

Alternative Energy Brief
February 2008

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Welcome to the February 2008 Guinness Atkinson Alternative Energy Brief.

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Fund performance

The Guinness Atkinson Alternative Energy Fund was down 16.43% in January which was a disappointing start to the year, but not wholly unexpected given the strong (42.69%) performance in 2007. We outperformed both our benchmarks in January which gives a sense of how the whole alternative energy sector, with its higher beta stocks, was hit even worse than the broad markets.

Total Returns as of 01/31/07

Total returns	Jan 08	YTD 08	1 Year	From inception
Guinness Atkinson Alternative Energy Fund (inception 03/31/06)	-16.43%	-16.43%	11.65%	5.02%
WilderHill New Energy Global Innovation Index	-18.19%	-18.19%	23.55%	18.95%
WilderHill Clean Energy Index	-21.51%	-21.51%	23.23%	0.33%

Gross Expense Ratio 2.60%

Net Expense Ratio* 1.98%

* The expense ratio shown is from the most recent prospectus (April 30, 2007). The Fund has an expense cap in place and the advisor is contractually obligated to cap the total expenses at least through June 30, 2008. The Advisor has guaranteed total fund operating expenses (as a percentage of net assets) will not exceed 1.98% through June 30, 2008 or until such a later date as the Advisor determines.

All return figures represent average annualized returns except for periods of one year or less which are actual returns.

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting www.gafunds.com or calling 800-915-6566.

The funds impose a redemption fee of 2% on shares held less than 30 days. Performance data does not reflect the redemption fee. If reflected, total returns would be reduced.

Sector and geographic breakdown

Sector	% of Assets	Region	% of Assets
Solar	33.79%	Europe	52.49%
Wind	30.52%	North America	24.56%
Hydro	11.27%	Asia	12.18%
Efficiency	9.80%	Australasia	4.74%
Geothermal	7.22%	Latin America	4.60%
Biofuel	3.14%		
Biomass Energy	1.91%		
Fuelcell	0.92%		

Solar remains the highest weighted sector with 33.79% of the assets of the fund. We think that the next 5 years should carry the solar industry to a position where the holy grail of grid parity is achievable. Investments in solar cover all elements of the value chain from silicon producers to cell and module manufacturers. We hold 30.52% in wind and our positions in wind are split evenly between turbine manufacturers and wind farm developers. Turbine manufacturers are benefiting from tight market conditions, and wind farm developers are well placed because of faster approval cycles and increasing asset values. Hydro forms a lower risk bedrock to the portfolio. The overarching idea behind holding these is because of their low operating cost which means that increases in electricity prices and payments for carbon credits go straight to the bottom line.

Geothermal Power, at 7.22% of the fund, has similar dynamics, and is similarly location constrained, but is at a much earlier stage of implementation. We remain circumspect about biofuels which account for 3.14% of the fund now, although we are monitoring valuations carefully for an attractive re-entry point. We prefer biofuels stocks that have some form of vertical integration (ie they manage their own feedstock production). Biofuel refining stocks have most potential as shorter term trading ideas. Fuelcells remain some way from mass commercialization and we currently hold only niche investments which we hope will give us access to some of the early winners. Biomass Energy accounts for 1.91% of the fund. There are a number of opportunities in this space, but the growth potential and returns are less attractive.

Europe accounts for 52.49% of the assets in the fund versus 24.56% in North America. This reflects the earlier development of the European wind and solar industries. We have 21.52% in Asia, Australia and Latin America and are continually looking for international opportunities that are under the US investor's radar screen.

