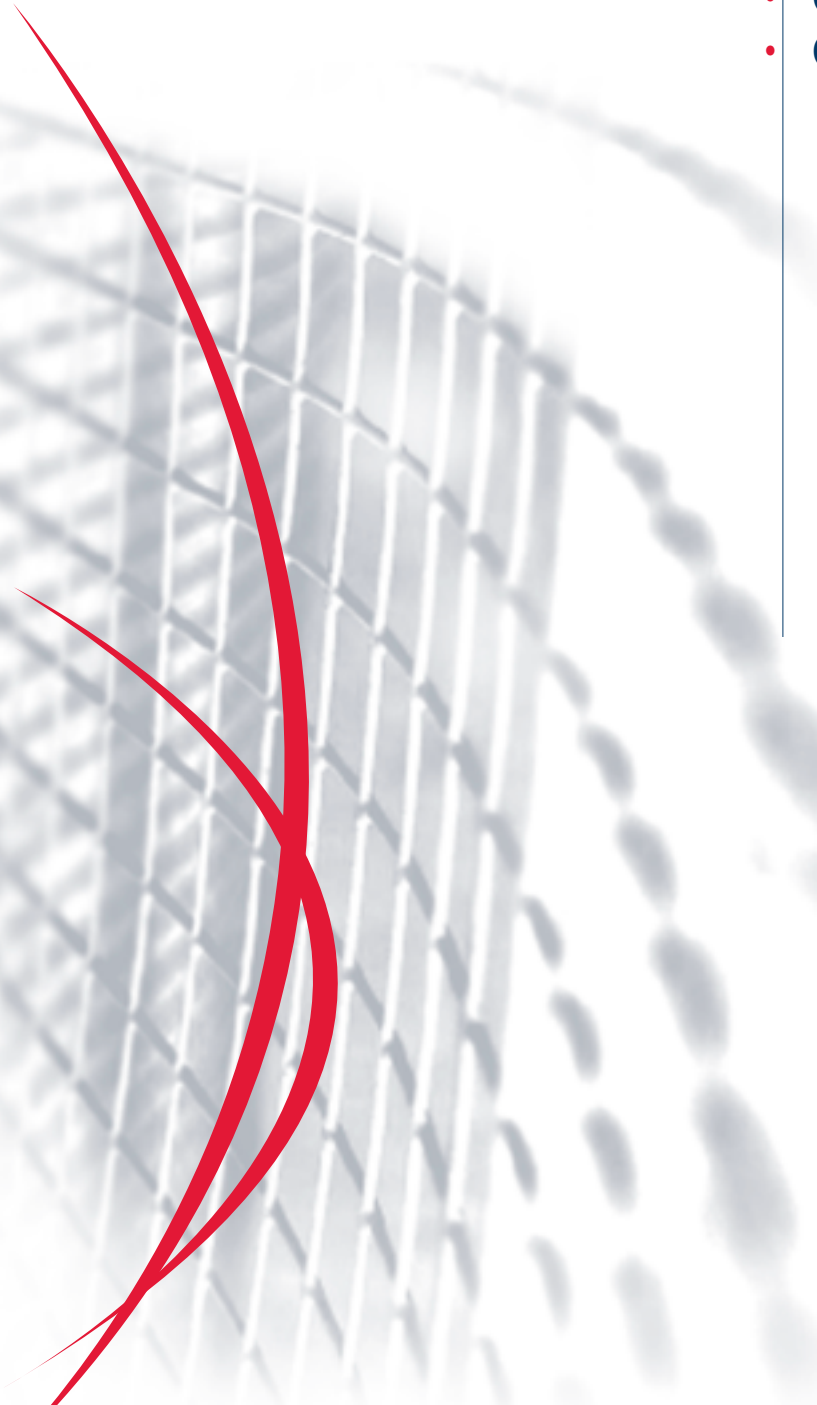


Annual Report

December 31, 2005

- Asia Focus Fund
- China & Hong Kong Fund
- Global Innovators Fund
- Global Energy Fund

Annual



Guinness Atkinson Funds Annual Report

December 31, 2005

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February 15, 2006

Dear Guinness Atkinson Funds Shareholders,

We would like to start this year's letter to shareholders with a reminder of sorts: Past performance is not indicative of future results. That is regrettable as we would like to continue 2006 where we left off 2005. Or, for that matter 2004. The Global Energy Fund may be the Fund taking the majority of the spotlight (with a total return of 63.92% for the year) but each of the Guinness Atkinson Funds performed admirably in 2005; the details are in the table below. As with our June 2005 semi-annual report, we would like to welcome the many shareholders that have joined us in the last year. Regardless of your tenure with the Guinness Atkinson Funds we are happy you are with us and look forward to serving you for many years.

Fund Performance

Returns for each of the four Guinness Atkinson Funds are listed in the table below. These figures represent average annualized returns for the periods ending December 31, 2005.

| Fund (inception date) | 1-year | 3-year | 5-year | 10-year | From Inception |
|--|--------|--------|--------|---------|----------------|
| Asia Focus (April 29, 1996) | 20.83% | 29.65% | 19.63% | | 0.26% |
| China & Hong Kong (June 30, 1994) | 6.61% | 25.50% | 5.69% | 6.35% | 6.47% |
| Global Innovators Fund (December 15, 1998) | 11.82% | 19.02% | -3.80% | | 3.69% |
| Global Energy Fund (June 30, 2004) | 63.92% | | | | 58.57% |

Performance data quoted represents 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 the original cost. Current performance of the Funds 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.

The Asia Focus and the China & Hong Kong Funds impose a 2% redemption fee on shares held less than 90 days. The Global Energy and Global Innovators Funds impose a 1% redemption fee on shares held less than 30 days. Total returns reflect a waiver in effect and in the absence of this waiver, the total returns would be lower.

Tim Guinness and Edmund Harriss provide their views on 2005 and look ahead to 2006 for each of the four Guinness Atkinson Funds. You will find these comments preceding the financial results for the Funds which follow this letter. Also, we've provided a table showing the year-end Morningstar ratings for the three Guinness Atkinson Funds that have a track record of three years or more. That table appears immediately after this letter.

The Long Term

We continue to focus our attention on the dramatic change occurring around the globe. Higher demand and tightening supplies of energy; the dramatic growth of China and Asia and the evolution of the New Economy remain key forces remaking the globe. While the future may be difficult to predict, there is little doubt that these major trends will help shape the future. While it is easy to focus attention on short term results, it is the long term that is important. We are the first to advise that the recent past performance of the Guinness Atkinson Funds – in particular the Global Energy Fund – is not a sufficient reason to invest. We hope that you and other shareholders in the Funds share our long term vision.

As always, we appreciate the opportunity to serve you.

Sincerely,



Timothy Guinness



James Atkinson

Morningstar Ratings

Below is a table listing the Morningstar star ratings as of December 31, 2005 for the three Guinness Atkinson Funds that have at least a three year history. We have seen steady improvement in these star ratings over the last two years. The overall ratings are derived from a weighted average of the Funds' 3-yr, 5-yr and 10-yr risk-adjusted performance.

| Fund | Overall | 3-year | 5-year | 10-year |
|---|---------|-------------------------------|-----------------------------|--------------------------|
| Asia Focus (Pacific/Asia ex-Japan category) | 4**** | 3*** (19 of 80 funds) | 4**** (12 of 72 funds) | |
| China & Hong Kong (Pacific/Asia ex-Japan category) | 2** | 3*** (38 of 80 funds) | 1* (60 of 72 funds) | 3*** (10 of 32 funds) |
| Global Innovators Fund (Large Growth category) | 3*** | 5***** (98 of 1,353 funds) | 2** (487 of 1,065 funds) | |

©2006 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. **Past performance is no guarantee of future results.**

The Funds invest in foreign securities which involves greater volatility and political, economic and currency risks and differences in accounting methods. For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in distribution percentages.)

GUINNESS ATKINSON FUNDS

Expense Examples (Unaudited)

As a shareholder of the Funds, you incur two types of costs: (1) redemption fees; and (2) ongoing costs, including advisory fees; and other Fund expenses. The Examples below are intended to help you understand your ongoing costs (in dollars) of investing in the Funds and to compare these costs with the ongoing costs of investing in other mutual funds.

The examples are based on an investment of \$1,000 invested at the beginning of the period shown and held for the entire period from July 1, 2005 to December 31, 2005.

