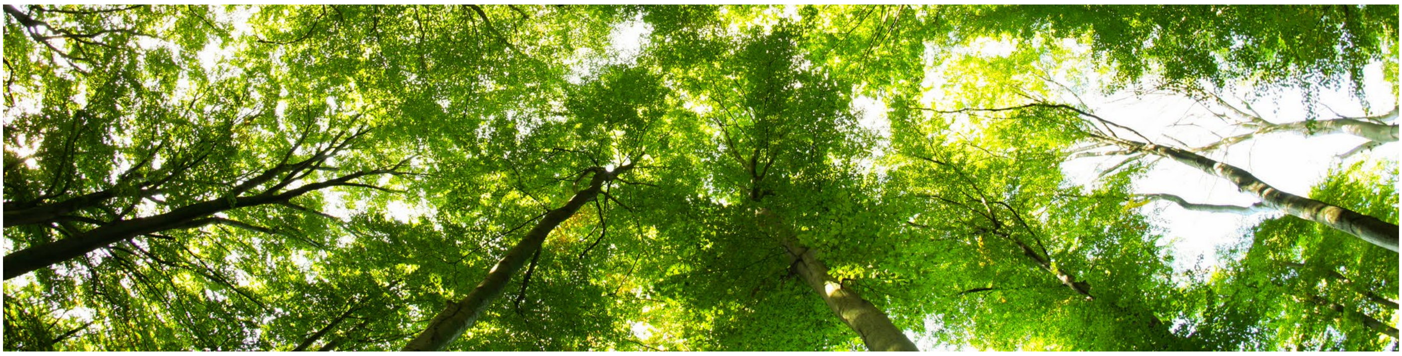

GUINNESS ATKINSON FUNDS

Inflation Managed Dividends *brief*

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Commentary and Review by co-portfolio managers
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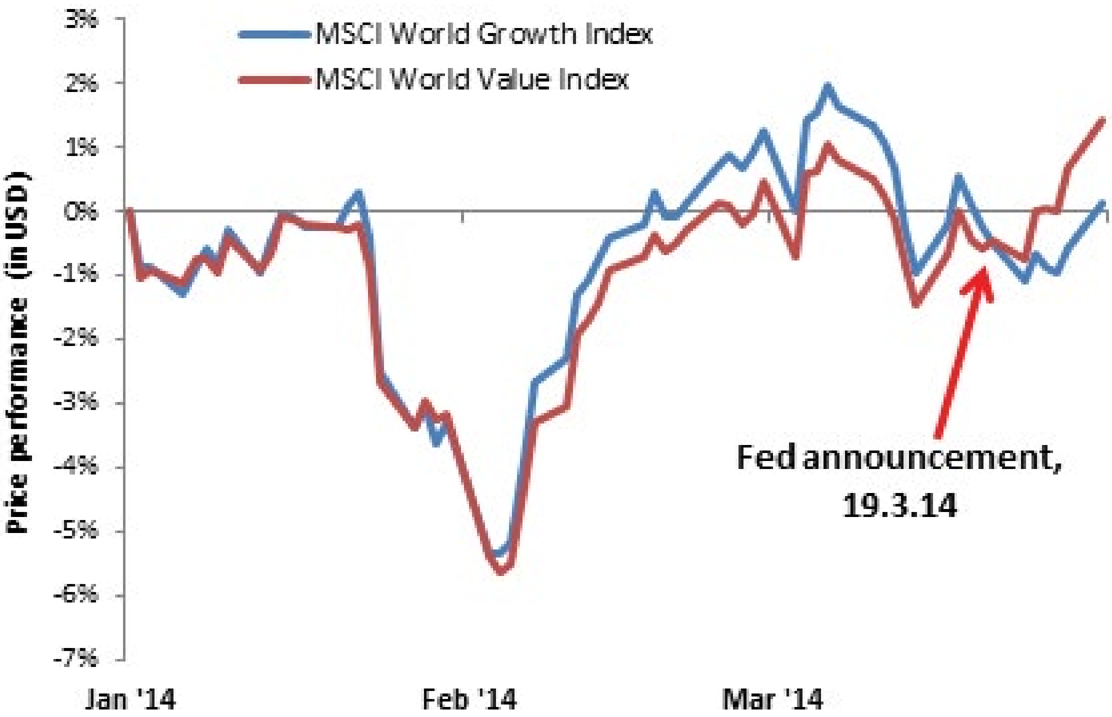
The actions of the Federal Reserve have continued to reverberate across markets but lately they have served to aid the performance of value stocks, whose performance has really picked up in the last month. On 19th March this year Janet Yellen, the new Federal Reserve chairman who took over from Ben Bernanke, announced that Quantitative Easing (QE) would most likely be finished by the Autumn, and that an interest rate hike could come as early as 2015 – earlier than the market had anticipated. This almost perfectly coincides with the resurgence of value stocks, versus both the broad market and momentum or growth stocks. We try not to dwell on the short term, but it is interesting to note the clear divergence between the relative performance of the MSCI World Value Index and the MSCI World Growth Index since Yellen's announcement.