Liquidity analysis

Mkt Cap \$m	Positions	% of Assets	Position size	Positions	% of Assets
>1000	24	57.69%	Full	16	50.17%
500-1000	5	11.23%	Half	27	42.99%
250-500	7	12.18%	Research	15	5.41%
100-250	13	14.17%			
50-100	1	0.90%			
<50	8	2.42%			

The liquidity of the portfolio remains good. The percentage of the portfolio that is in stocks with a market capitalization of over \$1 billion is now 57.69% and only 2.42% of the portfolio is invested in stocks with a market capitalization below \$50 million. The universe of high quality large cap alternative energy stocks has been growing both organically and from new issues, although there has been little issuance to date in 2008. We are endeavouring to maintain a balance between holding larger capitalization more liquid stocks and positions in smaller capitalization less liquid stocks where the value and growth opportunity might be greater. We have segmented the portfolio into three types of holding: full, half and research. We currently hold 16 full units and 27 half units, with a further 15 research positions. We believe this enables us to benefit from a strict rebalancing discipline.

Stock performance

Top 5	Size	Jan	Bottom 5	Size	Jan
Jetion	Half	50.69%	Renewable Energy Corp	Full	-50.39%
Alkane	Research	15.15%	Daystar	Half	-47.04%
Novera	Half	4.79%	Sunpower	Half	-47.01%
Composite Tech	Half	3.60%	Echelon	Half	-36.34%
Babcock and Brown Environmental	Research	1.35%	Motech	Half	-35.42%

Four of the bottom performing positions was solar companies. These were positions where much of late last year's gains were given back and the stocks are now trading at levels that we find very attractive. Echelon is an efficiency play, which suffered as a high beta stock in the market downturn.

Curiously, Jetion is also a solar stock, but as a result of its UK listing has lagged the rest of the solar sector until January. Novera is a UK waste to energy and wind developer and Alkane is another UK holding. Both have held up well. Composite Technology is a company with two main divisions – wind turbine manufacture and transmission wire technology. The stock was up in January despite the market conditions. Babcock & Brown Environmental is being acquired by its parent company and is therefore less exposed to market movements.

Trading

We sold out of three positions in January. One: Hydrogenics and Quantum Fuel Systems; where our null hypothesis for owning the stock was no longer valid. Second: Ocean Power Technologies was a research position where we do not see any near term value driving catalysts. And thirdly we increased our holding in our Geodynamics, an Australian geothermal play, by exercising the warrants we had received at a previous financing. This remains a research holding.

Thank you for your continuing support.

Tim Guinness
Edward Guinness
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Commentary for our views on global energy and Asia markets is available on our website. Please [click here](#) to view.

Total returns reflect a fee waiver in effect and in the absence of this waiver, the total returns would be lower.

This information is authorized for use when preceded or accompanied by a prospectus for the Guinness Atkinson Global Energy Fund. The prospectus contains more complete information, including investment objectives, risks, charges and expenses related to an ongoing investment in the Fund. Please read the prospectus carefully before investing.

The Fund invests in foreign securities which will involve greater volatility and political, economic and currency risks and difference in accounting methods. The Fund is non-diversified meaning its assets may be concentrated in fewer individual holdings than diversified funds. Therefore, the Fund is more exposed to individual stock volatility than diversified funds. The Fund also invests in smaller companies, which will involve additional risks such as limited liquidity and greater volatility.

Fund holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security.

Beta measures the volatility of a fund, as compared to that of the overall market. The market's beta is 1.00; a beta higher than 1.00 is considered to be more volatile than the market, while a beta lower than 1.00 is considered to be less volatile.

The WilderHill New Energy Global Innovation Index (NEX) is a modified dollar weighted index of publicly traded companies which are active in renewable and low-carbon energy, and which stand to benefit from responses to climate change and energy security concerns.

The WilderHill Clean Energy Index (ECO) is a modified equal dollar weighted index comprised of publicly traded companies whose business's stand to benefit substantially from societal transition toward the use of cleaner energy and conservation.

One cannot invest directly in an index.

Top Ten Holdings as of 01/31/08	% of Assets
Vestas Wind Systems A/S	3.83%
PNOC Energy Development Corporation	3.71%
Iberdrola Renovables	3.66%
Conergy AG	3.36%
Theolia SA	3.32%
Verbund AG	3.31%
Gamesa Corporation Tecnologica SA	3.24%
Suntech Power Holdings Co., Ltd.	3.23%
Innergex Renewable Energy, Inc.	3.23%
Clipper Windpower PLC	3.19%

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