Actual Expenses

For each Fund, the first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

For each Fund, the second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any redemption fees. Therefore, the second line for each Fund of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these redemption fees were included, your costs would have been higher.

| | Beginning Account Value (07/01/05) | Ending Account Value (12/31/05) | Expenses Paid During Period* (07/01/05 to 12/31/05) | Expense Ratio During Period* (07/01/05 to 12/31/05) |
|--|---|--|--|--|
| Guinness Atkinson Asia Focus Fund Actual | \$1,000.00 | \$1,118.00 | \$9.42 | 1.77% |
| Guinness Atkinson Asia Focus Fund Hypothetical (5% return before expenses) | \$1,000.00 | \$1,016.31 | \$8.96 | 1.77% |
| Guinness Atkinson China & Hong Kong Fund Actual | \$1,000.00 | \$1,018.90 | \$8.20 | 1.61% |
| Guinness Atkinson China & Hong Kong Fund Hypothetical (5% return before expenses) | \$1,000.00 | \$1,017.09 | \$8.19 | 1.61% |
| Guinness Atkinson Global Innovators Fund Actual | \$1,000.00 | \$1,247.30 | \$9.29 | 1.64%† |
| Guinness Atkinson Global Innovators Fund Hypothetical (5% return before expenses) | \$1,000.00 | \$1,016.94 | \$8.34 | 1.64%† |
| Guinness Atkinson Global Energy Fund Actual | \$1,000.00 | \$1,139.20 | \$7.82 | 1.45%† |
| Guinness Atkinson Global Energy Fund Hypothetical (5% return before expenses) | \$1,000.00 | \$1,017.90 | \$7.37 | 1.45%† |

*Expenses are equal to the Funds' annualized expense ratio as indicated, multiplied by the average account value over the period, multiplied by the number of days in most recent fiscal half-year period (184), then divided by the number of days in the fiscal year (365) (to reflect the one-half year period).

†Net of fee waivers and/or expense reimbursements. If those fee waivers and/or expense reimbursements had not been in effect, the Fund's actual expenses would have been higher.

ASIA FOCUS FUND for the period ended December 31, 2005

1. Performance

| AVERAGE ANNUALIZED TOTAL RETURNS | | | | |
|----------------------------------|--------------------|---------|---------|-------------------------------------|
| | 1 Year (actual) | 3 Years | 5 Years | Since Inception 29 April 1996 |
| Fund | 20.83% | 29.65% | 19.63% | 0.26% |
| Benchmark Index: | | | | |
| MSCI AC Far East Free Ex Japan | 21.13% | 26.92% | 13.03% | -0.12% |
| S&P 500 | 3.01% | 14.38% | 0.54% | 8.64% |

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 calling 1-800-915-6565 /or visiting www.gafunds.com.

The Fund imposes a 2% redemption fee on shares held less than 90 days. Total returns reflect a fee waiver in effect and in the absence of this waiver, the total returns would be lower.

Asian markets have had a good 2005 and the performance has been dominated by a resurgent Korea. We can report that the Fund rose 20.83% compared to the benchmark return of 21.13% and the Fund remains ahead of its benchmark over three and five years.

Korean equities rose strongly in 2005 with the MSCI Korea Index up 54% making it by far the best performing market in Asia. The key driver was the recovery in domestic investor confidence as signs of a domestic economic recovery became apparent. Since the consumer credit blow-out in 2001-2 the domestic economy in Korea had been depressed dogged by weak consumer sentiment, low wage growth and job creation as well as very low business confidence. Export companies were doing best but strong export growth had failed to spark the domestic economy as it had in the past. However, by June production in the technology sector levelled off while services activity and retail sales increased and the domestic economy appeared to be on a mild recovery path. Domestic institutional investors turned into net buyers.

Taiwan by contrast, rose only 3% in the year and the cause is attributable both to weaker exports and also to falling consumer confidence. In the technology sector the areas most geared toward corporate capital expenditure have only seen a very modest increase in activity. However, those IT companies exposed to the consumer electronics sector have had a good year. Demand for consumer items such as PDAs, iPods and advanced telephone handsets has driven production of micro-displays, IC drivers and NAND flash memory. Taiwan's consumer sector has however slowed and this is becoming visible in banks' loan books and the growth in non-performing assets in the credit cards area. All the banks were aggressive in expanding consumer lending and while they did not go as far the Koreans in 2001-2 they are now seeing a sharp rise in write-offs. Consumers are therefore concentrating on reducing personal debt.

Elsewhere in Asia, China had a better aggregate performance but looking in detail it is clear that energy stocks, particularly the oil exploration and production companies that dominate the index, were the main drivers. China's domestic macro-economic conditions continued to improve however and by the end of the year there were clear signs of a reacceleration in construction and infrastructure spending after the slowdown in 2004. This bodes well for 2006 not just in China but also for the region as a whole.

2. Portfolio Position

Geographically, the portfolio has an overweight position in China, Hong Kong and Thailand relative to the benchmark. It is neutrally weighted in Korea and Singapore and is underweight compared to the benchmark in Taiwan, Malaysia and Indonesia. From a sector perspective the Fund has a big overweight position in technology, particularly the consumer electronics sector, and is overweight in resources, industrial materials and manufacturing. It has a neutral weight in the consumer sector. The Fund is underweight in telecom and utilities and has a big underweight position in banks and real estate.

3. Outlook & Strategy

In 2006 the biggest story is the reacceleration in China's domestic economy. Monetary policy has already loosened and we have seen a pick up in construction and infrastructure investment. The effects of this should be felt around the region as Chinese imports grow faster and China's trade surplus begins to shrink. We expect that this will underpin commodity prices and the price of industrial materials. We do not expect to see prices run away as they did in 2005 but rather to stay higher for longer.

The technology sector has been looking bright particularly in the consumer area in the last few months and this will continue. The normal seasonal slowdown in the first quarter of the year looks as though it should be much more moderate and indeed may show sequential growth. This is the result of strong demand for mobile phone handsets with high-speed data capability (so-called 3G phones), Personal Display Assistants (PDA) as well as a shift toward thin flat screen high-density televisions, among others. There is also rapid development and consolidation among manufacturers of Notebook Personal Computers.

We believe the risk to Asia's export industry of slower consumer demand from the United States should remain in 2006 as it has for the past two years but at present there is no sign that the world's largest economy is about to be swamped by internal and external imbalances. Asian central banks should continue to buy US Treasuries, albeit at a slower pace, thereby supporting the Dollar and lower interest rates. There is also better growth news coming from both Europe and Japan. Although the outlook for Japan is brighter than it has been for many years its recovery is more a domestic story rather than an external one so for the coming year at least we do not expect it to be a regional story. That honour still belongs to China.

The strategy for the Fund in coming months is to maintain exposure to resources and materials companies which should benefit from China's reacceleration. We are still positive on consumer electronics and component suppliers to that sector. However, we are more cautious on the outlook for Korea where growth in consumer spending has outpaced growth in disposable income and where liquidity is tightening. We remain focused on our core principles of looking for strong companies where market expectations are rising and that offer good value.



Edmund Harriss
Portfolio Manager

February 8th, 2006

The Fund invests in foreign securities which involves greater volatility and political, economic and currency risks and differences in accounting methods.

The MSCI AC Far East Free Ex Japan Index is a market-capitalization weighted index of over 450 stocks traded in eight Asian markets, excluding Japan. The Standard & Poor's 500 Index is a market-capitalization weighted index composed of 500 widely held common stocks of U.S. companies. These indices are unmanaged, not available for investment and do not incur expenses.

Please refer to the Schedule of Investments for details on fund holdings. Fund holdings are subject to change at any time and are not recommendations to buy or sell any security.

The information provided herein represents the opinion of Guinness Atkinson Management and is not intended to be a forecast of future events, a guarantee of future results, nor investment advice.

