolio holdings information in connection with their services to the Funds. Disclosure of the Funds' portfolio holdings information may be made only with prior written approval of either the Trust's President or its Chief Compliance Officer. In no event shall the Advisor, its affiliates or employees, or the Funds receive any direct or indirect compensation in connection with the disclosure of information about the Funds' portfolio holdings. The Trust's Chief Compliance Officer will review the adequacy and effectiveness of the Trust's portfolio holdings disclosure policy (and any related procedures) at least annually and recommend changes, if appropriate, to the Board. In addition, the Board will review the adequacy and effectiveness of this policy (and any related procedures) at least annually and consider the recommendations, if any, of the Chief Compliance Officer.

The Advisor will consider any actual or potential conflicts of interest between the Advisor and the Funds' shareholders and will act in the best interest of the Funds' shareholders with respect to any such disclosure of portfolio holdings information. If a potential conflict can be resolved in a manner that does not present detrimental effects to Fund shareholders, the Advisor may authorize release of portfolio holdings information. Conversely, if the potential conflict cannot be resolved in a manner that does not present detrimental effects to Fund shareholders, the Advisor will not authorize such release.

## **TAX MATTERS**

The following is only a summary of certain additional income and excise tax considerations generally affecting the Funds and their shareholders that are not described in the prospectus. No attempt is made to present a detailed explanation of the tax treatment of any Fund or its shareholders, and the discussions here and in the prospectus are not intended as substitutes for careful tax planning. Accordingly, potential purchasers of shares of a Fund are urged to consult their tax advisors with specific reference to their own tax circumstances. Special tax considerations may apply to certain types of investors subject to special treatment (including, for example, insurance companies, banks and tax-exempt organizations) under the Internal Revenue Code of 1986, as amended (the "Code"). In addition, the tax discussion in the prospectus and this SAI is based on tax law in effect on the date of the prospectus and this SAI; such laws and regulations may be changed by legislative, judicial, or administrative action, sometimes with retroactive effect.

### **Qualification as a Regulated Investment Company**

Each Fund has elected to be taxed as a regulated investment company for federal income tax purposes under Subchapter M of the Code. As a regulated investment company, a Fund is not subject to federal income tax on the

portion of its net investment income (*i.e.*, taxable interest, dividends and other taxable ordinary income, net of expenses) and capital gain net income (*i.e.*, the excess of capital gains over capital losses) that it distributes to shareholders, provided that it distributes at least 90% of its investment company taxable income (*i.e.*, net investment income and the excess of net short-term capital gain over net long-term capital loss) for the taxable year (the “Distribution Requirement”), and satisfies certain other requirements of the Code that are described below. Distributions by a Fund made during the taxable year or, under specified circumstances, within twelve months after the close of the taxable year, will be considered distributions of income and gains of the taxable year and will therefore count toward satisfaction of the Distribution Requirement.

If a Fund has a net capital loss (*i.e.*, an excess of capital losses over capital gains) for any year, the amount thereof may be carried forward up to eight years and treated as a short-term capital loss that can be used to offset capital gains in such future years. As explained below, however, such carryforwards are subject to limitations on availability. Under Code Sections 382 and 383, if a Fund has an “ownership change,” then the Fund’s use of its capital loss carryforwards in any year following the ownership change will be limited to an amount equal to the NAV of the Fund immediately prior to the ownership change multiplied by the long-term tax-exempt rate (which is published monthly by the Internal Revenue Service (the “IRS”)) in effect for the month in which the ownership change occurs (the rate for May 2010 is 4.03%). The Funds will use their best efforts to avoid having an ownership change. However, because of circumstances that may be beyond the control or knowledge of a Fund, there can be no assurance that a Fund will not have, or has not already had, an ownership change. If a Fund has or has had an ownership change, then the Fund will be subject to federal income taxes on any capital gain net income for any year following the ownership change in excess of the annual limitation on the capital loss carryforwards unless distributed by the Fund. Any distributions of such capital gain net income will be taxable to shareholders as described under “Fund Distributions” below. The following table summarizes the approximate capital loss carryforwards for the applicable Funds as of December 31, 2009.

<b>Year of Expiration</b>	<b>Alternative Energy Fund</b>	<b>Asia Focus Fund</b>	<b>Asia Pacific Dividend Fund</b>	<b>China &amp; Hong Kong Fund</b>	<b>Global Energy Fund</b>	<b>Global Innovators Fund</b>
2010	–	395,317	–	364,169	–	19,915,748
2011	–	–	–	–	–	8,376,172
2012	–	–	–	–	–	4,814,343
2013	–	–	–	–	–	–
2014	–	–	–	–	–	–
2015	–	–	–	–	–	–
2016	10,370,865	–	1,321,324	–	–	–
2017	40,533,705	–	1,115,940	–	1,158,130	–
<b>Total</b>	<b>\$50,904,570</b>	<b>\$395,317</b>	<b>\$2,437,264</b>	<b>\$364,169</b>	<b>\$1,158,130</b>	<b>\$33,106,263</b>

For the China & Hong Kong Fund, the \$364,169 capital loss carryover is related to the acquisition of the Investec Mainland China Fund on April 23, 2003.

In addition to satisfying the Distribution Requirement, a regulated investment company must derive at least 90% of its gross income from dividends, interest, certain payments with respect to securities loans, gains from the sale or other disposition of stock or securities or foreign currencies, other income (including but not limited to gains from options, futures or forward contracts) derived with respect to its business of investing in such stock, securities or currencies, and net income from interests in qualified publicly traded partnerships (the “Income Requirement”).

In general, gain or loss recognized by a Fund on the disposition of an asset will be a capital gain or loss. In addition, gain will be recognized as a result of certain constructive sales, including short sales “against the box.” However, gain recognized on the disposition of a debt obligation purchased by a Fund at a market discount

(generally, at a price less than its principal amount) will be treated as ordinary income to the extent of the portion of the market discount that accrued during the period of time the Fund held the debt obligation. In addition, under the rules of Code Section 988, gain or loss recognized on the disposition of a debt obligation denominated in a foreign currency or an option with respect thereto, and gain or loss recognized on the disposition of a foreign currency forward contract, futures contract, option or similar financial instrument, or of foreign currency itself, except for regulated futures contracts or non-equity options subject to Code Section 1256 (unless a Fund elects otherwise), will generally be treated as ordinary income or loss to the extent attributable to changes in foreign currency exchange rates.

In general, for purposes of determining whether capital gain or loss recognized by a Fund on the disposition of an asset is long-term or short-term, the holding period of the asset may be affected if (as applicable, depending on the type of the Fund) (1) the asset is used to close a “short sale” (which includes for certain purposes the acquisition of a put option) or is substantially identical to another asset so used, or (2) the asset is otherwise held by the Fund as part of a “straddle” (which term generally excludes a situation where the asset is stock and the Fund grants a qualified covered call option (which, among other things, must not be deep-in-the-money) with respect thereto) or (3) the asset is stock and the Fund grants an in-the-money qualified covered call option with respect thereto. In addition, a Fund may be required to defer the recognition of a loss on the disposition of an asset held as part of a straddle to the extent of any unrecognized gain on the offsetting position.

Any gain recognized by a Fund on the lapse of, or any gain or loss recognized by a Fund from a closing transaction with respect to, an option written by the Fund will be treated as a short-term capital gain or loss.

Further, the Code also treats as ordinary income a portion of the capital gain attributable to a transaction where substantially all of the expected return is attributable to the time value of a Fund’s net investment in the transaction and: (1) the transaction consists of the acquisition of property by the Fund and a contemporaneous contract to sell substantially identical property in the future; (2) the transaction is a straddle within the meaning of section 1092 of the Code; (3) the transaction is one that was marketed or sold to the Fund on the basis that it would have the economic characteristics of a loan but the interest-like return would be taxed as capital gain; or (4) the transaction is described as a conversion transaction in the Treasury Regulations. The amount of the gain that is recharacterized generally will not exceed the amount of the interest that would have accrued on the net investment for the relevant period at a yield equal to 120% of the federal long-term, mid-term, or short-term rate, depending upon the type of instrument at issue, reduced by an amount equal to: (1) prior inclusions of ordinary income items from the conversion transaction and (2) under Treasury Regulations that have not yet been promulgated, the capitalized interest on acquisition indebtedness under Code Section 263(g). Built-in losses will be preserved where the Fund has a built-in loss with respect to property that becomes a part of a conversion transaction. No authority exists that indicates that the converted character of the income will not be passed through to the Fund’s shareholders.

Certain transactions that may be engaged in by a Fund (such as regulated futures contracts, certain foreign currency contracts, and options on stock indexes and futures contracts) will be subject to special tax treatment as “Section 1256 contracts.” Section 1256 contracts are treated as if they are sold for their fair market value on the last business day of the taxable year, even though a taxpayer’s obligations (or rights) under such contracts have not terminated (by delivery, exercise, entering into a closing transaction or otherwise) as of such date. Any gain or loss recognized as a consequence of the year-end deemed disposition of Section 1256 contracts is taken into account for that taxable year together with any other gain or loss that was previously recognized upon the termination of Section 1256 contracts during that taxable year. Any gain or loss for the taxable year with respect to Section 1256 contracts (including any capital gain or loss arising as a consequence of the year-end deemed sale of such contracts) is generally treated as 60% long-term capital gain or loss and 40% short-term capital gain or loss. A Fund, however, may elect not to have this special tax treatment apply to Section 1256 contracts that are part of a “mixed straddle” with other investments of the Fund that are not Section 1256 contracts.

