

## ESG Approach

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### Sustainability Themed Investment – Portfolio Construction

The Guinness Atkinson Alternative Energy Fund is a sustainability-themed fund that invests at least 80% of its assets in companies that have at least 50% of their business in the alternative energy sector. Alternative energy includes renewable energy, energy efficiency, and enabling technologies such as electricity storage, smart meters and smart grid. These sectors are all recognised as sustainable investment areas. Furthermore, since inception (3/31/2006), the fund has exceeded its minimum 80% sector focus mandate by being 100% invested in companies that have at least 50% of their business in the alternative energy sector.

*“We invest at least 80% of assets in stocks in the alternative energy sector”*

According to European Sustainable Investment Forum 2014 study, a thematic approach is one of the purest forms of sustainable investing, in the sense that the fund is directly targeting investing in sustainably themed companies, as opposed to applying extra-financial Environmental, Social and Governance (ESG) criteria or norms to a standard portfolio of assets regardless of the industry or activity.

### Positive Screening - Stock Selection

To assess whether companies have at least half of their business in the alternative energy sector to determine whether the substance of a business qualifies it for investment, Guinness Atkinson Asset Management reviews company revenues, profits, assets, energy production and any other metric that might be relevant. By only investing in companies that have at least 50% of their business in the alternative energy sector, the Guinness Atkinson Alternative Energy Fund has a very strict screening standard.

*“Companies must have at least 50% of their business in the alternative energy sector”*

### Ongoing ESG Screening - Monitoring

The portfolio companies are subjected to ESG analysis on an annual basis. ESG analysis combines the use of internal and external research from a variety of sources. At its core, it involves obtaining raw data from external ESG research providers, which we supplement with our own analysis. The analysis is used to identify and monitor the ESG aspects of existing and prospective investments which cannot be captured by financial analysis alone. We engage with the management of companies that score poorly on ESG issues to address any material ESG concerns.

*“We engage with... ..companies that score poorly on ESG issues to address any material ESG concerns”*

Guinness Atkinson’s ESG policy balances acting both responsibly and effectively from an ESG point of view and acting properly from the point of view of seeking to deliver the best investment return.

### SRI and Fossil Fuel Free

**Social and Responsible Investment (SRI) Fund** The Guinness Atkinson Alternative Energy Fund investment approach falls within the definition of Sustainable Investing published in the 2012 and 2014 Global Sustainable Investment Review by the Global Sustainable Investment Alliance.

**Fossil Fuel Free** The Guinness Atkinson Alternative Energy Fund does not invest in any companies that extract fossil fuels.

*The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectus contains this and other important information about the investment company, and it may be obtained by calling 800-915-6566 or visiting [gafunds.com](http://gafunds.com). Read it carefully before investing.*

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

***Mutual fund investing involves risk; Principal loss is possible. 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. The Fund's focus on the energy sector to the exclusion of other sectors exposes the Fund to greater market risk and potential monetary losses than if the Fund's assets were diversified among various sectors.***

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