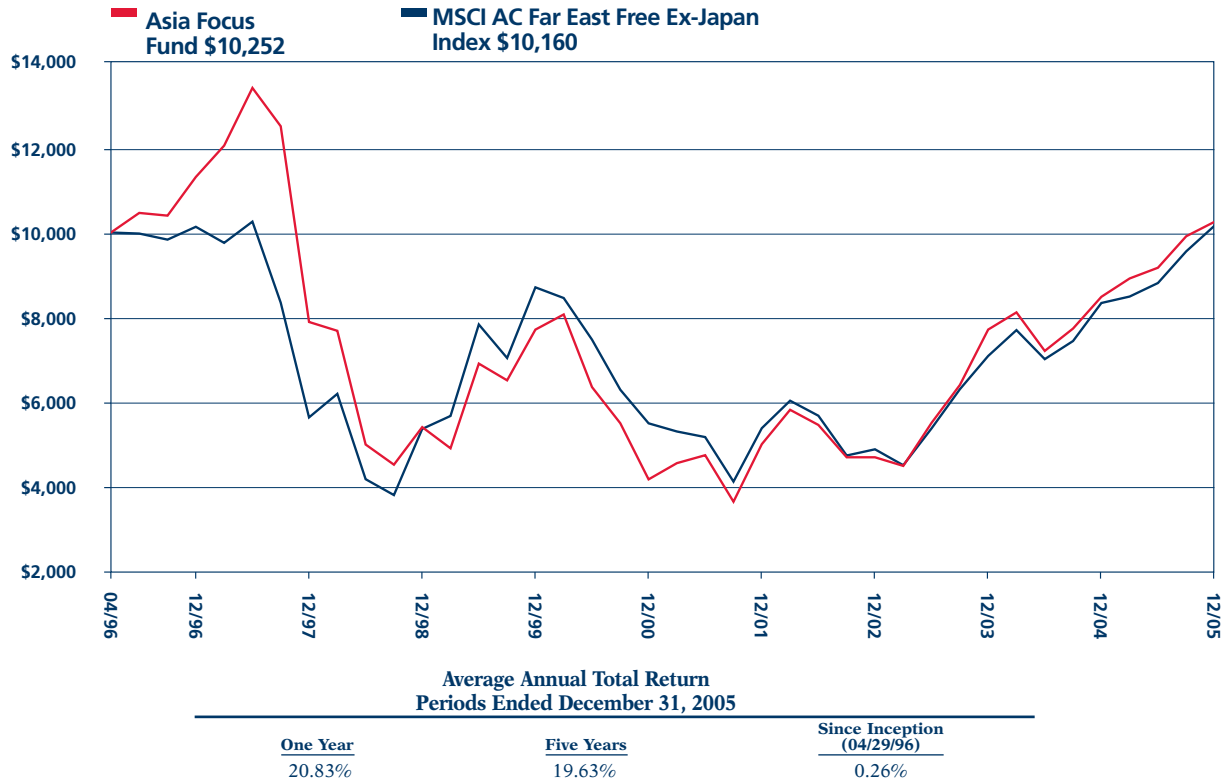
FUND HIGHLIGHTS at December 31, 2005
GUINNESS ATKINSON ASIA FOCUS FUND

| | | | |
|-----------------------------|-------|-----------------------|--|
| | | Fund Managers: | |
| # of Holdings in Portfolio: | 48 | Edmund Harriss; | |
| Portfolio Turnover: | 18.3% | Timothy W.N. Guinness | |
| % of Stocks in Top 10: | 41.3% | | |

| Top 10 Holdings (% of net assets) | | | |
|---|------|----------------------------------|------|
| Samsung Electronics Co Ltd | 8.6% | Hyundai Mobis | 3.8% |
| High Tech Computer Corporation | 4.6% | China Mobile Hong Kong Ltd | 3.3% |
| POSCO | 4.2% | Esprit Holdings Ltd | 3.0% |
| Taiwan Semiconductor Manufacturing Co Ltd | 4.0% | PTT Exploration & Production PCL | 2.9% |
| Techtronic Industries Co | 4.0% | KT&G Corporation | 2.9% |

| Sector Breakdown (% of Investments) | | | |
|--|-------|----------------------------|------|
| Semiconductors | 18.3% | Coal | 2.6% |
| Iron/Steel | 8.7% | Miscellaneous Manufacturer | 2.5% |
| Oil&Gas | 8.4% | Engineering&Construction | 2.1% |
| Telecommunications | 7.5% | Building Materials | 1.8% |
| Computers | 7.2% | Electric | 1.4% |
| Agriculture | 5.4% | Textiles | 1.3% |
| Electronics | 4.2% | Banks | 1.2% |
| Chemicals | 4.0% | Mining | 1.1% |
| Hand/Machine Tools | 4.0% | Biotechnology | 0.8% |
| Auto Parts&Equipment | 3.8% | Machinery-Diversified | 0.8% |
| Transportation | 3.8% | Real Estate | 0.8% |
| Electrical Compo&Equip | 3.1% | Home Furnishings | 0.7% |
| Distribution/Wholesale | 3.0% | | |

Growth of \$10,000



Performance data quoted represents 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 Funds 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.

Total returns reflect a fee waiver in effect and in the absence of this waiver, the total returns would be lower. The Fund imposes a 2% redemption fee on shares held less than 90 days.

The MSCI AC Far East Free Ex Japan Index is a market capitalization weighted index of over 450 stocks traded in eight Asian markets, excluding Japan. The index referenced in this chart is not available for investment and does not incur expenses.

SCHEDULE OF INVESTMENTS IN SECURITIES
at December 31, 2005

GUINNESS ATKINSON ASIA FOCUS FUND

| Shares | COMMON STOCKS: 98.3% | Value |
|-----------------------------|--|------------|
| Cayman Islands: 1.2% | | |
| 1,494,000 | FITTEC International Group* | \$ 433,557 |
| China: 13.6% | | |
| 516,000 | Aluminum Corp. of China Ltd. | 399,314 |
| 880,000 | China Shipping Development Co., Ltd. | 646,950 |
| 2,076,000 | China Telecom | 749,719 |
| 634,000 | Dong Fang Electric | 641,907 |
| 1,288,000 | PetroChina Co., Ltd. | 1,046,574 |
| 1,420,000 | Sinopec Shanghai Petrochemical | 544,865 |
| 1,468,800 | Yanzhou Coal Mining Co., Ltd. | 937,737 |
| | | 4,967,066 |
| Hong Kong: 23.1% | | |
| 470,000 | Chen Hsong Holdings, Ltd. | 281,880 |
| 254,000 | China Mobile (Hong Kong), Ltd. | 1,208,853 |
| 1,411,000 | CNOOC, Ltd. | 946,333 |
| 666,000 | EganaGoldpfeil Holdings Ltd. | 157,195 |
| 154,840 | Esprit Holdings, Ltd. | 1,097,398 |
| 843,370 | Giant Wireless Technology | 101,385 |
| 694,000 | Global Bio-Chem Technology Group Co., Ltd. | 302,097 |
| 114,250 | Global Bio-Chem Technology Group Co., Ltd., warrants, Exp 5/31/07* | 221 |
| 27,863 | HSBC Holdings Plc | 448,134 |
| 158,000 | Kingboard Chemicals Holdings Ltd. | 426,928 |
| 540,000 | Midland Realty Holdings, Ltd. | 278,591 |
| 1,838,837 | Skyworth Digital Holdings, Ltd^ | 270,372 |
| 2,274,000 | Solomon Systech International Ltd. | 945,875 |
| 195,000 | Suface Mount Technology Holdings, Ltd. | 69,739 |
| 608,000 | Techtronic Industries Co. | 1,446,816 |
| 1,575,411 | Victory City International Holdings, Ltd | 457,183 |
| | | 8,439,000 |
| Malaysia: 2.5% | | |
| 280,000 | IOI Corp. Berhad | 911,183 |
| Singapore: 6.8% | | |
| 630,000 | First Engineering, Ltd. | 420,328 |
| 566,000 | Jurong Technologies Industrial | 622,576 |
| 374,000 | Neptune Orient Lines, Ltd. | 750,832 |
| 440,000 | Singapore Telecommunications | 690,269 |
| 48,300 | Surface Mount Technology, warrants, Exp 8/29/09* | 2,468 |
| | | 2,486,473 |
| South Korea: 27.4% | | |
| 10,500 | Daelim Industrial Co.* | 752,239 |
| 10,000 | Honam Petrochemical Corp. | 497,512 |
| 15,250 | Hyundai Mobis* | 1,402,090 |
| 38,000 | INI Steel Co.* | 792,139 |
| 23,420 | KT&G Corp.& | 1,049,822 |
| 5,500 | LG Electronics, Inc.* | 488,706 |

See accompanying Notes to Financial Statements.

| Shares | COMMON STOCKS: 98.3% Continued | Value |
|-------------------------------------|--|----------------------------|
| South Korea: 27.4% Continued | | |
| 7,700 | POSCO | \$ 1,547,662 |
| 4,810 | Samsung Electronics Co. Ltd. | 3,154,020 |
| 27,000 | SKC CO., LTD.* | <u>321,045</u> |
| | | <u>10,005,235</u> |
| Taiwan: 17.6% | | |
| 1,095,796 | China Steel Corp. | 841,264 |
| 89,200 | High Tech Computer Corp. | 1,682,122 |
| 151,263 | HON HAI Precision Industry | 841,003 |
| 114,588 | Novatek Microelectronics Corp. Ltd. | 673,749 |
| 764,743 | Taiwan Semiconductor Manufacturing Co. Ltd. | 1,463,110 |
| 735,000 | Wistron Corp* | <u>933,739</u> |
| | | <u>6,434,987</u> |
| Thailand: 6.1% | | |
| 247,500 | Electricity Generating Public Co., Ltd. | 512,672 |
| 94,000 | PTT Exploration & Production Public Co. Ltd. | 1,072,060 |
| 99,000 | Siam Cement Co., Ltd. | <u>641,745</u> |
| | | <u>2,226,477</u> |
| | Total Common Stocks | |
| | (cost \$23,296,386) | <u>35,903,978</u> |
| | Total Investments in Securities | |
| | (cost \$23,296,386): 98.3% | 35,903,978 |
| | Other Assets less Liabilities: 1.7% | <u>624,031</u> |
| | Net Assets: 100.0% | <u><u>\$36,528,009</u></u> |

* Non-income producing security.