A Fund may purchase securities of certain foreign investment funds or trusts that constitute passive foreign investment companies (“PFICs”) for federal income tax purposes. If a Fund invests in a PFIC, it has three separate options. First, it may elect to treat the PFIC as a qualifying electing fund (a “QEF”), in which case it will each year have ordinary income equal to its pro rata share of the PFIC’s ordinary earnings for the year and long-term capital

gain equal to its pro rata share of the PFIC's net capital gain for the year, regardless of whether the Fund receives distributions of any such ordinary earnings or capital gains from the PFIC. Second, if the Fund invests in "marketable stock" (as defined) of a PFIC, the Fund may make a mark-to-market election with respect to such stock. Pursuant to such an election, the Fund will include as ordinary income any excess of the fair market value of such stock at the close of any taxable year over its adjusted tax basis in the stock. If the adjusted tax basis of the PFIC stock exceeds the fair market value of such stock at the end of a given taxable year, such excess will be deductible as ordinary loss in the amount equal to the lesser of the amount of such excess or the net mark-to-market gains on the stock that the Fund included in income in previous years. Solely for purposes of Code Sections 1291-1298, the Fund's holding period with respect to its PFIC stock subject to the election will commence on the first day of the first taxable year beginning after the last taxable year for which the mark-to-market election applied. If the Fund makes the mark-to-market election in the first taxable year it holds PFIC stock, it will not incur the tax described below under the third option.

Finally, if the Fund does not elect to treat the PFIC as a QEF and does not make a mark-to-market election, then, in general, (1) any gain recognized by the Fund upon a sale or other disposition of its interest in the PFIC or any "excess distribution" (as defined) received by the Fund from the PFIC will be allocated ratably over the Fund's holding period in the PFIC stock, (2) the portion of such gain or excess distribution so allocated to the year in which the gain is recognized or the excess distribution is received shall be included in the Fund's gross income for such year as ordinary income (and the distribution of such portion by the Fund to shareholders will be taxable as a dividend, but such portion will not be subject to tax at the Fund level), (3) the Fund shall be liable for tax on the portions of such gain or excess distribution so allocated to prior years in an amount equal to, for each such prior year, (i) the amount of gain or excess distribution allocated to such prior year multiplied by the highest corporate tax rate in effect for such prior year, plus (ii) interest on the amount determined under clause (i) for the period from the due date for filing a return for such prior year until the date for filing a return for the year in which the gain is recognized or the excess distribution is received, at the rates and methods applicable to underpayments of tax for such period, and (4) the distribution by the Fund to shareholders of the portions of such gain or excess distribution so allocated to prior years (net of the tax payable by the Fund thereon) will again be taxable to the shareholders as a dividend.

Treasury Regulations permit a regulated investment company, in determining its investment company taxable income and net capital gain (i.e., the excess of net long-term capital gain over net short-term capital loss) for any taxable year, to elect (unless it made a taxable year election for excise tax purposes as discussed below) to treat all or any part of any net capital loss, any net long-term capital loss or any net foreign currency loss (including, to the extent provided in Treasury Regulations, losses recognized pursuant to the PFIC mark-to-market election) incurred after October 31 as if it had been incurred in the succeeding year.

In addition to satisfying the Distribution and Income requirements described above, a Fund must satisfy an asset diversification test in order to qualify as a regulated investment company. Under this test, at the close of each quarter of a Fund's taxable year, at least 50% of the value of the Fund's assets must consist of cash and cash items, U.S. government securities, securities of other regulated investment companies, and securities of other issuers (as to each of which the Fund has not invested more than 5% of the value of the Fund's total assets in securities of such issuer and does not hold more than 10% of the outstanding voting securities of such issuer), and no more than 25% of the value of its total assets may be invested in the securities of any one issuer (other than U.S. government securities and securities of other regulated investment companies), in the securities of two or more issuers that the Fund controls and that are engaged in the same or similar trades or businesses (other than securities of other regulated investment companies), or the securities of one or more qualified publicly traded partnerships. Generally, an option (call or put) with respect to a security is treated as issued by the issuer of the security not the issuer of the option.

If for any taxable year a Fund does not qualify as a regulated investment company, all of its taxable income (including its net capital gain) will be subject to tax at regular corporate rates without any deduction for distributions to shareholders, and such distributions will be taxable to the shareholders as dividends to the extent of the Fund's current and accumulated earnings and profits. Such distributions generally may be eligible for the dividends-

received deduction (“DRD”) in the case of corporate shareholders and may be eligible for treatment as “qualified dividend income” in the case of noncorporate shareholders.

### **Excise Tax on Regulated Investment Companies**

A 4% non-deductible excise tax is imposed on a regulated investment company that fails to distribute in each calendar year an amount equal to 98% of ordinary taxable income for the calendar year and 98% of capital gain net income for the one-year period ended on October 31 of such calendar year (or, at the election of a regulated investment company having a taxable year ending November 30 or December 31, for its taxable year (a “taxable year election”). The balance of such income must be distributed during the next calendar year. For the foregoing purposes, a regulated investment company is treated as having distributed any amount on which it is subject to income tax for any taxable year ending in such calendar year.

For purposes of the excise tax, a regulated investment company shall: (1) reduce its capital gain net income (but not below its net capital gain) by the amount of any net ordinary loss for the calendar year; and (2) exclude foreign currency gains and losses and ordinary gains or losses arising as a result of a PFIC mark-to-market election (or upon an actual disposition of the PFIC stock subject to such election) incurred after October 31 of any year (or after the end of its taxable year if it has made a taxable year election) in determining the amount of ordinary taxable income for the current calendar year (and, instead, include such gains and losses in determining ordinary taxable income for the succeeding calendar year).

Each Fund intends to make sufficient distributions or deemed distributions of its ordinary taxable income and capital gain net income prior to the end of each calendar year to avoid liability for the excise tax. However, investors should note that a Fund may in certain circumstances be required to liquidate portfolio investments to make sufficient distributions to avoid excise tax liability.

### **Fund Distributions**

Each Fund anticipates distributing substantially all of its investment company taxable income for each taxable year. Such distributions will be treated as dividends for federal income tax purposes and may be taxable to non-corporate shareholders as long-term capital gains (a “qualified dividend”), provided that certain requirements, as discussed below, are met. Dividends received by corporate shareholders and dividends that do not constitute qualified dividends are taxable as ordinary income. The portion of dividends received from a Fund that are qualified dividends generally will be determined on a look-through basis. If the aggregate qualified dividends received by a Fund are less than 95% of the Fund’s gross income (as specially computed), the portion of dividends received from the Fund that constitute qualified dividends will be designated by the Fund and generally cannot exceed the ratio that the qualified dividends received by the Fund bears to its gross income. If the aggregate qualified dividends received by a Fund equal at least 95% of its gross income, then all of the dividends received from the Fund will constitute qualified dividends.

No dividend will constitute a qualified dividend (1) if it has been paid with respect to any share of stock that the Fund has held for less than 61 days (91 days in the case of certain preferred stock) during the 121-day period (181-day period in the case of certain preferred stock) beginning on the date that is 60 days (90 days in the case of certain preferred stock) before the date on which such share becomes ex-dividend with respect to such dividend, excluding for this purpose, under the rules of Code section 246(c), any period during which the Fund has an option to sell, is under a contractual obligation to sell, has made and not closed a short sale of, is the grantor of a deep-in-the-money or otherwise nonqualified option, or an in-the-money qualified call option to buy, or has otherwise diminished its risk of loss by holding other positions with respect to, such (or substantially identical) stock; (2) if the noncorporate shareholder fails to meet the holding period requirements set forth in (1) with respect to its shares in the Fund to which the dividend is attributable; or (3) to the extent that the Fund is under an obligation (pursuant to a short sale or otherwise) to make related payments with respect to positions in property substantially similar or related to stock with respect to which an otherwise qualified dividend is paid.

Dividends received by a Fund from a foreign corporation will be qualified dividends only if (1) the stock with respect to which the dividend is paid is readily tradable on an established securities market in the U.S., (2) the foreign corporation is incorporated in a possession of the U.S. or (3) the foreign corporation is eligible for the benefits of a comprehensive income tax treaty with the U.S. that includes an exchange of information program (and that the Treasury Department determines to be satisfactory for these purposes). The Treasury Department has issued guidance identifying which treaties are satisfactory for these purposes.. Notwithstanding the above, dividends received from a foreign corporation that, for the taxable year of the corporation in which the dividend was paid, or the preceding taxable year, is a PFIC will not constitute qualified dividends.

A Fund may either retain or distribute to shareholders its net capital gain for each taxable year. Each Fund currently intends to distribute any such amounts. Net capital gain that is distributed and designated as a capital gain dividend will be taxable to shareholders as long-term capital gain, regardless of the length of time the shareholder has held his shares or whether such gain was recognized by a Fund prior to the date on which the shareholder acquired his shares.

Conversely, if a Fund elects to retain its net capital gain, the Fund will be taxed thereon (except to the extent of any available capital loss carryovers) at the 35% corporate tax rate. If a Fund elects to retain its net capital gain, it is expected that the Fund also will elect to have shareholders of record on the last day of its taxable year treated as if each such shareholder received a distribution of his pro rata share of such gain, with the result that each shareholder will be required to report his pro rata share of such gain on his tax return as long-term capital gain, will receive a refundable tax credit for his pro rata share of tax paid by the Fund on the gain, and will increase the tax basis for his shares by an amount equal to the deemed distribution less the tax credit.

Alternative minimum tax ("AMT") is imposed in addition to, but only to the extent it exceeds, the regular income tax and is computed at a maximum marginal rate of 28% for noncorporate taxpayers and 20% for corporate taxpayers on the excess of the taxpayer's alternative minimum taxable income ("AMTI") over an exemption amount.

For purposes of the corporate AMT, the corporate DRD is not itself an item of tax preference that must be added back to taxable income or is otherwise disallowed in determining a corporation's AMTI. However, corporate shareholders will generally be required to take the full amount of any dividend received from a Fund into account (without a DRD) in determining their adjusted current earnings.

