



GUINNESS
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Alternative Energy *brief*



Ed Guinness

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Commentary and Review by portfolio manager
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Commentary and Outlook

The first quarter of 2015 was relatively quiet from an alternative energy perspective.

The Chinese solar manufacturers performed relatively well, with slightly weak Q4 2014 earnings numbers more than offset by the prospects for 2015 and beyond. Weakness was typically caused by projects slipping into 2015 rather than being cancelled. During the quarter the Chinese government announced an increased target of 17GW of solar installations in China for 2015. The US maintained its war on Chinese panels with further revisions to tariff structures. We understand that progress is being made on talks to remove tariffs on sustainable projects. In the meantime the US is suffering from higher module costs than the rest of the world – the impact of the tariffs falls to the consumer rather than the manufacturer, as the US does not have meaningful competitive manufacturing facilities for solar modules and is unlikely to do so.

We remain skeptical that Solarcity will be able to compete on price with the Chinese manufacturers notwithstanding the major subsidy support being afforded to them by New York State (estimated at \$750 million). While Europe's demand growth is relatively weak, the rest of the world is very much catching up. Behind China, Japan and the US are a large number of countries initiating solar programs, many of them with little or no direct financial subsidies.

The wind sector continues to make steady progress. China is pushing to increase wind installation targets which benefits the Chinese utility names who have performed well. Among the smaller cap utility names there was more variance in performance, but the overarching theme is that for companies with performing assets, the cost of capital is falling and that should enhance profitability and returns for equity investors today. Northern Power as mentioned above, was the problem stock for the quarter and we are monitoring it carefully.

The hydro stocks were all down in the quarter, but none meaningfully so. In Brazil, the government has been tinkering with the extension of concessions and there has been a drought. We see both as short term problems that are likely to be resolved over the medium term and are factored into the share price. Italy has seen improved terms for small hydro installations and Central European electricity prices have stabilized, supporting our investment in Verbund.

Ormat, the fund's geothermal investment has benefited from a merger with its major shareholder Ormat Industries. The collapse of this structure should focus management on just one company and increase liquidity. The stock responded well to the transaction and was up 40% for the quarter. Of the fund's efficiency investments, Wasion the Chinese metering performer was the standout success, up 29.6%, as the Chinese indicated further support for developing its energy efficiency and metering infrastructure.

The fund's Brazilian biofuels investment suffered from a weakening Brazilian Real more than specific company and sector issues.

The long term outlook for alternative energy remains good. The key drivers remain in place: dwindling fossil fuel supplies; energy security concerns; environmental issues; and climate change. The reduced cost of alternative energy technologies is likely to accelerate the growth of the alternative energy sector. We continue to position the fund to benefit from the long term growth of the sector.

Portfolio changes

We sold positions in EDP Renovaveis and Acciona as they had performed well in local currency terms. They are larger European utilities with a focus on renewables based in Portugal and Spain respectively who were trading on historically high multiples. We took new positions in China Wind Power, a Chinese wind and solar utility and in Xinyi Solar, who are both a manufacturer of glass for solar modules and a Chinese solar installer.

The position in Northern Power Systems has been frozen as a result of concerns over the stock price performance. The company is a manufacturer of small wind turbines. They have been achieving strong growth but have not kept as tight control of costs as needed. The share price response reflects the illiquidity of the stock.

Fund Performance (Q1 2015)

The Guinness Atkinson Alternative Energy Fund was up 3.80% for the first quarter of 2015. The fund underperformed the two industry indices NEX and ECO which were up 9.34% and 5.81% and the fund outperformed the MSCI World Index which was up 2.48% for the quarter.

Total returns	Q1 2015	YTD 2015	1 year	5 year	From launch (31/03/06)
Guinness Atkinson Alternative Energy Fund	3.80%	3.80%	-15.88%	-9.42%	-11.75%
Wilderhill New Energy Index	9.34%	9.34%	-4.02%	-1.27%	-2.39%
Wilderhill Clean Energy Index	5.81%	5.81%	-20.48%	-9.67%	-13.46%
MSCI World Index	2.48%	2.48%	6.68%	12.95%	10.74%
Calendar year returns	2010	2011	2012	2013	2014
Guinness Atkinson Alternative Energy Fund	-21.90%	-42.53%	-15.20%	61.54%	-14.29%
Wilderhill New Energy Index	-13.65%	-38.91%	-4.14%	55.70%	-2.16%
Wilderhill Clean Energy Index	-4.76%	-50.50%	-17.37%	58.54%	-16.93%
MSCI World Index	12.49%	-4.92%	16.71%	27.49%	5.61%