^ Fair valued under direction of the Board of Trustees. At December 31, 2005, the value of the security amounted to \$270,372, or 0.74% of net assets.

CHINA & HONG KONG FUND for the period ended December 31, 2005

1. Performance

| AVERAGE ANNUALIZED TOTAL RETURNS | | | | |
|----------------------------------|--------------------|---------|---------|----------|
| | 1 Year (actual) | 3 Years | 5 Years | 10 Years |
| Fund | 6.61% | 25.5% | 5.69% | 6.35% |
| Benchmark Index: | | | | |
| Hang Seng Composite | 10.27% | 24.55% | N/A | N/A |
| Hang Seng | 8.69% | 21.70% | 3.37% | 7.40% |
| S&P 500 | 3.01% | 14.38% | 0.54% | 9.06% |

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 calling 1-800-915-6565 /or visiting www.gafunds.com.

The Fund imposes a 2% redemption fee on shares held less than 90 days. Total returns reflect a fee waiver in effect and in the absence of this waiver, the total returns would be lower.

China and Hong Kong had a relatively modest year in 2005 as investors waited on news of China's efforts to correct economic imbalances and Hong Kong adjusted to the rising interest rate environment. We can report that the Fund rose 6.61% during the year, less than the benchmark which rose 10.27%, but the Fund remains ahead over three and five years.

The attitude of many investors toward China has been one of extreme caution since the government implemented policy measures to check over-investment in certain sectors of the economy. However earlier expectations of a broad-based collapse in the economy or company profits have not materialized. Other concerns that overall investment relative to the size of the economy was excessive have also been eased by China's recent restatement of GDP following a year-long census. By identifying private enterprises and service industries not previously captured in official statistics the economy has been shown to be 17% larger than previously thought.

By the end of the year economic data pointed toward a re-acceleration in China's domestic economy. No longer relying on exports growth the economy was now looking toward growth in construction and infrastructure spending. Monetary policy was loosened and additional measures to boost rural incomes, such as increased tax allowances and higher minimum wages, were also implemented. This all bodes extremely well for 2006.

In Hong Kong consumer confidence fell after interest rates finally caught up with rises in the US. The pegged currency requires that interest rates move in line although in the last year excess liquidity in Hong Kong as a result of increased speculation on the Chinese currency kept local rates low and gap between Hong Kong and US rates widened. This corrected in 2005 and the effects were felt in weaker retail sales, higher mortgage payments and a fall in residential real estate transactions.

2. Portfolio Position

Over 60% of the portfolio is invested in China with a mix of H shares, red chips and China plays. The balance is invested in Hong Kong companies which have a degree of exposure to China but also to other parts of the world. We prefer to invest in companies traded on the Hong Kong Stock Exchange because of the broad range of choice. Hong Kong-listed stocks also trade more cheaply than those listed in Shanghai and Shenzhen as well as offering greater liquidity and transparency of information. Across sectors the portfolio is heavily exposed to manufacturers and producers of industrial materials, to resources stocks and to consumer stocks as well as services, which includes both transportation and telecom.

3. Outlook & Strategy

In the coming year or two we expect to see slower headline economic growth of around 8.5% each year rather than the 9-10% we have seen in recent years. However, more importantly we are looking to a recovery in domestic demand. Investment is rising after a sharp slow down in 2004 and the consumer is still going strong. This in turn will boost imports, and has already begun to do so, which will cause the trade balance to shrink and thereby reduce some of the tensions with trading partners. The coming year is the time we expect Chinese corporate profits to grow again.

In this environment, which is a favourable one for companies, we expect to see further appreciation of the Yuan against the Dollar particularly now that mechanisms have been set up to allow inter-bank foreign exchange transactions, hedging and limited trading. We do not expect to see accelerating growth in foreign exchange reserves although China will still be a buyer of Dollars. But perhaps the most important project over the next year will be the structural reforms in the financial sector and capital markets. This involves the privatization and listing of the Bank of China and the Industrial & Commercial bank of China together with moves to normalize interest rates. Additionally, there is an ongoing program of addressing the government's holdings in companies listed on the Shanghai and Shenzhen stock exchanges.

From an investment perspective we remain positive on commodities including fuels, materials and metals. While we do not expect prices to continue the strong run up that we saw in 2005 we do expect them to remain higher for longer. Secondly, construction and infrastructure is a growth area and therefore related businesses such as steel, power, cement and aluminium will benefit. Finally, consumption should continue to be strong with spending growth of 11%-13% this year. We are somewhat more cautious about the outlook for margins among the downstream producers of finished goods. Rising raw materials costs are now beginning to be passed through and there is also a steady increase in the cost of labor as the pool of new supply begins to shrink.

The portfolio is positioned to benefit from these developments and we remain focused on our core principles of looking for strong companies where market expectations are rising and that offer good value.



Edmund Harriss
Portfolio Manager

February 8, 2006

The Hang Seng Composite Index is a market-capitalization weighted index that comprises the top 200 companies listed on the Hong Kong Stock Exchange, based on the average market-capitalization for the past twelve months. The Hang Seng Composite Index commenced on January 3, 2000 and therefore does not have five-year returns or returns since the Fund's inception. The Hang Seng Index is a barometer of the Hong Kong Stock Market which comprises 33 constituent stocks, whose aggregate market-capitalization accounts for about 70% of the total market-capitalization of the Stock Exchange of Hong Kong Limited. The Standard & Poor's 500 Index is a market-capitalization weighted index composed of 500 widely held common stocks of U.S. companies. These indices are unmanaged, not available for investment and do not incur expenses.

The Fund invests in foreign securities which involves greater volatility and political, economic and currency risks and differences in accounting methods.

Please refer to the Schedule of Investments for details on fund holdings. Fund holdings are subject to change at any time and are not recommendations to buy or sell any security.

The information provided herein represents the opinion of Guinness Atkinson Management and is not intended to be a forecast of future events, a guarantee of future results, nor investment advice.

FUND HIGHLIGHTS at December 31, 2005
GUINNESS ATKINSON CHINA & HONG KONG FUND

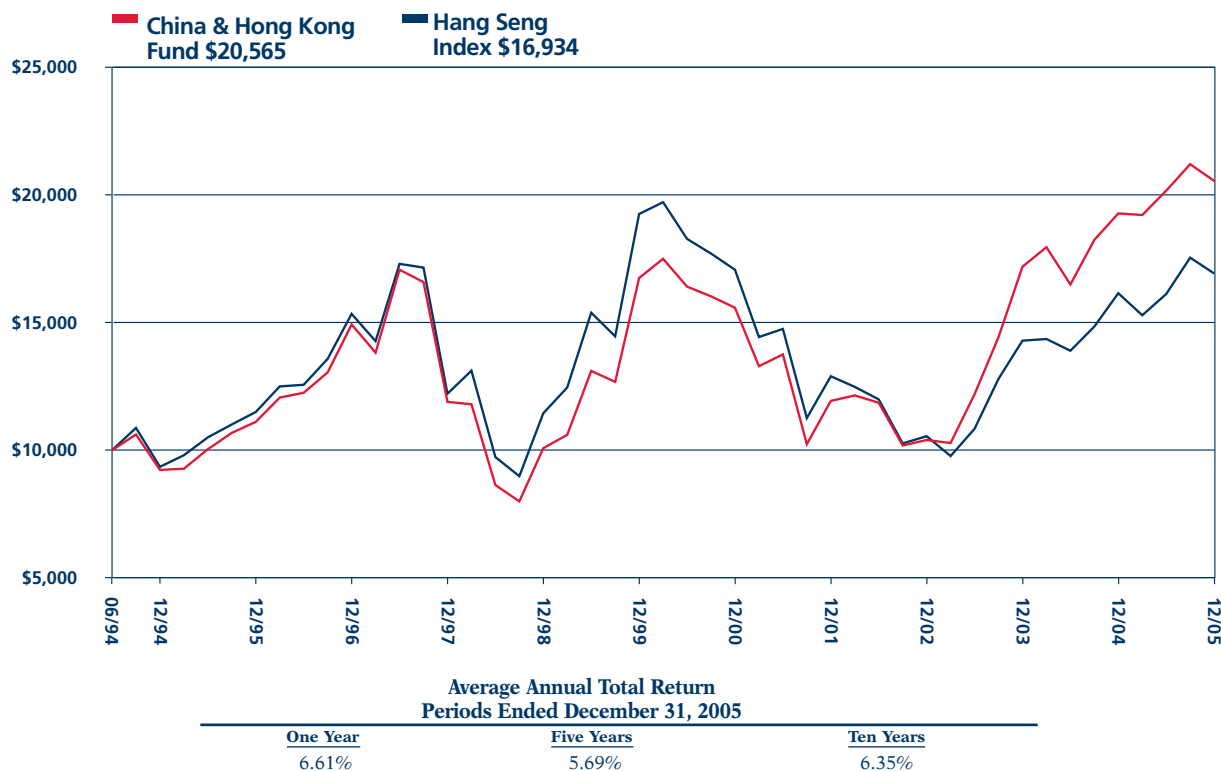
| | | Fund Managers: | |
|-----------------------------|-------|-----------------------|--|
| # of Holdings in Portfolio: | 46 | Edmund Harriss; | |
| Portfolio Turnover: | 12.5% | Timothy W.N. Guinness | |
| % of Stocks in Top 10: | 51.5% | | |