Investment income that may be received by a Fund from sources within foreign countries may be subject to foreign taxes withheld at the source. The United States has entered into tax treaties with many foreign countries that may entitle a Fund to a reduced rate of, or exemption from, taxes on such income. It is impossible to determine the effective rate of foreign tax in advance since the amount of each Fund's assets to be invested in various countries is not known. If more than 50% of the value of a Fund's total assets at the close of its taxable year consist of the stock or securities of foreign corporations, a Fund may elect to "pass through" to the Fund's shareholders the amount of foreign taxes paid by the Fund. If a Fund so elects, each shareholder would be required to include in gross income, even though not actually received, his pro rata share of the foreign taxes paid by the Fund, but would be treated as having paid his pro rata share of such foreign taxes and would therefore be allowed to either deduct such amount in computing taxable income or use such amount (subject to various Code limitations) as a foreign tax credit against federal income tax (but not both). For purposes of the foreign tax credit limitation rules of the Code, each shareholder would treat as foreign source income his pro rata share of such foreign taxes plus the portion of dividends received from a Fund representing income derived from foreign sources. No deduction for foreign taxes could be claimed by an individual shareholder who does not itemize deductions. Each shareholder should consult his own tax advisor regarding the potential application of foreign tax credit rules.

Distributions by a Fund that do not constitute ordinary income dividends, qualified dividends or capital gain dividends will be treated as a return of capital to the extent of (and in reduction of) the shareholder's tax basis in his shares; any excess will be treated as gain from the sale of his shares, as discussed below.

Distributions by a Fund will be treated in the manner described above regardless of whether they are paid in cash or reinvested in additional shares of the Fund (or of another fund). Shareholders receiving a distribution in the form of additional shares will be treated as receiving a distribution in an amount equal to the fair market value of the shares received, determined as of the reinvestment date. In addition, if the net asset value at the time a shareholder purchases shares of a Fund reflects realized but undistributed income or gain, or unrealized appreciation in the value of the assets held by the Fund, distributions of such amounts to the shareholder will be taxable in the manner described above, although such distributions economically constitute a return of capital to the shareholder.

Ordinarily, shareholders are required to take distributions by a Fund into account in the year in which the distributions are made. However, dividends declared in October, November or December of any year and payable to shareholders of record on a specified date in such a month will be deemed to have been received by the shareholders (and made by a Fund) on December 31 of such calendar year provided such dividends are actually paid in January of the following year. Shareholders will be advised annually as to the U.S. federal income tax consequences of distributions made (or deemed made) during the year.

Distributions attributable to dividends received by a Fund from domestic corporations will qualify for the 70% DRD for corporate shareholders only to the extent discussed below. Distributions attributable to interest received by a Fund will not and distributions attributable to dividends paid by a foreign corporation generally should not qualify for the DRD.

Ordinary income dividends paid by a Fund with respect to a taxable year may qualify for the 70% DRD generally available to corporations (other than corporations such as S corporations, which are not eligible for the deduction because of their special characteristics, and other than for purposes of special taxes such as the accumulated earnings tax and the personal holding company tax) to the extent of the amount of dividends received by a Fund from domestic corporations for the taxable year. No DRD will be allowed with respect to any dividend (i) if it has been received with respect to any share of stock that a Fund has held for less than 46 days (91 days, in the case of certain preferred stock) during the 91-day period (181-day period, in the case of certain preferred stock) beginning on the date that is 45 days (90 days, in the case of certain preferred stock) before the date on which such share becomes ex-dividend with respect to such dividend, excluding for this purpose under the rules of Code Section 246(c) any period during which the Fund has an option to sell, is under a contractual obligation to sell, has made and not closed a short sale of, is the grantor of a deep-in-the-money or otherwise nonqualified option or of an in-the-money qualified call option to buy, or has otherwise diminished its risk of loss by holding other positions with respect to, such (or substantially identical) stock; (ii) to the extent that a Fund is under an obligation (pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property; or (iii) to the extent the stock on which the dividend is paid is treated as debt-financed under the rules of Code Section 246A. Moreover, the DRD for a corporate shareholder may be disallowed or reduced (i) if the corporate shareholder fails to satisfy the foregoing requirements with respect to its shares of a Fund; or (ii) by application of Code Section 246(b), which in general limits the DRD to 70% of the shareholder's taxable income (determined without regard to the DRD and certain other items).

Each Fund will be required in certain cases to withhold and remit to the U.S. Treasury backup withholding taxes at the applicable rate on distributions, and the proceeds of redemption of shares, paid to any shareholder (1) who has failed to provide a correct taxpayer identification number, (2) who is subject to backup withholding for failure properly to report the receipt of interest or dividend income, or (3) who has failed to certify to the Fund that it is not subject to backup withholding or that it is an "exempt recipient" (such as a corporation).

### **Sale or Redemption of Shares**

A shareholder will recognize gain or loss on the sale or redemption of shares of a Fund in an amount equal to the difference between the proceeds of the sale or redemption and the shareholder's adjusted tax basis in the shares. All or a portion of any loss so recognized may be disallowed if the shareholder purchases other shares of the Fund (including an exchange of shares of another Fund for shares of the Fund) within 30 days before or after the sale or redemption. In general, any gain or loss arising from (or treated as arising from) the sale or redemption of shares of a Fund will be considered capital gain or loss and will be long-term capital gain or loss if the shares were held for

longer than one year. However, any capital loss arising from the sale or redemption of shares held for six months or less will be treated as a long-term capital loss to the extent of the amount of capital gain dividends received on such shares. For this purpose, the special holding period rules of Code Section 246(c)(3) and (4) generally will apply in determining the holding period of shares. Capital losses in any year are deductible only to the extent of capital gains plus, in the case of a noncorporate taxpayer, \$3,000 of ordinary income.

### **Foreign Shareholders**

Taxation of a shareholder who, as to the United States, is a nonresident alien individual, foreign trust or estate, foreign corporation, or foreign partnership (“foreign shareholder”), depends on whether the income from a Fund is “effectively connected” with a U.S. trade or business carried on by such shareholder.

If the income from a Fund is not effectively connected with a U.S. trade or business carried on by a foreign shareholder, subject to the discussion below with respect to “interest-related dividends” and “short-term capital gain dividends,” ordinary income dividends (including dividends that would otherwise be treated as qualified dividends to an applicable non-foreign shareholder) paid to a foreign shareholder will be subject to U.S. withholding tax at the rate of 30% (or lower applicable treaty rate) upon the gross amount of the dividend. Furthermore, such a foreign shareholder may be subject to U.S. withholding tax at the rate of 30% (or lower applicable treaty rate) on the gross income resulting from a Fund’s election to treat any foreign taxes paid by it as paid by its shareholders, but may not be allowed a deduction against this gross income or a credit against this U.S. withholding tax for the foreign shareholder’s pro rata share of such foreign taxes that it is treated as having paid. Such a foreign shareholder would generally be exempt from U.S. federal income tax on gains realized on the sale of shares of a Fund, capital gain dividends and amounts retained by the Fund that are designated as undistributed capital gains.

U.S. withholding tax generally would not apply to amounts designated by the Fund as an “interest-related dividend” or a “short-term capital gain dividend.” Although this exemption does not apply to dividends paid with respect to years of the Fund beginning after December 31, 2009, Congress is considering legislation that would extend this exemption, possibly retroactively. The aggregate amount treated as an interest-related dividend for a year is limited to the Fund’s qualified net interest income for the year, which is the excess of the sum of the Fund’s qualified interest income (generally, its U.S.-source interest income) over the deductions properly allocable to such income. The aggregate amount treated as a “short-term capital gain dividend” is limited to the excess of the Fund’s net short-term capital gain over its net long-term capital loss (determined without regard to any net capital loss or net short-term capital loss attributable to transactions occurring after October 31; any such loss is treated as arising on the first day of the net tax year).

If the income from a Fund is effectively connected with a U.S. trade or business carried on by a foreign shareholder, then any dividends and any gains realized upon the sale or redemption of shares of the Fund will be subject to U.S. federal income tax at the rates applicable to U.S. taxpayers.

In the case of foreign noncorporate shareholders, a Fund may be required to withhold backup withholding taxes at the applicable rate on distributions that are otherwise exempt from withholding tax (or subject to withholding tax at a reduced treaty rate) unless such shareholders furnish the Fund with proper notification of their foreign status.

The tax consequences to a foreign shareholder entitled to claim the benefits of an applicable tax treaty may be different from those described herein. Foreign shareholders are urged to consult their own tax advisors with respect to the particular tax consequences to them of an investment in a Fund, including the applicability of foreign taxes.

### **Tax Shelter Reporting Regulations**

If a shareholder realizes a loss on the disposition of a Fund’s shares of at least \$2 million in any single taxable year, or at least \$4 million in any combination of taxable years (for an individual shareholder) or at least \$10 million in any single taxable year, or at least \$20 million in any combination of taxable years (for a corporate shareholder), the shareholder must file with the Internal Revenue Service a disclosure statement on Form 8886. Shareholders

should consult their tax advisers to determine the applicability of this requirement in light of their individual circumstances.

**Effect of Future Legislation; Local Tax Considerations**

The foregoing general discussion of U.S. federal income tax consequences is based on the Code and the Treasury Regulations issued thereunder as in effect on the date of this SAI. Future legislative or administrative changes or court decisions may significantly change the conclusions expressed herein, and any such changes or decisions may have a retroactive effect.

Rules of state and local taxation of ordinary income dividends, qualified dividends and capital gain dividends from regulated investment companies may differ from the rules for U.S. federal income taxation described above. Shareholders are urged to consult their tax advisors as to the consequences of these and other state and local tax rules affecting an investment in a Fund.