The stimulus for this appears to be quite similar to what we saw on 21st May last year when Ben Bernanke announced the imminent tapering of QE, prompting increases in real interest rates. Value stocks went on to have very strong relative performance over the rest of May and June in 2013.

But why does momentum/growth underperform in a rising interest rate environment? A lot of the supposed value of these growth/momentum companies is derived from future estimates of cash flows. Rising interest rates potentially threaten these companies' long-term margins, as higher interest rates can push up their cost of capital. Higher interest rates will also increase the discount rate at which these companies' future cash flows are valued today.

By contrast, a lot of 'quality' companies have been able to refinance their long-term debt at exceptionally low levels. Microsoft, for example, last year sold $750 million of 10-year bonds with a coupon of 2.125%, and $900 million of 30-year bonds at 3.5%. Considering that 10-year US government Treasuries were trading with a yield of 1.6% at the time, it implied a credit spread of just 0.525% for Microsoft's 10-years bonds. Locking in such good terms should provide some protection in the event of rising rates, and may potentially give them an advantage over their competitors. Any impact of rising interest rates on these high quality companies should be very modest.

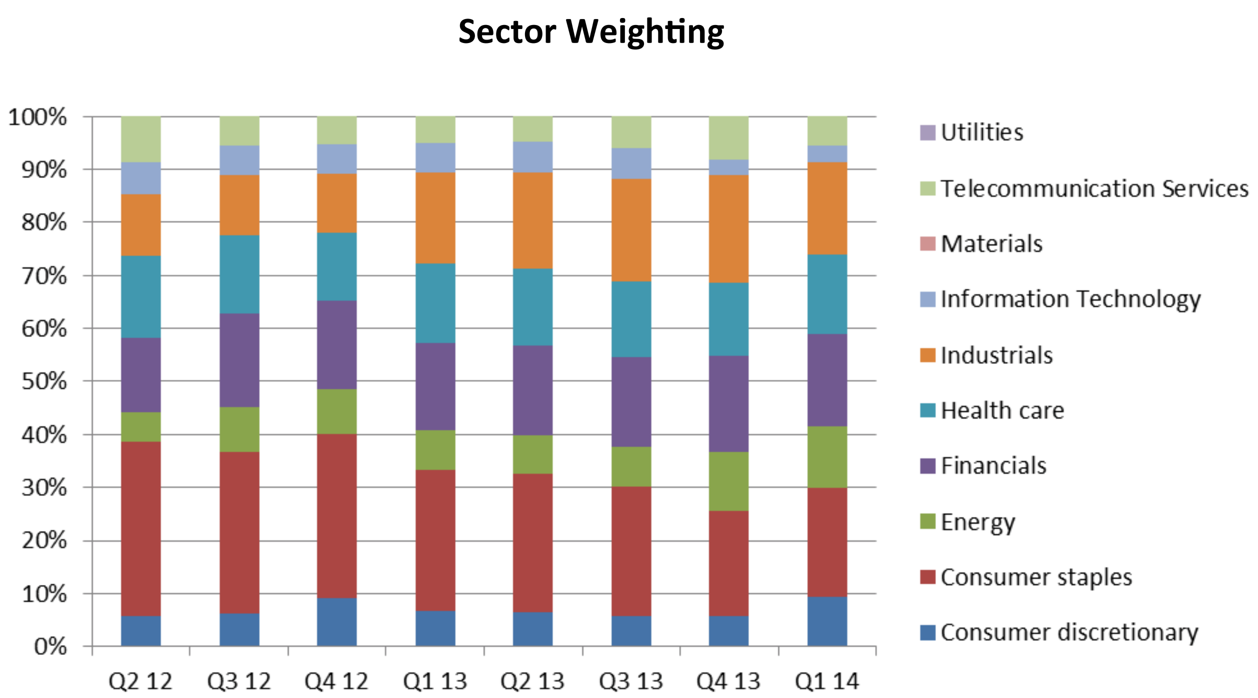
Our approach in the Guinness Atkinson Inflation Managed Dividend Fund, which combines quality and value, is to focus on companies that achieve top quartile returns on capital every year throughout an entire business cycle – this is our definition of 'quality'. We then seek to narrow down this list further to identify those companies that we believe offer good value, and in particular where valuations sit relative to industry peers, relative to their own historic valuations, and to the broad market in general.