| Top 10 Holdings (% of net assets) | | | |
|--|------|----------------------------|------|
| Techtronic Industries Co | 7.8% | Esprit Holdings Ltd | 4.3% |
| HSBC Holdings PLC | 7.0% | CLP Holdings Ltd | 4.1% |
| CNOOC Ltd | 6.6% | Swire Pacific Ltd | 4.0% |
| PetroChina Co Ltd | 6.0% | China Telecom Corp Ltd | 3.0% |
| China Mobile Hong Kong Ltd | 5.7% | Yanzhou Coal Mining Co Ltd | 3.0% |

| Top Country (% of net assets) | | | |
|--------------------------------------|-------|-------|-------|
| Hong Kong | 75.6% | China | 23.9% |

| Sector Breakdown (% of Investments) | | | |
|--|-------|----------------------------|------|
| Oil&Gas | 14.3% | Commercial Services | 2.5% |
| Banks | 11.0% | Mining | 2.3% |
| Holding Companies-Divers | 10.8% | Electrical Compo&Equip | 1.9% |
| Telecommunications | 9.3% | Machinery-Diversified | 1.9% |
| Hand/Machine Tools | 7.8% | Iron/Steel | 1.6% |
| Electric | 5.4% | Textiles | 1.4% |
| Real Estate | 4.6% | Home Furnishings | 1.1% |
| Distribution/Wholesale | 4.3% | Biotechnology | 1.1% |
| Semiconductors | 4.2% | Miscellaneous Manufacturer | 0.5% |
| Chemicals | 3.8% | Electronics | 0.4% |
| Transportation | 3.0% | Computers | 0.3% |
| Coal | 3.0% | Retail | 0.3% |
| Auto Manufacturers | 2.8% | | |

Growth of \$10,000



Performance data quoted represents 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 Funds 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.

Total returns reflect a fee waiver in effect and in the absence of this waiver, the total returns would be lower. The Fund imposes a 2% redemption fee on shares held less than 90 days.

The Hang Seng Composite Index is a market-capitalization weighted index that comprises the top 200 companies listed on the Hong Kong Stock Exchange, based on the average market capitalization for the past twelve months. The Fund changed its benchmark from the Hang Seng to the Hang Seng Composite Index to more accurately reflect the market sectors in which the Fund invests. The Hang Seng Composite Index commenced on 01/31/00. The index referenced in this chart is not available for investment and does not incur expenses.

SCHEDULE OF INVESTMENTS IN SECURITIES
at December 31, 2005

GUINNESS ATKINSON CHINA & HONG KONG FUND

| Shares | COMMON STOCKS: 99.6% | Value |
|--|---|-------------------|
| Agricultural Biotechnology: 1.1% | | |
| 2,700,000 | Global Bio-Chem Technology Group Co., Ltd. | \$ 1,175,306 |
| 337,500 | Global Bio-Chem Technology Group Co., Ltd., warrant, Exp 5/31/07* | <u>653</u> |
| | | <u>1,175,959</u> |
| Audio/Video Products: 1.1% | | |
| 8,619,550 | Skyworth Digital Holdings, Ltd^ | <u>1,267,368</u> |
| Auto – Cars/Light Trucks: 2.8% | | |
| 9,314,000 | Denway MotorsLtd. | <u>3,093,334</u> |
| Building – Heavy Construction: 2.5% | | |
| 270,000 | Cheung Kong | <u>2,771,981</u> |
| Coal: 3.0% | | |
| 5,155,200 | Yanzhou Coal Mining Co., Ltd. | <u>3,291,275</u> |
| Commercial Banks: 11.0% | | |
| 253,850 | Dah Sing Financial Holdings | 1,758,186 |
| 485,477 | HSBC Holdings Plc | 7,808,157 |
| 379,400 | Wing Hang Bank, Ltd. | <u>2,681,583</u> |
| | | <u>12,247,926</u> |
| Computers: 0.3% | | |
| 5,388,000 | Group Sense International, Ltd. | <u>375,262</u> |
| Distribution/Wholesale: 4.3% | | |
| 676,071 | Esprit Holdings, Ltd. | <u>4,791,521</u> |
| Diversified Operations: 10.6% | | |
| 1,314,983 | China Merchants Holdings International Co., Ltd. | 2,866,291 |
| 252,000 | Hutchison Whampoa | 2,406,795 |
| 497,500 | Swire Pacific, Ltd.-Class A | 4,459,553 |
| 579,000 | Wharf Holdings, Ltd. | <u>2,020,037</u> |
| | | <u>11,752,676</u> |
| Electric – Integrated: 5.4% | | |
| 792,000 | CLP Holdings, Ltd. | 4,581,430 |
| 299,000 | Hong Kong Electric Holdings | <u>1,446,158</u> |
| | | <u>6,027,588</u> |
| Electric Products: 0.2% | | |
| 300,000 | Gome Electric Appliances Holdings, Ltd. | <u>195,401</u> |
| Electronic Components – Miscellaneous: 0.4% | | |
| 1,052,000 | Suface Mount Technology Holdings, Ltd. | 376,234 |
| 352,800 | Suface Mount Technology Holdings, Ltd., warrants, Exp 8/29/09* | <u>18,025</u> |
| | | <u>394,259</u> |

See accompanying Notes to Financial Statements.

| Shares | COMMON STOCKS: 99.6% Continued | Value |
|---|--------------------------------------|--------------|
| Electronics: 2.3% | | |
| 950,000 | Kingboard Chemicals Holdings Ltd. | \$ 2,566,971 |
| Machinery – Diversified: 1.9% | | |
| 3,510,000 | Chen Hsong Holdings, Ltd. | 2,105,104 |
| Machinery Tools & Related Products: 7.8% | | |
| 3,636,000 | Techtronic Industries Co. | 8,652,342 |
| Medical – Drugs: 0.0% | | |
| 1,240,000 | Far East Pharmaceutical Technology*† | 10,875 |
| Metal – Aluminum: 2.3% | | |
| 3,300,000 | Aluminum Corp. of China Ltd. | 2,553,751 |
| Miscellaneous Manufacturer: 0.5% | | |
| 2,322,000 | EganaGoldpfeil (Holdings) Ltd. | 548,058 |
| Oil & Gas: 12.7% | | |
| 10,957,000 | CNOOC, Ltd. | 7,348,664 |
| 8,256,000 | PetroChina Co., Ltd. | 6,708,472 |
| | | 14,057,136 |
| Petrochemicals: 3.1% | | |
| 3,570,000 | China Petroleum & Chemical Corp. | 1,784,240 |
| 4,204,000 | Sinopec Shanghai Petrochemical | 1,613,107 |
| | | 3,397,347 |
| Power Conversion/Supply Equipment: 1.9% | | |
| 2,114,000 | Dong Fang Electric | 2,140,366 |
| Public Thoroughfares: 0.0% | | |
| 20,000 | Hopewell Highway Infrastructure | 13,285 |
| Real Estate: 2.1% | | |
| 200,000 | Hopewell Holdings | 501,722 |
| 3,600,000 | Midland Realty (Holdings), Ltd. | 1,857,274 |
| | | 2,358,996 |
| REIT – Office Property: 0.0% | | |
| 8,437 | Prosperity REIT* | 2,612 |
| Rental Auto/Equipment: 2.5% | | |
| 1,531,000 | Cosco Pacific, Ltd. | 2,784,247 |
| Retail: 0.3% | | |
| 820,000 | Glorious Sun Enterprises, Ltd. | 356,945 |
| Semiconductor Components – Integrated Circuits: 4.2% | | |
| 4,806,000 | FITTEC International Group* | 1,394,696 |
| 7,816,000 | Solomon Systech International Ltd. | 3,251,080 |
| | | 4,645,776 |
| Steel Producers: 1.6% | | |
| 3,394,000 | Angang New Steel Co. | 1,816,659 |
| Telecommunications: 9.3% | | |
| 1,335,000 | China Mobile (Hong Kong), Ltd. | 6,353,617 |
| 9,200,000 | China Telecom Corp. Ltd. | 3,322,456 |
| 5,091,020 | Giant Wireless Technology | 612,012 |
| | | 10,288,085 |

See accompanying Notes to Financial Statements.