CY = Calendar Year Expense Ratio: 2.02% (net); 2.06% (gross)

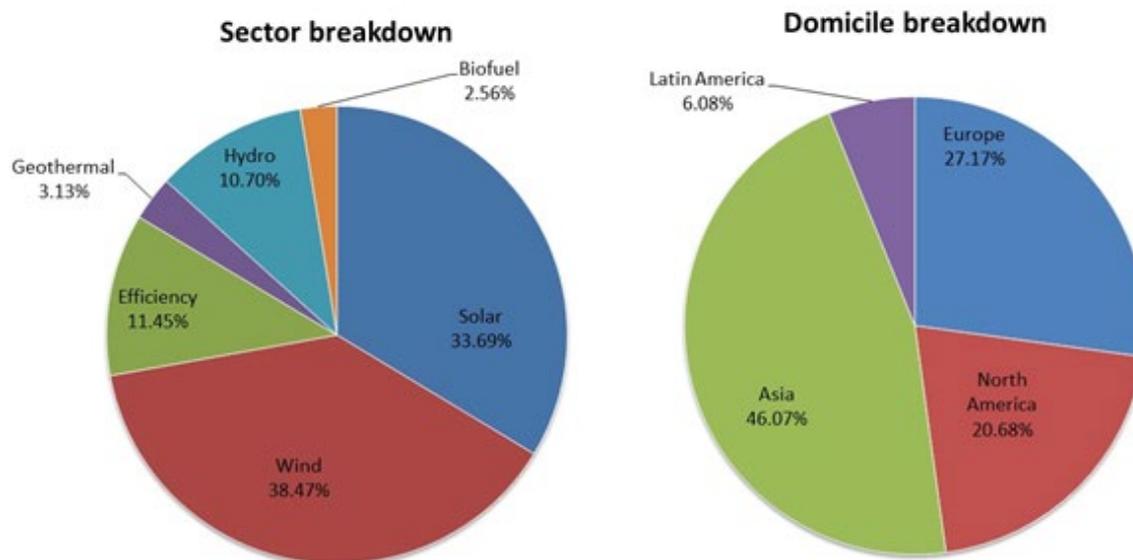
All return figures represent average annualized returns except for periods of one year or less, which are actual returns.

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.

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 1.98% through June 30, 2016.

Fund Holdings



Top 10 holdings as of 03/31/15	% of assets
INIZIATIVE BRESCIANE-INBRE S	4.65%
GOOD ENERGY GROUP PLC	4.32%
THEOLIA SA - REGR	4.18%
TRINA SOLAR LTD-SPON ADR	3.99%
CANADIAN SOLAR INC	3.93%
JINKOSOLAR HOLDING CO-ADR	3.91%
SUNPOWER CORP	3.90%
WASION GROUP HOLDINGS LTD	3.65%
CHINA SUNTIEN GREEN ENERGY-H	3.53%
CEMIG SA -SPONS ADR	3.52%

The top five performers over the fourth quarter were Carmanah Technologies (+85.98%), Ormat Technologies (+39.88%), Canadian Solar (+38.03%), Trina Solar (+30.56%) and Jinkosolar (+30.09%).

The bottom five performers over the fourth quarter were Northern Power Systems (-58.05%), Yingli Green Energy (-21.28%), Cosan (-19.48%), Mytrah Energy (-17.97%) and Cemig (-17.71%).

Edward Guinness
April 2015

Commentary for our views on Global Energy, Dividends 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.

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 Alternative 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 risks are greater for investments in emerging markets. The Fund is non-diversified meaning its assets may be concentrated in fewer individual holdings than diversified funds. Therefore, the Fund is more exposed to individual stock volatility than diversified funds. The Fund also invests in smaller companies, which will involve additional risks such as limited liquidity and greater volatility. Current and future portfolio holdings are subject to risk. Investments focused on the energy sector may be exposed to greater risk than an investment diversified among various sectors.

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

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

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

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

One cannot invest directly in an index.

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