During the quarter we made four changes to the portfolio. In February we sold our holdings in Vodafone and the allocation we received in Verizon shares following Verizon's acquisition of Vodfone's stake in the Verizon Wireless business it did not already own. We had owned Vodafone in the fund for just over three years and had benefitted from the substantial increase in share price over the period, and also the good dividend stream it provided. Verizon did not fit the type of company we typically like to invest in as its return on capital had oscillated around its cost of capital for a number of years. Equally we were not certain about the prospects for Vodafone post the Verizon Wireless sale and as such we decided to sell the 'rump' of shares we were left with in the portfolio.

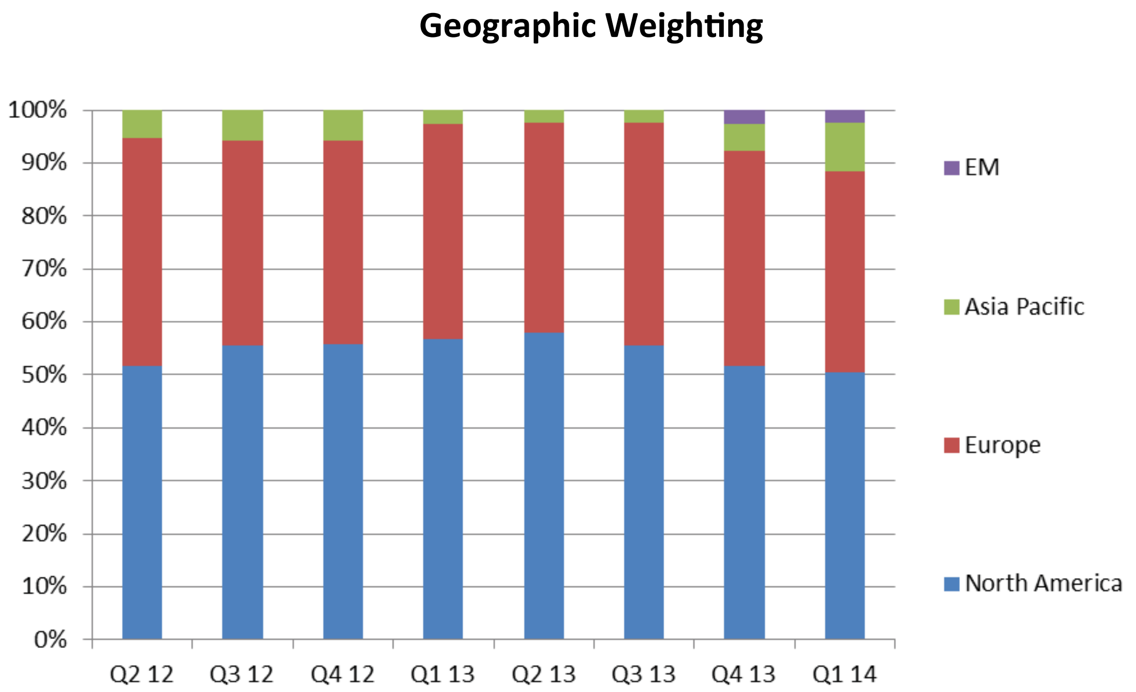
We also sold our position in Northrop Grumman in February. Sentiment towards the US defence sector was particularly weak when we bought the company in March last year and we have been somewhat surprised by the rapidity of how that has changed over the last 12 months. Indeed the total return over the holdings period was over 80%. This left the company trading at much higher multiples, despite also having good earnings growth over the period, and a much lower margin of safety in terms of valuation.