CHINA & HONG KONG FUND

| Shares | COMMON STOCKS: 99.6% Continued | Value |
|-----------------------------|--|-----------------------------|
| Textiles: 1.4% | | |
| 5,354,109 | Victory City International Holdings, Ltd | \$ 1,553,757 |
| Transportation: 3.0% | | |
| 2,621,000 | China Shipping Container Lines Co., Ltd. | 921,185 |
| 3,326,000 | China Shipping Development Co., Ltd. | <u>2,445,178</u> |
| | | <u>3,366,363</u> |
| | Total Common Stocks | |
| | (cost \$70,157,143) | <u>110,603,225</u> |
| | Total Investments in Securities | |
| | (cost \$70,157,143): 99.6% | 110,603,225 |
| | Other Assets less Liabilities: 0.4% | <u>423,462</u> |
| | Net Assets: 100.0% | <u><u>\$111,026,687</u></u> |

* Non-income producing security.

^ Fair valued under direction on the Board of Trustees. At December 31, 2005, the value of the security amounted to \$1,267,368, or 1.14% of net assets.

† Illiquid security.

See accompanying Notes to Financial Statements.

GLOBAL INNOVATORS FUND for the period ended December 31, 2005

1. Performance

| AVERAGE ANNUALIZED TOTAL RETURNS | | | | |
|----------------------------------|--------|---------|---------|-------------------------------------|
| | 1 Year | 3 Years | 5 Years | Since Inception 15 December 1998 |
| Fund | 11.82% | 19.02% | -3.80% | 3.69% |
| Benchmark Index: | | | | |
| S&P 500 | 4.91% | 14.38% | 0.54% | 2.57% |
| NASDAQ | 2.12% | 18.89% | -1.75% | 1.74% |

Performance data quoted represents 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 Funds 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.

The Fund imposes a 1% redemption fee on shares held less than 30 days. Total returns reflect a fee waiver in effect and in the absence of this waiver, the total returns would be lower.

The Global Innovators Fund over the course of 2005 performance produced a total return of 11.82%. This compared favourably to the total return of the broader market which as measured by the S&P 500 was 4.91% and as measured by the NASDAQ was 2.12%.

This table sets out the comparative returns in discrete years since launch.

| | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 |
|--------------------------|--------|--------|--------|---------|---------|---------|--------|
| Fund | 11.82% | 10.89% | 35.97% | -31.13% | -29.05% | -16.78% | 68.68% |
| Benchmark indices | | | | | | | |
| S&P500 | 4.91% | 10.87% | 28.67% | -22.09% | -11.88% | -9.10% | 21.04% |
| Fund | above | above | above | below | below | below | above |
| NASDAQ | 2.12% | 9.15% | 50.77% | -31.23% | -20.8% | -39.18% | 86.12% |
| Fund | above | above | below | above | below | above | below |

For the second year running the fund has out performed **both** the S&P 500 **and** the NASDAQ whereas in the five previous years the fund normally turned in a performance between that of the S&P 500 and the NASDAQ.

2. Portfolio Construction and Activity

In the first quarter our holdings in News Corporation and Sabre were sold. Our holdings in both Honda and Toyota were halved and these stocks were replaced with BP, Ameritrade and Amazon.

In the second quarter we took a profit in Ameritrade selling the whole position at a profit of approximately 50% in 4 months thanks to takeover speculation. We also trimmed our holding in Cemex which had a strong run driven by earnings recovery. We reduced the positions in five of our titan stocks – AIG, Citigroup, Microsoft, Pfizer, Vodafone – to approximately half weight. We reinvested some of this in Apple. New companies entering the Wired Index and thus our universe were General Electric, Medtronic, Salesforce.com, Jetblue, Li & Fung and Exelon but none of these have been added to the Fund yet.

Transactions in the third quarter were limited to dealing to fund outflows. In August we trimmed holdings in Amazon, Apple, L3, Nvidia, Cemex and Cable & Wireless because they had all become over weight. Similarly at the end of September we trimmed holdings in Apple, AIG, Cemex, Nvidia and Toyota.

For the 4th quarter we rebalanced the entire portfolio to equal weightings with the exception of the titan stocks where we rebalanced to half a unit. At the same time we made a switch from Sun Microsystems into Qwest.

GLOBAL INNOVATORS FUND

On balance the restructuring changes worked well for the fund. Successful stocks over the year were Apple (up 93%), Cemex (up 68%), Nvidia (up 55%), Samsung (up 51%) and Nucor (up 32%). Stocks that did not perform well were Dell (down 29%) and Vodafone (down 22%).

The sector allocation at the beginning and end of the year; and for comparison at the end of 2002 and 2003 was as follows:

| Sector | 31 Dec 2005 | 31 Dec 2004 | 31 Dec 2003 | 31 Dec 2002 | 2005 vs 2004 |
|---------------------|-------------|-------------|-------------|-------------|--------------|
| Telecommunications | 14.2 | 14.4 | 17.8 | 15.3 | = |
| I T Hardware | 21.2 | 16.8 | 15.9 | 11.8 | + |
| Financial | 7.8 | 10.0 | 13.3 | 13.2 | - |
| I T Software | 13.4 | 14.8 | 13.3 | 13.6 | - |
| Media/Entertainment | 12.8 | 15.1 | 12.3 | 12.5 | - |
| Services | 4.3 | 5.5 | 7.8 | 11.0 | - |
| Healthcare | 2.2 | 1.0 | 4.9 | 4.3 | + |
| Consumer | 4.1 | 7.9 | 3.7 | 2.9 | - |
| Retail | 7.8 | 4.0 | 3.5 | 3.9 | + |
| I T Internet | 0.0 | 0.0 | 3.5 | 9.2 | = |
| Basic Materials | 8.3 | 10.0 | 2.9 | 2.5 | - |
| Energy | 3.9 | - | - | - | + |
| | 100 | 99.5 | 98.9 | 100.3 | |

Note: = means change less than 1%; — or ++ means change over 5%.

At the end of the year the portfolio had 28 holdings.

3. Outlook & Strategy

The PER of the fund at the year end was 19.5X (2005) compared with the S&P 500's PER of 16.5X. Earnings of the Funds stocks are, however, projected to grow by 22% in 2006 bringing the PER (2006) down to 15.9X. In addition according to our Holt discounted cashflow metric, the funds holdings were on average undervalued against the market by some 17% (21% upside). Our objective continues to be to out perform both the S&P 500 index and the NASDAQ index.

To achieve this we continue to seek attractive investment opportunities among companies that have once been in the Wired Index and thus that exhibit New Economy characteristics. Our four factor screening process forms the basis of our investment approach. These four factors are: (a) value, meaning a disciplined quantitative methodology used to rank all companies on similar basis projecting their internal cash flows using consensus forecast and historic trend data and applying a common overall market determined discount rate to imply fair value and compare this to actual price); (b) business quality (quantitatively ranking companies for the attractiveness of their return on capital metrics); (c) improving results (1 and 3 month earnings estimates revisions); and (d) good recent market price performance (looking particularly for above trend momentum and rising volatility). This screening approach is supported by appropriate due diligence both on the quality of the quantitative inputs to the screening process, and of a more traditional form. Also top down "thematic" judgements will be used in the process of evaluating potential Fund purchases and a regular sell discipline involving review of large movers in the portfolio is also employed.

We hope that over the months and years to come investors will find their faith in our fund management approach and the prospects for this fund with its focus on the future in particular will be rewarded.