**MANAGEMENT OF THE TRUST**

The Board manages the business and affairs of the Funds. The Board approves all significant agreements between the Funds and companies and individuals that provide services to the Funds. The Board consists of five Trustees, four of whom are not “interested persons” (as defined in the 1940 Act) of the Trust (the “Disinterested Trustees”). The officers of the Funds manage the day-to-day operations of the Funds. The day-to-day operations of the Funds are always subject to the investment objective of each Fund. The Board supervises the day-to-day operations of the six Funds. Unless otherwise noted, each Trustee and officer’s address is 21550 Oxnard Street, Suite 850, Woodland Hills, California 91367. Trustees and officers of the Trust serve until their resignation, removal or retirement. Unless otherwise noted, each Trustee has served in the indicated occupations or directorships for at least the past five years.

<b>Disinterested Trustees</b>				
<b>Name and Age</b>	<b>Position Held with the Trust</b>	<b>Length of Time Served</b>	<b>Principal Occupation(s) During the Past 5 Years</b>	<b>Other Directorships Held by Trustee During the Past 5 Years</b>
James I. Fordwood (63)	Trustee	Since April 1994	CFO and Managing Member of Prima Marketing LLC (network of convenience stores) since 1998; Treasurer, Idea2 LLC (customer relationship management programming developer) since 2009; Treasurer, Inverness21 LLC (owns and operates office buildings) since 2007; Treasurer, J.L. Energy Co. (holding company) since 1985; Treasurer, Thistle, Inc. (seismic data management) since 1984.	None

<b>Disinterested Trustees</b>				
<b>Name and Age</b>	<b>Position Held with the Trust</b>	<b>Length of Time Served</b>	<b>Principal Occupation(s) During the Past 5 Years</b>	<b>Other Directorships Held by Trustee During the Past 5 Years</b>
Dr. Gunter Dufey (70)	Trustee	Since April 1994	Executive Director of Education Exchange Ltd., a consulting firm since 2010. Professorial Fellow, Nanyang Technological University (Singapore) since 2005. . Professor (Emeritus) of Ross School at The University of Michigan, where he served from 1968 to 2002.	Independent director, seven private subsidiaries of GMAC in the United States and Canada.
Dr. Bret A. Herscher (52)	Trustee	Since April 1994	Vice President of Minnow Medical, a company that develops medical devices for treating peripheral artery disease since 2009. President of Pacific Consultants, a technical and technology management consulting company serving the electronic industry and venture capital community that he co-founded ,from 1996 to 2007.	None
J. Brooks Reece, Jr. (63)	Trustee and Chairman	Since April 1994	Vice President of Adcole Corp., a manufacturer of precision measuring machines and sun angle sensors for space satellites since 1984. President of Adcole Far East Ltd. since 2008. Executive Director of Adcole Measuring Equipment Shanghai Co. Ltd., since 2004.	None

<b>Interested Trustee</b>				
<b>Name, Address, and Age</b>	<b>Position Held with the Trust</b>	<b>Length of Time Served</b>	<b>Principal Occupations During the Past 5 Years</b>	<b>Other Directorships Held by Trustee</b>
Timothy W.N. Guinness* 14 Queen Anne's Gate London, England SW1H 9AA (62)	Trustee	Since August 1998	Chairman/CIO of Guinness Atkinson Asset Management since November 2002. Chairman of Guinness Asset Management Ltd., investment advisor in London, since 2003. Director of SR Europe Investment Trust Plc since 2001. Director of Atlantis Japan Growth Fund Ltd., since 2002. Non-Executive Director of Quayle Munro since 2007. Non-Executive Director of Brompton Bicycle Ltd., since 2000.	None

\* "Interested person" (as defined in the 1940 Act) of the Funds because of his affiliation with Guinness Atkinson.

<b>Officers</b>				
<b>Name and Age</b>	<b>Position(s) Held with the Trust</b>	<b>Length of Time Served</b>	<b>Principal Occupation(s) During the Past 5 Years</b>	
James J. Atkinson (52)	President	Since April 2003	Chief Executive Officer and Director of Guinness Atkinson Asset Management since November 2002. Director of Guinness Asset Management Ltd. since 2003. Principal of Orbis Marketing, a mutual fund marketing and advertising firm, since November 2001.	
Richard F. Cook, Jr. (59)	Chief Compliance Officer	Since December 2005	Officer of Foreside Fund Services, LLC since November 2005, and Director of Foreside Compliance Services LLC, since January 2006. From 2002, Founder and Managing Member of NorthLake, LLC. From 1985 to 2002, Executive Officer, Director and Shareholder of Century Capital Management, Inc. and Secretary of Century Shares Trust.	
Rita Dam (43)	Treasurer	Since September 2009	Vice President, Mutual Fund Administration Corp. since 2006; Vice President, U.S. Bancorp Fund Services, LLC, a mutual and hedge fund service provider (2001 - 2006); Vice President, the Wadsworth Group, a mutual fund administration and consulting services provider (1994 - 2001).	
Joy Ausili (43)	Secretary and Assistant Treasurer	Since September 2009	Vice President, Mutual Fund Administration Corp. since 2006; Vice President, U.S. Bancorp Fund Services, LLC, a mutual and hedge fund service provider (2001 - 2006); Vice President, the Wadsworth Group, a mutual fund administration and consulting services provider (1997 - 2001).	
Sardjono Kadiman (35)	Assistant Treasurer	Since September 2009	Assistant Vice President, Mutual Fund Administration Corp. since 2008; Compliance Officer, U.S. Bancorp Fund Services, LLC, a mutual and hedge fund service provider (2001 - 2008); Senior Fund Administrator, the Wadsworth Group, a mutual fund administration and consulting services provider (1998 - 2001).	

## Leadership Structure and the Board of Directors

The Board is responsible for overseeing the business affairs of the Funds. The Board is composed of five Trustees, four of whom are not “interested persons” (as defined in the 1940 Act) of the Funds (the “Independent Trustees”). In connection with four regularly scheduled meetings per year, the Independent Trustees meet regularly in executive sessions among themselves and with Fund counsel and Independent Legal Counsel to consider a variety of matters affecting the Funds. These meetings generally occur prior to or following scheduled Board meetings and at such other times as the Independent Trustees may deem necessary. The Board held, and each Trustee attended five meetings during the fiscal year ended December 31, 2009. As discussed in further detail below, the Board has established the Audit Committee, composed solely of Independent Trustees, to assist the Board in performing its oversight responsibilities.

The Chairman of the Board is an Independent Trustee. The Funds do not have a lead Independent Trustee. The Chairman’s role is to approve the agenda for each Board meeting, preside at all meetings of the Board and to act, as necessary, as a liaison with service providers, officers, attorneys, and other Trustees generally between meetings. The Chairman may also perform other such functions as may be determined by the Board.

Among the attributes or skills common to all Trustees are their ability to review critically, evaluate, question and discuss information provided to them, to interact effectively with the other Trustees, Guinness Atkinson, other service providers, counsel and the independent registered public accounting firm, and to exercise effective and independent business judgment in the performance of their duties as Trustees. Each Trustee’s ability to perform his or her duties effectively has been attained through the Trustee’s business, consulting, public service and/or academic positions and through experience from service as a board member of the Funds, public and private companies or other organizations. Each Trustee’s ability to perform his or her duties effectively also has been enhanced by his or her educational background, professional training, and/or other life experiences. . The following provides further information about each Trustee’s specific experience, qualifications, attributes or skills. The information in this section should not be understood to mean that any of the Trustees is an “expert” within the meaning of the federal securities laws.

*Timothy W.N. Guinness* has served as a Trustee of the Trust since its inception in 1994 and is the Chairman and Chief Investment Officer of Guinness Atkinson Asset Management since November 2002, and Chairman of Guinness Asset Management Ltd., an investment advisor in London, United Kingdom, since 2003. Previously, Mr. Guinness served as Joint Chairman of Investec Asset Management Ltd. from September 1998 to March 2003. Mr. Guinness serves on the board of directors of several public and private companies operating and organized outside the United States, including companies focused on discretionary investment management services. Mr. Guinness also serves as a trustee of two non-U.S. investment companies, SR Europe Investment Trust Plc and Atlantis Japan Growth Fund Ltd. Mr. Guinness has more than 35 years of experience in investing and holds a Masters of Engineering from Cambridge University and a Masters of the Science of Management from Massachusetts Institute of Technology.

*James I. Fordwood* has served as a Trustee of the Trust since its inception in 1994 and is the CFO and Managing Member of Prima Marketing LLC, which operates a network of convenience stores. Mr. Fordwood also serves as director and treasurer of several private companies (identified in the table above), including companies in the alternative energy sector. Mr. Fordwood holds a Bachelor of Arts in Engineering (with honors) from Cambridge University and holds the designation of Chartered Accountant awarded by the Institute of Chartered Accountants of Scotland. The Board has designated Mr. Fordwood as the Funds’ Audit Committee Financial Expert.

*Dr. Gunter Dufey* has served as a Trustee of the Trust since its inception in 1994. He is the Executive Director of Education Exchange Ltd., a consulting firm and had an appointment as Professorial Fellow of the Nanyang Technological University in Singapore, since 2005. He is a Professor Emeritus of the Ross School at The University of Michigan, where he served on the faculty from 1968 through 2002. Dr. Dufey serves as an independent trustee to seven private subsidiaries of General Motors Acceptance Corporation in the United States and Canada. Dr. Dufey holds a degree from Universitaet Wuerzburg (Germany) and a Doctor of Business Administration degree from the University of Washington, Seattle.

*Dr. Bret A. Herscher* has served as a Trustee of the Trust since its inception in 1994 and is the Vice President of Minnow Medical, a company that develops medical devices for the treatment of peripheral artery disease. From 1996 through 2007, Dr. Herscher co-founded and served as President of Pacific Consultants, a technical and technology management consultant company serving the electronic industry and venture capital community. Dr. Herscher holds PhD, M.A. and B.A. degrees from Cambridge University.