Finally we purchased a new position in Li & Fung in early March. Li & Fung is a global outsourcing company and provides an interesting example of a company that is listed in Asia but the majority (over 80%) of its revenues come from outside Asia. It was trading at the low end of its 10 year valuation range but had a 10 year history of generating top quartile return on capital. It had therefore weathered the financial crisis extremely well and was potentially being punished by the market because of its regional listing, rather than its underlying business potential.

In terms of sector allocation, the stock changes made in the fund over the quarter reduced the exposure slightly to industrials and telecommunications and increased our exposure to consumer discretionary. The highest weighting in the fund is to the consumer staples sector (at 20.0%) but this is well below the weighting of just over 30% we had to this sector at the end of 2012.

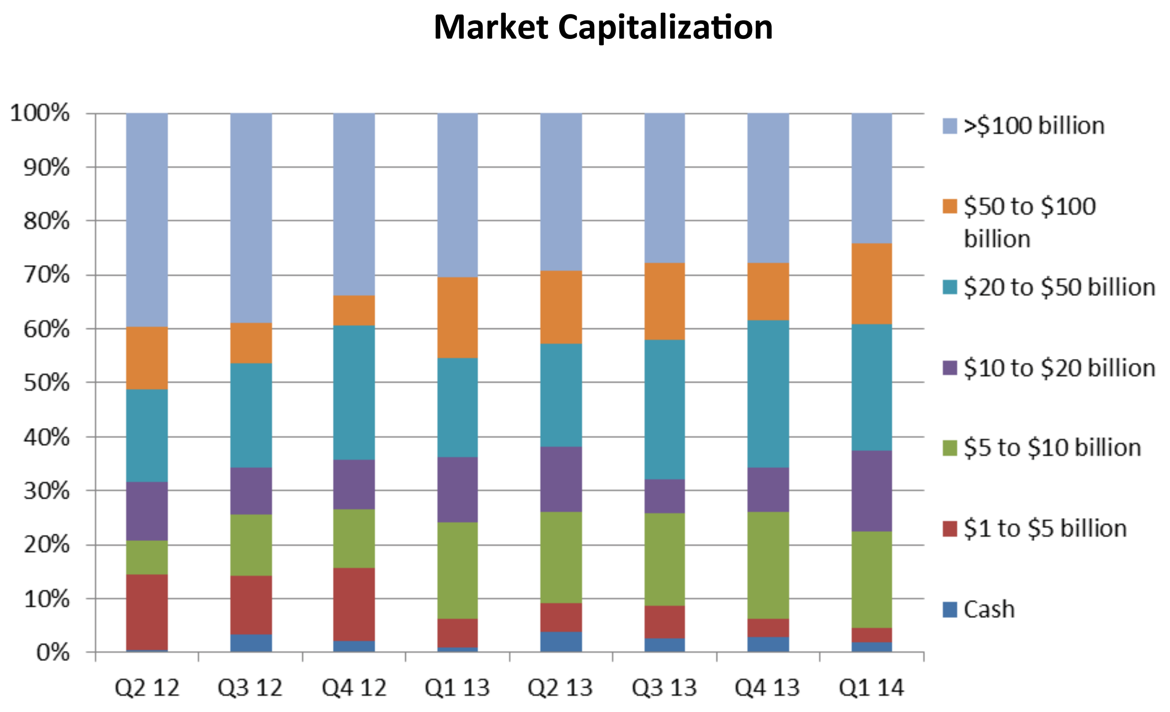


The geographic weighting by domicile has increased slightly towards Asia due to the purchase of Li & Fung, but when we analyse this on a revenue basis the fund geographic exposure has remained largely stable as the bulk of Li & Fung revenues are generated outside Asia.