Tim Guinness
Portfolio Manager

February 15, 2006

The S&P 500 Index is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. The NASDAQ Composite Index is a market capitalization weighted index that is designed to represent the performance of the National Market System which includes over 5,000 stocks traded only over-the-counter and not on an exchange. These indices are unmanaged, not available for investment and do not incur expenses.

PER – Price to Earnings ratio is calculated by dividing current price of the stock by the company's trailing months' earnings per share.

The Fund invests in foreign securities which will involve greater volatility, political, economic and currency risks and differences in accounting methods.

Please refer to the Schedule of Investments for details on fund holdings. Fund holdings and sector allocations are subject to change at any time and are not recommendations to buy or sell any security.

FUND HIGHLIGHTS at December 31, 2005
GUINNESS ATKINSON GLOBAL INNOVATORS FUND

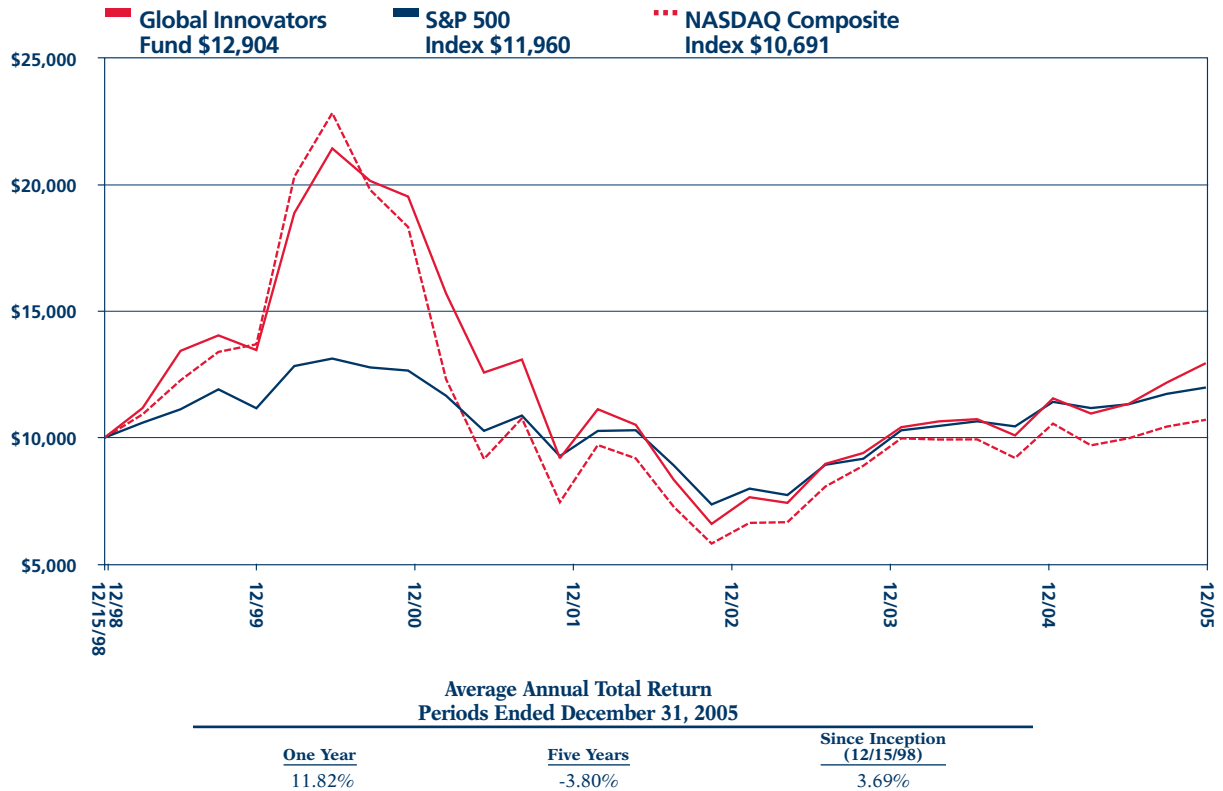
| | | Fund Managers: | |
|-----------------------------|-------|------------------------|--|
| # of Holdings in Portfolio: | 28 | Timothy W.N. Guinness; | |
| Portfolio Turnover: | 27.8% | Edmund Harriss | |
| % of Stocks in Top 10: | 42.3% | | |

| Top 10 Holdings (% of net assets) | | | |
|---|------|---------------------------|------|
| Samsung Electronics | 4.5% | Qwest Communications Intl | 4.2% |
| WPP Group PLC | 4.4% | Nokia OYJ | 4.2% |
| Sony Corp. | 4.3% | Cemex SA de CV | 4.2% |
| Taiwan Semiconductor Manufacturing Co Ltd | 4.2% | Apple Computer Inc. | 4.1% |
| Acxiom Corp. | 4.2% | Nucor Corp. | 4.0% |

| Top 5 Countries (% of net assets) | | | |
|--|-------|---------|------|
| United States | 60.1% | Taiwan | 4.2% |
| Britain | 14.1% | Finland | 4.2% |
| Japan | 8.4% | Mexico | 4.2% |

| Sector Breakdown (% of Investments) | | | |
|--|-------|-------------------------------|------|
| Telecommunications | 14.3% | Auto Manufacturers | 4.1% |
| Software | 13.9% | Iron/Steel | 4.0% |
| Semiconductors | 8.1% | Aerospace/Defense | 4.0% |
| Computers | 8.0% | Retail | 3.9% |
| Internet | 7.5% | Oil&Gas | 3.8% |
| Electronics | 4.5% | Banks | 3.8% |
| Advertising | 4.4% | Pharmaceuticals | 2.1% |
| Home Furnishings | 4.3% | Insurance | 2.0% |
| Building Materials | 4.2% | Diversified Financial Service | 2.0% |

Growth of \$10,000



Performance data quoted represents 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 Funds 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.

Total returns reflect a fee waiver in effect and in the absence of this waiver, the total returns would be lower. *The Fund imposes a 1% redemption fee on shares held less than 30 days.*

The Standard & Poor's 500 Index is an unmanaged index which is widely regarded as the standard for measuring large cap U.S. Stock market performance. The NASDAQ Composite Index is a market capitalization weighted index that is designed to represent the performance of the National Market System which includes over 5,000 stocks traded only over-the-counter and not on an exchange. The indices referenced in this chart are not available for investment and do not incur expenses.

SCHEDULE OF INVESTMENTS IN SECURITIES
at December 31, 2005

GUINNESS ATKINSON GLOBAL INNOVATORS FUND

| Shares | COMMON STOCKS: 98.9% | Value |
|--|--|------------------|
| Advertising Agencies: 4.4% | | |
| 29,440 | WPP Group PLC - Sponsored ADR | \$ 1,589,760 |
| Aerospace/Defense: 4.0% | | |
| 19,510 | L-3 Communications Holdings, Inc. | 1,450,568 |
| Auto Manufacturers: 4.1% | | |
| 25,220 | Honda Motor Company ADR | 730,623 |
| 7,180 | Toyota Motor Corp. | 751,172 |
| | | <u>1,481,795</u> |
| Blast Furn/Mill: 4.0% | | |
| 21,990 | Nucor Corp. | 1,467,173 |
| Commercial Banks: 5.8% | | |
| 14,660 | Citigroup, Inc. | 711,450 |
| 24,904 | State Street Corp. | 1,380,678 |
| | | <u>2,092,128</u> |
| Communications Equipment: 4.2% | | |
| 83,252 | Nokia Corp. | 1,523,512 |
| Computer Related Services: 4.2% | | |
| 66,600 | Acxiom Corp. | 1,531,800 |
| Data Processing and Preparation: 3.9% | | |
| 32,944 | First Data Corp. | 1,416,921 |
| E-Commerce/Products: 3.8% | | |
| 29,510 | Amazon.Com, Inc.* | 1,391,396 |
| Electrical Components & Equipment: 4.5% | | |
| 5,000 | Samsung Electronics Co., Ltd. | 1,647,500 |
| Electronic Computers: 8.0% | | |
| 20,670 | Apple Computer, Inc.* | 1,485,966 |
| 47,600 | Dell, Inc.* | 1,427,524 |
| | | <u>2,913,490</u> |
| Fire, Marine, and Casualty Insurance: 2.0% | | |
| 10,495 | American International Group, Inc. | 716,074 |
| Oil & Gas Producers: 3.8% | | |
| 21,770 | BP Amoco Plc ADR | 1,398,069 |
| Pharmaceuticals: 2.1% | | |
| 33,180 | Pfizer, Inc. | 773,758 |
| Prepackaged Software: 9.4% | | |
| 65,650 | Check Point Software Technologies, Ltd.* | 1,319,565 |
| 26,078 | Microsoft Corp. | 681,940 |
| 115,430 | Oracle Corp.* | 1,409,400 |
| | | <u>3,410,905</u> |