*J. Brooks Reece, Jr.*, has served as a Trustee of the Trust and the Funds' Independent Chairman since the Trust's inception in 1994. Since 1984, he has served as Vice President of Adcole Corporation, a manufacturer of precision measuring machines and sun angle sensors for space satellites. Since 2004, Mr. Reece has also served as Executive Director of Adcole Measuring Equipment Shanghai Co. Ltd., and since 1986, Mr. Reece has served as Director and Vice President of Adcole Far East Ltd. He was named President in 2008. Mr. Reece previously served as a trustee of the Dessauer Global Equity Fund, a registered investment company, from 1997 to 2000. Mr. Reece holds a Bachelor of Science degree from the Wharton School at the University of Pennsylvania.

The Board's leadership structure is appropriate for the characteristics and circumstances of the Trust and the Funds, including the Funds' various investment strategies and themes, the size of the Funds, the Board's committee structure and the Funds' management, distribution and other service arrangements. The current leadership structure permits the Board to exercise informed and independent judgment over matters under its purview. The Board's leadership structure may be changed at any time and in the Board's discretion, including in response to changes in circumstances or the characteristics of the Funds.

### **Risk Oversight**

The Funds are subject to a number of risks, including investment, compliance, operational, and valuation risks, among others. Guinness Atkinson and the Funds' other service providers are responsible for day-to-day risk management functions (depending on the nature of the risk). As part of the general oversight of the Funds, the Board oversees the management of these risks.

The Board periodically reviews the Funds' policies and procedures designed to address the Funds' risks. Oversight of investment, compliance and operational risk is performed primarily at the Board level in conjunction with Guinness Atkinson and the Funds' Chief Compliance Officer ("CCO"). Oversight of other risks also occurs at the Committee level. Guinness Atkinson reports to the Board at quarterly meetings regarding, among other things, Fund performance and the various drivers of such performance. The Board reviews reports on the Funds' and the service providers' compliance policies and procedures and receives an annual report from the CCO regarding the operations of the Funds' and the service providers' compliance program. The Audit Committee reviews with the Funds' independent public accountants and Guinness Atkinson the Funds' major financial risk exposures and the steps Guinness Atkinson has put in place to monitor and control these exposures, including risk assessments and risk management policies and guidelines. The Valuation Committee oversees valuation risk and compliance with the Funds' Valuation Procedures and oversees actions by the Advisor with respect to the valuation of portfolio securities.

### **Board Committees**

The Board has three standing committees, as described below:

*Audit Committee.* The Audit Committee is responsible for advising the full Board with respect to accounting, auditing and financial matters affecting the Trust. The Audit Committee appoints and approves the compensation of the Trust's independent public accountants; oversees the Trust's accounting and financial reporting policies, practices and internal controls; approves any non-audit services; and serves as the Trust's "Qualified Legal Compliance Committee." The Audit Committee meets at least once a year and met twice during 2009. The four Disinterested Trustees, Dr. Dufey, Mr. Fordwood, Dr. Herscher and Mr. Reece, comprise the Audit Committee.

*Nominating Committee.* The Nominating Committee is responsible for seeking and reviewing candidates for consideration as nominees for Trustees as is considered necessary from time to time and meets only as necessary. The Nominating Committee did not meet during 2009. The four Disinterested Trustees, Dr. Dufey, Mr. Fordwood, Dr. Herscher and Mr. Reece, comprise the Nominating Committee. The Nominating Committee will consider nominees recommended by the Trust's shareholders. A shareholder should submit any nominations in writing to the Secretary of the Trust at 21550 Oxnard Street, Suite 850, Woodland Hills, California 91367. All nominations so received shall promptly be distributed to the members of the Committee. However, the decision to approve candidates for submissions to the board shall be made exclusively by the Committee.

*Valuation Committee.* The Valuation Committee is responsible for (1) monitoring the valuation of Fund securities and other investments; and (2) as required, when the full Board is not in session, determining the fair value of illiquid and other holdings after consideration of all relevant factors, which determinations are reported to the full Board. Although the Valuation Committee generally does not hold formal meetings, the members of the Committee communicate with each other as necessary when a price is not readily available, typically by telephone or by e-mail. Mr. Guinness and Mr. Reece are members of the Valuation Committee.

### **Ownership in Securities of the Advisor and Distributor and Related Companies; Compensation**

As reported to the Trust, none of the Disinterested Trustees nor their immediate family members owns certain securities as of December 31, 2009. An immediate family member can be a spouse, children residing in the same household, including step and adoptive children, and any dependents. The securities represent ownership in an investment advisor or principal underwriter of the Funds and any persons (other than a registered investment company) directly or indirectly controlling, controlled by, or under common control with an investment advisor or principal underwriter of the Funds.

The table below illustrates the compensation paid to each Trustee for the Trust's most recently completed fiscal year, excluding payment for out-of-pocket expenses. There are no pension or retirement benefits accrued as part of the Funds' expenses. Each Trustee oversees the six Funds, which are the only mutual funds under the Trust.

Name of Trustee	Aggregate Compensation from the Funds						Aggregate Compensation from the Trust
	Alternative Energy Fund	Asia Focus Fund	Asia Pacific Dividend Fund	China & Hong Kong Fund	Global Energy Fund	Global Innovators Fund	
Disinterested Trustees							
Dr. Dufey*	\$2,548	\$2,506	\$1,499	\$5,082	\$2,307	\$2,059	\$16,000*
Mr. Fordwood	\$2,619	\$2,398	\$1,499	\$5,089	\$2,298	\$2,096	\$16,000
Dr. Herscher	\$2,619	\$2,398	\$1,499	\$5,089	\$2,298	\$2,096	\$16,000
Mr. Reece	\$2,864	\$2,624	\$1,640	\$5,566	\$2,513	\$2,292	\$17,500
Interested Trustee							
Mr. Guinness	\$0	\$0	\$0	\$0	\$0	\$0	\$0

\*Dr. Dufey elected to defer payment of his compensation from the Funds under the Funds' non-qualified Deferred Compensation Plan for Trustees under which trustees may defer receipt of all or part of their compensation from the Funds. Amounts deferred are deemed invested in shares of one or more of the Funds, as selected by the Trustee from time to time. A Trustee's deferred compensation account will be paid at such times as elected by the Trustee, subject to certain mandatory payment provisions in the Deferred Compensation Plan. Deferral and payment elections under the Deferred Compensation Plan are subject to strict requirements for modification. The total amount of deferred compensation payable to Dr. Dufey was \$200,088 as of December 31, 2009.

As of March 31, 2009, to the best of the knowledge of the Trust, the Trustees and officers of the Trust, as a group, owned of record less than 1% of the outstanding shares of the Funds.

## Trustee Ownership in the Funds

As of December 31, 2009, certain of the Trustees owned shares of certain Funds in the following dollar ranges, as indicated below:

<b>Disinterested Trustee</b>	<b>Alternative Energy Fund</b>	<b>Asia Focus Fund</b>	<b>Asia Pacific Dividend Fund</b>	<b>China &amp; Hong Kong Fund</b>	<b>Global Energy Fund</b>	<b>Global Innovators Fund</b>	<b>All Funds</b>
Mr. Fordwood	—	C	—	C	—	—	D
Dr. Dufey	C	D	—	—	—	C	D
Dr. Herscher	—	—	—	B	—	—	—
Mr. Reece	—	—	—	—	—	—	—
<b>Interested Trustee</b>							
Mr. Guinness	—	—	D	C	—	—	D

### Amount Invested Key

- None
- A. \$1-\$10,000
- B. \$10,001-\$50,000
- C. \$50,001-\$100,000
- D. over \$100,000

## Control Persons and Principal Security Holders

A principal shareholder is any person who owns (either of record or beneficially) 5% or more of the outstanding shares of a Fund. A control person is one who owns, either directly or indirectly, more than 25% of the voting securities of a company or acknowledges the existence of such control.

As of March 31, 2010, the following shareholders were considered to be the principal shareholders of the Alternative Energy, Asia Focus, Asia Pacific Dividend, China & Hong Kong, Global Energy and Global Innovators Funds. To the best knowledge of the Trust, all of these shareholders are shareholders of record only and, therefore, are not control persons of those Funds.

### **Alternative Energy Fund**

<b>Name and Address</b>	<b>% Record Ownership</b>
National Financial Services, LLC 200 Liberty Street One World Financial Center New York, NY 10281-1003	36.47%
Charles Schwab & Co. Inc. 101 Montgomery Street San Francisco, CA 94104-4151	25.37%

Name and Address	% Record Ownership
Pershing LLC P.O. Box 2052 Jersey City, NJ 07303-2052	5.03%
TD Ameritrade Corp. P.O. Box 2226 Omaha, NE 68103-2226	5.74%

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#### Asia Focus Fund

Name and Address	% Record Ownership
Charles Schwab & Co. Inc. 101 Montgomery Street San Francisco, CA 94104-4151	48.85%
National Financial Services, LLC 200 Liberty Street One World Financial Center New York, NY 10281-1003	12.57%
TD Ameritrade Corp. P.O. Box 2226 Omaha, NE 68103-2226	6.08%

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#### Asia Pacific Dividend Fund

Name and Address	% Record Ownership
National Financial Services, LLC 200 Liberty Street One World Financial Center New York, NY 10281-1003	25.15%
Charles Schwab & Co. Inc. 625 Marquette Ave. SO 12 <sup>th</sup> Floor Minneapolis, MN 55402-2308	25.18%
TD Ameritrade Corp. P.O. Box 2226 Omaha, NE 68103-2226	23.09%

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#### China & Hong Kong Fund

Name and Address	% Record Ownership
Charles Schwab & Co. Inc. 101 Montgomery Street	41.19%

San Francisco, CA 94104-4151

National Financial Services, LLC 17.50%  
200 Liberty Street  
One World Financial Center  
New York, NY 10281-1003