EM = Emerging Market

In terms of market capitalization distribution the fund has remained stable, with 60% of companies with a market cap greater than $20bn, and 40% of companies in the $1 to $20bn range.



Portfolio Performance

The fund generated a total return of 1.54% in the first quarter compared to its benchmark MSCI World Index which had a total return of 1.42%, thereby outperforming by 0.12%.

as of 3/31/14	Year to date	1 YR	Since inception annualized (3/30/12)
Inflation Managed Dividend Fund	1.54%	20.99%	17.58%
MSCI World Index	1.42%	19.82%	16.19%

The expense ratio is 7.05% (gross), 0.68% (net)

Performance data quoted represent past performance and 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. For most recent month-end and quarter-end performance, visit http://www.gafunds.com/IMD_performance or call (800) 915-6566. The Fund imposes a 2% redemption fee on shares held for less than 30 days. Performance data does not reflect the redemption fee and, if deducted, the fee would reduce the performance noted.

The Advisor has contractually agreed to reduce its fees and/or pay Fund expenses (excluding Acquired Fund Fees and Expenses, interest, taxes, dividends on short positions and extraordinary expenses) in order to limit the Fund's Total Annual Operating Expenses to 0.68% through March 31, 2015.

Markets were quite volatile over the quarter and the fund reflected this; down 4.92% in January, up 5.31% in February, and up 1.41% in March. Emerging markets were the stand out poor performer regionally in the month and some of the worst performing stocks in the fund were, unsurprisingly, those most exposed to this region; in particular CNOOC, the Hong Kong-listed Chinese oil company; China Mobile; and Aberdeen Asset Management, whose underlying funds are closely linked to performance in the region. Because of this relative underperformance we took the opportunity to buy some more of these companies at the beginning of March as we thought that the market moves were potentially overdone.

The strongest sector of the portfolio in the quarter was the healthcare companies we own with Teva Pharmaceutical, Merck, and Sonic Healthcare up more than 10% in the quarter in USD terms. Teva Pharmaceutical was the stand out, however, rising over 30% as the market continued to re-rate the company. When we bought the company in October last year Teva was trading at just over 7 times 2014 expected earnings and was in the bottom decile of its peers as the threat of generic competition to its patented multiple sclerosis drug loomed. Since that time the company has successfully established new patents on the drug which allow the patient to take the drug more efficiently by using fewer dosages a week, and in doing so has seemingly fended off the generic competition and protected its future cash flows.

We thank you again for your continued support and look forward to updating you on the funds progress throughout the remainder of 2014.

Opinions expressed are subject to change, are not guaranteed and should not be considered investment advice.

This information is authorized for use when preceded or accompanied by a prospectus for the Guinness Atkinson Inflation Managed Dividend 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.

Mutual fund investing involves risk and loss of principal is possible. Investments in foreign securities involve greater volatility, political, economic and currency risks and differences in accounting methods. These risks are greater for emerging markets countries. The Fund also invests in medium and smaller companies, which will involve additional risks such as limited liquidity and greater volatility. The Fund may invest in derivatives which involves risks different from, and in certain cases, greater than the risks presented by traditional investments.

Diversification does not assure a profit nor protect against loss in a declining market.

For a list of current holdings, click here. Fund holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security.

Investment performance reflects fee waivers in effect. In the absence of such waivers, total returns would be reduced.

The MSCI World Index (MXWO) is a capitalization weighted index that monitors the performance of stocks from around the world.

The MSCI World Value Index is a capitalization weighted index that monitors the performance of Value stocks from around the world.

The MSCI World Growth Index is a capitalization weighted index that monitors the performance of Growth stocks from around the world.

Return on Capital measures how effectively a company uses the money (borrowed or owned) invested in its operations.

Earnings growth is a measure of a company's net income over a specific period, generally one year, is a key indicator for measuring a company's success, and the driving force behind stock price appreciation. **Earnings Growth is not representative of the fund's future performance.**

Margin of safety is a principal of investing in which an investor only purchases securities when the market price is significantly below its intrinsic value. In other words, when market price is significantly below your estimation of the intrinsic value, the difference is the margin of safety. This difference allows an investment to be made with minimal downside risk.

One cannot invest directly in an index.

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