TD Ameritrade Corp. 5.07%  
P.O. Box 2226  
Omaha, NE 68103-2226

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### **Global Energy Fund**

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<u>Name and Address</u>	<u>% Record Ownership</u>
National Financial Services, LLC 200 Liberty Street One World Financial Center New York, NY 10281-1003	36.85%
Charles Schwab & Co. Inc. 101 Montgomery Street San Francisco, CA 94104-4151	31.60%
TD Ameritrade Corp. 4211 S. 102 <sup>nd</sup> St. Omaha, NE 68127-1031	6.46%

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### **Global Innovators Fund**

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<u>Name and Address</u>	<u>% Record Ownership</u>
Charles Schwab & Co. Inc. 101 Montgomery Street San Francisco, CA 94104-4151	28.39%
National Financial Services, LLC 200 Liberty Street One World Financial Center New York, NY 10281-1003	24.89%
TD Ameritrade Corp. P.O. Box 2226 Omaha, NE 68103-2226	5.50%

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## THE INVESTMENT ADVISOR AND ADVISORY AGREEMENT

Guinness Atkinson Asset Management, Inc. furnishes investment advisory services to the Funds. Under the Investment Advisory Agreement (the “Agreement”), Guinness Atkinson directs the investments of the Funds in accordance with the investment objectives, policies, and limitations provided in the prospectus or other governing instruments, the 1940 Act, and rules thereunder, and such other limitations as the Funds may impose by notice in writing to Guinness Atkinson. Guinness Atkinson also furnishes all necessary office facilities, equipment and personnel for servicing the investments of the Funds; pays the salaries and fees of all officers of the Trust other than those whose salaries and fees are paid by the Administrator or the Distributor; and pays the salaries and fees of all Trustees who are “interested persons” of the Trust or of Guinness Atkinson and of all personnel of the Trust or of Guinness Atkinson performing services relating to research, statistical and investment activities. Guinness Atkinson is authorized, in its discretion and without prior consultation with the Funds, to buy, sell, lend and otherwise trade, consistent with the Funds’ then-current investment objectives, policies and restrictions in any bonds and other securities and investment instruments on behalf of the Funds. The investment policies and all other actions of the Funds are at all times subject to the control and direction of the Board.

Guinness Atkinson performs (or arranges for the performance of) the following management and administrative services necessary for the operation of the Trust: (i) with respect to the Funds, supervising relations with, and monitoring the performance of, custodians, depositories, transfer and pricing agents, accountants, attorneys, underwriters, brokers and dealers, insurers and other persons in any capacity deemed to be necessary or desirable; (ii) investigating the development of and developing and implementing, if appropriate, management and shareholder services designed to enhance the value or convenience of the Funds as investment vehicles; and (iii) providing administrative services other than those provided by the Administrator.

Guinness Atkinson also furnishes such reports, evaluations, information or analyses to the Trust as the Board may request from time to time or as Guinness Atkinson may deem to be desirable. Guinness Atkinson makes recommendations to the Board with respect to the Trust’s policies, and carries out such policies as are adopted by the Board. Guinness Atkinson, subject to review by the Board, furnishes such other services as it determines to be necessary or useful to perform its obligations under the Agreement.

All other costs and expenses not expressly assumed by Guinness Atkinson under the Agreement or by the Administrator under the administration agreement between it and the Trust, on behalf of the Funds, shall be paid by the Funds from the assets of the Funds, including, but not limited to, fees paid to Guinness Atkinson and the Administrator, interest and taxes, brokerage commissions, insurance premiums, compensation and expenses of the Disinterested Trustees, legal, accounting and audit expenses, fees and expenses of any transfer agent, distributor, registrar, dividend disbursing agent or shareholder servicing agent, expenses, including clerical expenses, incident to the issuance, redemption or repurchase of shares of the Funds, including issuance on the payment of, or reinvestment of, dividends, fees and expenses incident to the registration under federal or state securities laws of the Funds or their shares, expenses of preparing, setting in type, printing and mailing prospectuses, statements of additional information, reports and notices and proxy material to shareholders of the Funds, all other expenses incidental to holding meetings of the Funds’ shareholders, expenses connected with the execution, recording and settlement of portfolio securities transactions, fees and expenses of the custodian for all services to the Funds, including safekeeping of funds and securities and maintaining required books and accounts, expenses of calculating net asset value of the shares of the Funds, industry membership fees allocable to the Funds, and such extraordinary expenses as may arise, including litigation affecting the Funds and the legal obligations that the Funds may have to indemnify the officers and Trustees with respect thereto.

Expenses that are attributable to the Funds are charged against the income of the Funds in determining net income for dividend purposes. Guinness Atkinson, from time to time may voluntarily waive or defer all or a portion of its fees payable under the Agreement.

The Agreement will remain in effect for two years from the date of execution and shall continue from year to year thereafter if it is specifically approved at least annually by the Board and the affirmative vote of a majority of

the Trustees who are not parties to the Agreement or “interested persons” of any such party by votes cast in person at a meeting called for such purpose. The Board or Guinness Atkinson may terminate the Agreement on 60 days’ written notice without penalty. The Agreement terminates automatically in the event of its “assignment,” as defined in the 1940 Act.

Guinness Atkinson reserves to itself and any successor to its business the right to withdraw the right to use the name “Guinness Atkinson” from a Fund if Guinness Atkinson no longer advises the Fund. Guinness Atkinson also reserves the right to grant the nonexclusive right to use the name “Guinness Atkinson” or any similar name to any other corporation or entity, including, but not limited to, any investment company. In the event the Agreement is terminated, each Fund will immediately delete “Guinness Atkinson” from its name and may not use the name “Guinness Atkinson” in any manner thereafter.

As compensation for all services rendered under the Agreement, Guinness Atkinson is entitled to receive annual fees from the Funds, payable monthly, at the following rates:

<b>Fund</b>	<b>Advisory Fee Rate</b> <i>(as a percentage of the Fund’s average daily net assets)</i>
Alternative Energy Fund	1.00%
Asia Focus Fund	1.00%
Asia Pacific Dividend Fund	1.00%
China & Hong Kong Fund	1.00%
Global Energy Fund	0.75%
Global Innovators Fund	0.75% on the first \$500 million of assets; 0.60% on assets in excess of \$500 million.

Advisory fees and expense reimbursements/recoupments for the past three fiscal years were as follows:

<b>Fiscal year ended December 31, 2009:</b>	Gross Advisory Fee	Expenses Reimbursed	Net Advisory Fees Paid
Alternative Energy Fund	\$561,423	\$0	\$561,423
Asia Focus Fund	\$585,114	\$0	\$585,114
Asia Pacific Dividend Fund	\$78,046	(\$73,950)	\$4,096
China & Hong Kong Fund	\$1,743,510	\$0	\$1,743,510
Global Energy Fund	\$332,622	\$0	\$332,622
Global Innovators Fund	\$243,393	(\$40,902)	\$202,491

<b>Fiscal year ended December 31, 2008:</b>	Gross Advisory Fee	Expenses Reimbursed	Net Advisory Fees Paid
Alternative Energy Fund <sup>(1)</sup>	\$1,132,580	\$0	\$1,132,580
Asia Focus Fund	\$460,096	\$0	\$460,096
Asia Pacific Dividend Fund <sup>(2)</sup>	\$190,455	(\$43,674)	\$146,781
China & Hong Kong Fund	\$1,929,635	\$0	\$1,929,635
Global Energy Fund	\$474,232	\$0	\$474,232
Global Innovators Fund	\$378,573	\$0	\$378,573

<b>Fiscal year ended December 31, 2007:</b>	Gross Advisory Fee	Expenses (Reimbursed)/Recouped	Net Advisory Fees Paid
Alternative Energy Fund	\$904,488	\$57,011 (recouped)	\$961,499
Asia Focus Fund	\$644,632	\$0	\$644,632
Asia Pacific Dividend Fund	\$213,667	(\$20,695)	\$192,972
China & Hong Kong Fund	\$2,088,567	\$0	\$2,088,567
Global Energy Fund	\$454,815	\$14,993 (recouped)	\$469,808
Global Innovators Fund	\$422,756	\$32,946 (recouped)	\$455,702

The Agreement was last approved by the Board on May 11, 2009. A discussion regarding the basis for the Board's approval of the Agreement is available in the semi-annual shareholder report dated June 30, 2009.

### PORTFOLIO MANAGERS

This section includes information about the Funds' portfolio managers, including information concerning other accounts they manage, the dollar range of Fund shares they own and how they are compensated.

The following table shows information regarding other accounts managed by each Portfolio Manager as of December 31, 2009:

Portfolio Manager	Category of Account	Total Number of Accounts Managed	Total Assets in Accounts Managed	Number of Accounts for which Advisory Fee is Based on Performance	Assets in Accounts for which Advisory Fee is Based on Performance
<b>Timothy W.N. Guinness</b>	Other Registered Investment Companies	0	\$0	0	\$0
	Other Pooled Investment Vehicles	3	\$124 million	1	\$3 million
	Other Accounts	0	\$0	0	\$0
<b>Edmund Harriss</b>	Other Registered Investment Companies	0	\$0	0	\$0
	Other Pooled Investment Vehicles	1	\$17 million	0	\$0
	Other Accounts	0	\$0	0	\$0
<b>Edward Guinness</b>	Other Registered Investment Companies	0	\$0	0	\$0
	Other Pooled Investment Vehicles	2	\$6 million	1	\$3 million
	Other Accounts	0	\$0	0	\$0

<b>Portfolio Manager</b>	<b>Category of Account</b>	<b>Total Number of Accounts Managed</b>	<b>Total Assets in Accounts Managed</b>	<b>Number of Accounts for which Advisory Fee is Based on Performance</b>	<b>Assets in Accounts for which Advisory Fee is Based on Performance</b>
<b>Matthew Page</b>	Other Registered Investment Companies	0	\$0	0	\$0
	Other Pooled Investment Vehicles	1	\$3 million	0	\$0
	Other Accounts	0	\$0	0	\$0
<b>James Weir</b>	Other Registered Investment Companies	0	\$0	0	\$0
	Other Pooled Investment Vehicles	0	\$0	0	\$0
	Other Accounts	0	\$0	0	\$0
<b>Ian Mortimer</b>	Other Registered Investment Companies	0	\$0	0	\$0
	Other Pooled Investment Vehicles	0	\$0	0	\$0
	Other Accounts	0	\$0	0	\$0
<b>Tom Nelson</b>	Other Registered Investment Companies	0	\$0	0	\$0
	Other Pooled Investment Vehicles	0	\$0	0	\$0
	Other Accounts	0	\$0	0	\$0
<b>Will Riley</b>	Other Registered Investment Companies	0	\$0	0	\$0
	Other Pooled Investment Vehicles	0	\$0	0	\$0
	Other Accounts	0	\$0	0	\$0

## **Fund Ownership**

As of December 31, 2009, the portfolio managers beneficially owned shares of the Funds as follows:

<b><u>Amount Invested Key</u></b>
— None
A. \$1-\$10,000
B. \$10,001-\$50,000
C. \$50,001-\$100,000
D. over \$100,000

### **Dollar Range of Shares Beneficially Owned as of December 31, 2008**

<b>Portfolio Manager</b>	<b>Alternative Energy Fund</b>	<b>Asia Focus Fund</b>	<b>Asia Pacific Dividend Fund</b>	<b>China &amp; Hong Kong Fund</b>	<b>Global Energy Fund</b>	<b>Global Innovators Fund</b>
Timothy W.N. Guinness	—	—	D.	C.	—	—
Edmund Harriss	—	—	—	—	—	—
Edward Guinness	—	—	—	—	—	—
Matthew Page	—	—	—	—	—	—
James Weir	—	—	—	—	—	—
Ian Mortimer	—	—	—	—	—	—
Tom Nelson	—	—	—	—	—	—
Will Riley	—	—	—	—	—	—

## **Conflicts of Interest**

It may happen that other accounts managed by the portfolio managers will hold the same securities as those held by the Funds. When these other accounts are simultaneously engaged in the purchase or sale of the same security, the prices and amounts will be allocated in accordance with a formula considered by Guinness Atkinson to be equitable to each, taking into consideration such factors as size of account, concentration of holdings, investment objectives, tax status, cash availability, purchase cost, holding period and other pertinent factors relative to each account. In some cases this system could have a detrimental effect on the price or volume of the security as far as a Fund is concerned. In other cases, however, the ability of a Fund to participate in volume transactions will produce better executions for the Fund.

## **Compensation**

Timothy W.N. Guinness receives an annual fixed salary plus a bonus based on the profits of the Advisor and Guinness Asset Management. Mr. Guinness also receives a bonus based on profits from Orbis Marketing. Edmund Harriss is employed by the Advisor and is remunerated with an annual fixed salary and with a variable bonus that is based upon the value of the Funds' assets. Edward Guinness, Matthew Page, James Weir, Ian Mortimer, Tom

Nelson, and Will Riley are employed by the Advisor and are remunerated with an annual fixed salary and with a variable bonus that is discretionary.

### **THE ADMINISTRATOR**

Effective September 14, 2009, Mutual Fund Administration Corporation (“MFAC”) serves as the Administrator to the Funds under an Administration Agreement. As compensation for their services, the Funds pay the Administrators an administration fee payable monthly at the annual rate set forth below as a percentage of the Funds’ average daily net assets, subject to an annual minimum fee of \$132,000:

<u>Net Assets</u>	<u>Rate</u>
First \$250 million	0.05%
Next \$250 million	0.03%
Thereafter	0.01%

U.S. Bancorp Fund Services, LLC (“USBFS”) served as the Administrator to the Funds prior to September 14, 2009. For its services as administrator to the Alternative Energy, Asia Focus, Asia Pacific Dividend and China & Hong Kong Funds, USBFS received a monthly fee equal to, on an annual basis, 0.10% of the first \$100 million of each Fund’s average daily net assets, 0.05% of the next \$100 million of each Fund’s average daily net assets, and 0.03% thereafter, subject to a \$20,000 annual minimum, except China & Hong Kong Fund was subject to a \$40,000 annual minimum. For its services as administrator to the Global Innovators and Global Energy Funds, USBFS received a monthly fee equal to, on an annual basis, 0.05% of each Fund’s average daily net assets, in each case subject to a \$20,000 annual minimum.

Administration fees paid by the Funds were as follows:

Year Ended December 31	Alternative Energy Fund	Asia Focus Fund	Asia Pacific Dividend Fund	China & Hong Kong Fund	Global Energy Fund	Global Innovators Fund
2009	\$51,315	\$46,813	\$18,290	\$122,247	\$21,357	\$19,234
2008	\$103,267	\$45,660	\$24,024	\$148,689	\$31,241	\$26,268
2007	\$88,255	\$66,263	\$20,098	\$152,513	\$30,321	\$28,166

### **DISTRIBUTION AGREEMENT, DISTRIBUTION PLAN AND SHAREHOLDER SERVICING PLAN**

The Trust has entered into a Distribution Agreement with respect to the Funds with Quasar Distributors, LLC. Under the Distribution Agreement, the Distributor uses all reasonable efforts, consistent with its other business, to secure purchases for the Funds’ shares and pays the expenses of printing and distributing any prospectuses, reports and other literature used by the Distributor, advertising, and other promotional activities in connection with the offering of shares of the Funds for sale to the public.

The Funds will not make separate payments as a result of the Distribution Plan to Guinness Atkinson and the Distributor or any other party, it being recognized that the Funds presently pay, and will continue to pay, an investment advisory fee to Guinness Atkinson. To the extent that any payments made by the Funds to Guinness Atkinson, including payment of fees under the relevant Agreements, should be deemed to be indirect financing of any activity primarily intended to result in the sale of shares of the Funds within the context of Rule 12b-1 under the 1940 Act, then such payments shall be deemed to be authorized by this Plan.

The Plan and related agreements were approved by the Board, including all of the “Qualified Trustees” (the Disinterested Trustees who have no direct or indirect financial interest in the Plan or any related agreement). In

approving the Plan, in accordance with the requirements of Rule 12b-1 under the 1940 Act, the Board (including the Qualified Trustees) considered various factors and determined that there was a reasonable likelihood that the Plan would benefit the Funds and their shareholders. The Plan may not be amended to increase materially the amount to be spent by the Funds under the Plan without shareholder approval, and all material amendments to the provisions of the Plan must be approved by a majority vote of the Board and of the Qualified Trustees, cast in person at a meeting called for the purpose of such vote. During the continuance of the Plan, Guinness Atkinson will report in writing to the Board quarterly the amounts and purposes of such payments for services rendered to shareholders pursuant to the Plan. Further, during the term of the Plan, the selection and nomination of the Disinterested Trustees must be committed to the discretion of the Qualified Trustees. The Plan will continue in effect from year to year provided that such continuance is specifically approved annually (a) by the vote of a majority of the Funds' outstanding voting shares or by the Board and (b) by the vote of a majority of the Qualified Trustees.

Accounts serviced by financial intermediaries who provide services to Fund shareholders through various no-transaction-fee programs generally charge account servicing fees of around 0.35%, although Schwab's OneSource program charges 0.40%. These invoices are to be sent to the Funds in accordance with the shareholder servicing plan described below. Each Fund will pay up to 0.25% of these charges through the shareholder servicing plan. Additional costs, which can be substantial, will be borne by the Advisor (or its affiliates) from its own resources and are not expenses of the Funds.

### **Shareholder Servicing Plan**

Payments made under the Shareholder Servicing Plan to shareholder servicing agents are for administrative support services to customers who may from time to time beneficially own shares. These services may include: (1) aggregating and processing purchase and redemption requests for shares from customers and transmitting promptly net purchase and redemption orders to our distributor or transfer agent; (2) providing customers with a service that invests the assets of their accounts in shares pursuant to specific or pre-authorized instructions; (3) processing dividend and distribution payments on behalf of customers; (4) providing information periodically to customers showing their positions in shares; (5) arranging for bank wires; (6) responding to customer inquiries; (7) providing sub-accounting with respect to shares beneficially owned by customers or providing the information to the Funds as necessary for sub-accounting; (8) if required by law, forwarding shareholder communications from the Funds (such as proxies, shareholder reports, annual and semi-annual financial statements and dividend, distribution and tax notices) to customers; (9) forwarding to customers proxy statements and proxies containing any proposals that require a shareholder vote; and (10) providing such other similar services as the Trust may reasonably request to the extent the shareholder servicing agent is permitted to do so under applicable statutes, rules or regulations.

In addition to the payments described above, the Advisor or the Distributor (or their affiliates), from their own resources, may make substantial payments to various financial intermediaries who are not broker-dealers in connection with the sale or servicing of Fund shares sold or held through those intermediaries.

### **ADDITIONAL MARKETING AND SUPPORT PAYMENTS**

The Advisor, out of its own resources and without additional cost to the Funds or their shareholders, may provide additional cash payments or other compensation to certain Financial Intermediaries who sell shares of the Funds. These payments are over and above other fees described in the Funds' prospectus and this statement of additional information, and are generally provided for shareholder services or marketing support. Payments for marketing support are typically for inclusion of the Funds on a sales list, including an electronic sales platform. Investors may wish to take these payments into account when considering and evaluating recommendations to purchase shares of the Funds.

### **DESCRIPTION OF THE FUNDS**

Shareholder and Trustees Liability. Each Fund is a series of the Trust, which is a Delaware statutory trust.

The Delaware Trust Instrument provides that the Trustees shall not be liable for any act or omission as Trustee, but nothing protects a Trustee against liability to the Trust or to its shareholders to which he or she would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of his or her office. Furthermore, a Trustee is entitled to indemnification against liability and to all reasonable expenses, under certain conditions, to be paid from the assets of the Trust; provided that no indemnification shall be provided to any Trustee who has been adjudicated by a court to be liable to the Trust or the shareholders by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office or not to have acted in good faith in the reasonable belief that his action was in the best interest of the Trust. The Trust may advance money for expenses, provided that the Trustee undertakes to repay the Trust if his or her conduct is later determined to preclude indemnification, and one of the following conditions are met: (i) the Trustee provides security for the undertaking; (ii) the Trust is insured against losses stemming from any such advance; or (iii) there is a determination by a majority of the Trust's Disinterested non-party Trustees, or by independent legal counsel, that there is reason to believe that the Trustee ultimately will be entitled to indemnification.

Voting Rights. Shares of each Fund entitle the holders to one vote per share. The shares have no preemptive or conversion rights. The dividend rights and the right of redemption are described in the prospectus. When issued, shares are fully paid and nonassessable. The shareholders have certain rights, as set forth in the Bylaws, to call a meeting for any purpose, including the purpose of voting on removal of one or more Trustees.

### **SHAREHOLDER REPORTS**

Shareholders will receive reports semi-annually showing the investments of the Funds and other information. In addition, shareholders will receive annual financial statements audited by the Funds' independent accountants.

### **FINANCIAL STATEMENTS**

The financial statements of the Funds as of and for the year ended December 31, 2009, are incorporated by reference to the Fund's 2009 Annual Report filed with the SEC on March 11, 2010. Such report is incorporated herein by reference in reliance upon such report of Tait, Weller & Baker LLP, an independent registered public accounting firm, and on the authority of such firm as experts in auditing and accounting. Shareholders will receive a copy of the audited and unaudited semi-annual financial statements at no additional charge when requesting a copy of the SAI.

### **PROXY VOTING GUIDELINES**

The Trust has delegated to Guinness Atkinson the voting of proxies related to the Funds' portfolio securities. Guinness Atkinson has adopted guidelines designed to reflect its fiduciary duty to vote proxies in favor of shareholder interests. In determining its vote, Guinness Atkinson will not subordinate the economic interest of the Trust to any other entity or interested party. Guinness Atkinson will use the following guidelines for each of the following four categories of issues:

**Routine Proposals.** Routine proposals are those that do not change the structure, bylaws, or operations of the corporation to the detriment of the shareholders. Guinness Atkinson will review each issue on a case-by-case basis in order to determine the position that best represents the financial interests of the Trust. Traditionally, these issues include:

- Approval of auditors
- Election of directors
- Indemnification provisions for directors
- Liability limitations of directors
- Name changes

**Non-Routine Proposals.** Issues in this category are more likely to affect the structure and operations of the corporation and therefore will have a greater impact on the value of a shareholder's investment. Guinness Atkinson will review each issue in this category on a case-by-case basis. As previously stated, voting decisions will be made based on the financial interest of the Trust. Non-routine matters include:

- Mergers and acquisitions
- Restructuring
- Re-incorporation
- Changes in capitalization
- Increase in number of directors
- Increase in preferred stock
- Increase in common stock
- Stock option plans

**Corporate Governance Proposals.** Guinness Atkinson will generally vote against any management proposal that clearly has the effect of restricting the ability of shareholders to realize the full potential value of their investment. Proposals in this category would include:

- Poison pills
- Golden parachutes
- Greenmail
- Supermajority voting
- Dual class voting
- Classified boards

**Shareholder Proposals.** Proposals submitted by shareholders for vote usually include issues of corporate governance and other non-routine matters. Guinness Atkinson will review each issue on a case-by-case basis in order to determine the position that best represents the financial interests of the Trust. Shareholder matters include:

- Annual election of directors
- Anti-poison pill
- Anti-greenmail
- Confidential voting
- Cumulative voting

Proxy voting will be determined by Guinness Atkinson. Issues not covered by the guidelines will be discussed with the Board. The actual voting records relating to portfolio securities during the most recent 12-month period ended June 30 are available without charge upon request, by calling toll-free (800) 915-6566 or by accessing the SEC's website at [www.sec.gov](http://www.sec.gov). In addition, a copy of the Funds' proxy voting policies and procedures are also available without charge upon request, by calling (800) 915-6566.

## GENERAL INFORMATION

**Independent Contractors.** Guinness Atkinson may enter into agreements with independent contractors to provide shareholder services for a fee. Shareholder services include account maintenance and processing, direct shareholder communications, calculating NAV, dividend posting and other administrative functions.

**Transfer Agent.** U.S. Bancorp Fund Services, LLC, located at 615 East Michigan Street, 3<sup>rd</sup> Floor, Milwaukee, Wisconsin 53202, serves as the transfer agent for the Funds. The transfer agent provides record keeping and shareholder services.

**Custodian.** Brown Brothers Harriman & Co., located at 40 Water Street, Boston, Massachusetts 02109, serves as the custodian for the Funds. The custodian holds the securities, cash and other assets of the Funds.

**Fund Accounting Agent.** ALPs Fund Services, Inc. located at 1290 Broadway, Suite 1100, Denver, Colorado 80203, serves as the fund accounting agent for the Funds. The fund accounting agent calculates the Funds' daily NAV.

**Legal Counsel.** Kramer Levin Naftalis & Frankel LLP, located at 1177 Avenue of the Americas, New York, New York 10036, serves as legal counsel for the Trust.

**Independent Registered Public Accounting Firm.** Tait, Weller & Baker LLP, located at 1818 Market Street, Suite 2400, Philadelphia, PA 19103, audits the financial statements and financial highlights of the Funds and provides reports to the Board.

### **Anti-Money Laundering Program**

The Trust has established an Anti-Money Laundering Compliance Program (the "Program"), as required by the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 ("USA PATRIOT Act"). To ensure compliance with this law, the Trust's Program provides for the development of internal practices, procedures and controls, designation of anti-money laundering compliance officers, an ongoing training program and an independent audit function to determine the effectiveness of the Program.

Procedures to implement the Program include, but are not limited to, determining that the Distributor and the Funds' transfer agent have established proper anti-money laundering procedures, reporting suspicious and/or fraudulent activity and a complete and thorough review of all new opening account applications. The Trust will not transact business with any person or entity whose identity cannot be adequately verified under the provisions of the USA PATRIOT Act.

As a result of the Program, the Trust may be required to "freeze" the account of a shareholder if the shareholder appears to be involved in suspicious activity or if certain account information matches information on government lists of known terrorists or other suspicious persons, or the Trust may be required to transfer the account or proceeds of the account to a governmental agency.

## APPENDIX A

### Description of Moody's Bond Ratings:

Investment grade debt securities are those rating categories indicated by an asterisk (\*).

**\*Aaa:** Bonds that are rated Aaa are judged to be the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt-edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

**\*Aa:** Bonds that are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuations of protective elements may be of greater amplitude or there may be other elements present that make the long-term risks appear somewhat larger than in Aaa securities.

**\*A:** Bond that are rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present that suggest a susceptibility to impairment sometime in the future.

**\*Baa:** Bonds that are rated Baa are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present, but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

**Note:** Moody's applies numerical modifiers 1, 2 and 3 in each generic rating classification from Aa through B in its bond rating system. The modifier 1 indicates that the security ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking, and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

### Description of Moody's Commercial Paper Ratings:

Moody's commercial paper ratings are opinions of the ability of issuers to repay punctually promissory obligations not having an original maturity in excess of nine months.

Issuers rated **Prime1** or **P1** (or related supporting institutions) have a superior capacity for repayment of short-term promissory obligations. Prime1 or P1 repayment capacity will normally be evidenced by the following characteristics:

- Leading market positions in well-established industries.
- High rates of return on funds employed.
- Conservative capitalization structures with moderate reliance on debt and ample asset protection.
- Broad margins in earnings coverage of fixed financial charges and high internal cash generation.
- Well-established access to a range of financial markets and assured sources of alternate liquidity.

Issuers rated **Prime2** or **P2** (or related supporting institutions) have a strong capacity for repayment of short-term promissory obligations. This will normally be evidenced by many of the characteristics cited above but to a lesser degree. Earnings trends and coverage ratios, while sound, will be more subject to variation. Capitalization characteristics, while still appropriate, may be more affected by external conditions. Ample alternate liquidity is maintained.

#### **Description of Standard & Poor's Bond Ratings:**

Investment grade debt securities are those rating categories indicated by an asterisk (\*).

**\*AAA:** Debt rated AAA have the highest rating assigned by S&P to a debt obligation. capacity to pay interest and repay principal is extremely strong.

**\*AA:** Debt rated AA have a very strong capacity to pay interest; and repay principal and differ from the higher-rated issues only in small degree.

**\*A:** Debt rated A have a strong capacity to pay interest and repay principal although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than bonds in higher rated categories.

**\*BBB:** Debt rated BBB are regarded as having an adequate capacity to pay interest and repay principal; whereas such debt normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for bonds in this category than for bonds in higher-rated categories.

**Plus (+) or Minus (-):** The ratings from AA to CCC may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

**NR:** Bonds may lack a S&P rating because no public rating has been requested, because there is insufficient information on which to base a rating, or because S&P does not rate a particular type of obligation as a matter of policy.

#### **Description of S&P's Commercial Paper Ratings:**

S&P's commercial paper ratings are current assessments of the likelihood of timely payment of debts having an original maturity of no more than 365 days.

**A:** Issues assigned this highest rating are regarded as having the greatest capacity for timely payment. Issues in this category are delineated with the numbers 1, 2 and 3 to indicate the relative degree of safety.

**A1:** This designation indicates that the degree of safety regarding timely payment is either overwhelming or very strong. Those issues determined to possess overwhelming safety characteristics are denoted with a plus (+) sign designation.

**A2:** Capacity for timely payment on issues with this designation is strong. However, the relative degree of safety is not as high as for issues designated "A-1."