See accompanying Notes to Financial Statements.

| Shares | COMMON STOCKS: 98.9% Continued | Value |
|--|---|---------------------|
| Radio & TV Communications Equipment: 4.4% | | |
| 38,778 | Sony Corp. | \$ 1,582,142 |
| Radiotelephone Communications: 2.0% | | |
| 33,298 | Vodafone Group Plc. | <u>714,908</u> |
| Ready-Mixed Concrete: 4.2% | | |
| 25,605 | Cemex SA de CV | <u>1,519,145</u> |
| Semiconductors: 8.1% | | |
| 38,740 | Nvidia Corp.* | 1,416,334 |
| 155,227 | Taiwan Semiconductor Manufacturing Co. Ltd. | <u>1,538,300</u> |
| | | <u>2,954,634</u> |
| Telecommunication Services: 3.9% | | |
| 232,720 | Cable & Wireless PLC | <u>1,430,830</u> |
| Telecommunications: 4.2% | | |
| 270,710 | Qwest Communications International, Inc.* | <u>1,529,512</u> |
| Variety Store: 3.9% | | |
| 28,680 | Costco Wholesale Corp. | <u>1,418,800</u> |
| | Total Common Stocks | |
| | (cost \$29,405,270) | <u>35,954,820</u> |
| | Total Investments in Securities | |
| | (cost \$29,405,270): 98.9% | 35,954,820 |
| | Other Assets less Liabilities: 1.1% | <u>411,784</u> |
| | Net Assets: 100.0% | <u>\$36,366,604</u> |

* Non-income producing security.

ADR American Depository Receipt.

See accompanying Notes to Financial Statements.

GLOBAL ENERGY FUND for the period ended December 31, 2005

1. Performance

| AVERAGE ANNUALIZED TOTAL RETURNS | | |
|----------------------------------|-----------------------|------------------------------------|
| | 1 Year (actual) | Since Inception 30 June 2004 |
| Fund | 63.92% | 58.57% |
| Benchmark Index: | | |
| S&P 500 | 4.91% | 8.12% |
| MSCI World Energy Index* | 26.20%* | 28.88%* |

*Price return, excludes dividends

Source: Bloomberg

Performance data quoted represents 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 Funds 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.

The Fund imposes a 1% redemption fee on shares held less than 30 days. Total returns reflect a fee waiver in effect and in the absence of this waiver, the total returns would be lower.

The Global Energy Fund over the course of 2005 produced a total return of 63.92%. This compares favourably to the price return of the MSCI World Energy Index of 26.20%, and is also well ahead of the broad US market which rose modestly, as exemplified by the S&P 500 Index's total return of 4.91%.

2. Activity

The year saw relatively regular buying and selling activity. In most months we either took a new position in a stock or closed out an existing one. We switched out of Suncor, one of the two leading oil sands mining companies, into Encana after Suncor announced that 50% of its production was out of action for up to 9 months due to a fire at its upgrader. Encana is a leading Canadian gas exploration and production company and is also the leading company in non mining oil sands activity. We bought and then took a profit on Unocal after Chevron bid for it. We added Tesoro, an independent refiner benefiting from higher refining margins especially at the heavy oil "complex" end. We added OPTI Canada, a pure oil sands company which is developing a process to source the energy needed to extract and upgrade oil sands from the oil sands themselves. It is the only core holding which does not have sizeable current production and earnings but we believe the prospective returns from their project could be very substantial indeed. In July we sold out of Petrochina into CNOOC as the CNOOC price had lagged while it was trying to acquire Unocal, and bought back into Petrochina the following month after CNOOC rallied strongly. We made several changes to the portfolio in August. Taking profits on Canadian Natural Resources, Chesapeake, Newfield and Venture Production we bought three US E&P stocks (Pioneer Natural Resources, Whiting Petroleum, and Plains Exploration) and a second independent refiner (Sunoco). In so doing we reduced our weighting to gas production and to Canadian oil sands and increased our exposure to refining and oil production. The increased refining exposure continues a steady build up in exposure to refining assets over the last 18 months, reflecting the increasingly good trading conditions they are enjoying. All three replacement US E&P stocks trade at below average ratios of Enterprise Value to reserves and have long reserve lives. We later bought back the Chesapeake after its price had duly fallen. In addition we added four very small holdings in Dragon Oil, Afren, Granby and Synenco, all small caps which were bought for "research" reasons although it goes without saying we expect them to perform, too. Afren will give us a better insight into what is happening in West Africa, Dragon likewise in offshore Turkmenistan (in the Caspian). Granby gives us exposure to what opportunities are emerging in the North Sea from recycled fallow acreage, and Synenco is a long-term play on the Northern Lights Project, one of the last known undeveloped Athabasca oil sands mining projects.

3. Portfolio Position

The Portfolio now consists of 29 core holdings, each broadly equally weighted, comprising approximately 98% of the portfolio (ignoring cash) and 7 "research" holdings in small cap stocks comprising in aggregate a little under 2%.

The portfolio on the 31st December, by our calculations, had a PER (2005) of 10.9X (which compares with a broad market PER (2005) based on the S&P 500 index of 16.7X at that date).

The better performing holdings over the year were Nexen, Canadian Natural Resources, Peabody, Chesapeake, Burlington Resources, Venture Production, Petrochina, OMV and Canadian Oil Sands Trust all of which returned over 90%. It is interesting that these 9 stocks cover 5 different areas: Nexen, Canadian Natural Resources and Canadian Oil Sands Trust are oil sands plays, Peabody is a coal company, Burlington and Chesapeake are gas-centric E&P stocks, Petrochina is Chins's largest oil producer and OMV is an integrated oil and gas company benefiting from opportunities in Eastern Europe. The worst performing holdings were the two larger integrated oil & gas companies we held – Shell and Chevron – as well as Repsol, another of our emerging market stocks. Our only oil service stock, Abbott, a production drilling company, was hit by problems in one part of its business early in the year and also lagged.

The Sector and Geographic weightings of the portfolio (ignoring cash) at 31st December were as follows:

| Sector Breakdown | | |
|-----------------------------------|--------------------|--------------------|
| | 31 Dec 2005 | 31 Dec 2004 |
| Integrated | 20.6 | 23.0 |
| E&P/Refining | 6.9 | 7.7 |
| Sub total integrated | 27.5 | 30.7 |
| Emerging Markets | 14.2 | 15.4 |
| Sub total Emerging Markets | 14.2 | 15.4 |
| E&P Oil Sands | 17.8 | 19.4 |
| E&P | 27.4 | 26.9 |
| Sub total E&P | 45.2 | 46.3 |
| Oil Services & Equipment | 2.8 | 3.8 |
| Refining | 6.9 | — |
| Coal | 3.4 | 3.8 |
| Total | 100.0 | 100.0 |

| Geographic Breakdown | | |
|-----------------------------|--------------------|--------------------|
| | 31 Dec 2005 | 31 Dec 2004 |
| US | 54.7 | 46.0 |
| Canada | 21.4 | 23.2 |
| UK | 6.3 | 11.4 |
| Latin America | 7.0 | 7.5 |
| Europe | 3.4 | 4.3 |
| China | 3.5 | 3.7 |
| South Africa | 3.5 | 3.9 |
| Other | 0.2 | — |
| Total | 100.0 | 100.0 |

Sector weightings have only changed modestly. The major changes are the increase in pure refining exposure, deriving from the purchases of Tesoro and Sunoco, and the reduction in the Oil Sands exposure caused by the sale of Canadian Natural Resources.

Geographically, there has been a shift out of the UK and Canada and into the US.

4. Market Background

Over the course of 2005 both the oil price and the price of gas strengthened very considerably. The price of WTI averaged \$56.59 per barrel versus an average of \$41.47 in 2004 and likewise the price of Henry Hub gas averaged \$8.89 per Mcf against \$5.90 in 2004. Neither moved in a straight line. WTI, for example, after moving from around \$42 in January to \$56 in March corrected to \$46.50 before moving up to hit \$69.80 at the end of August as hurricanes in the Gulf of Mexico restricted production and damaged refineries. It then fell back to around \$56 in mid-November before strengthening again to end the year at \$61. The Henry Hub price started the year at \$5.50 and by the end of October was at \$14.60, up around 165%. It then fell back to \$8.70, surged back up to \$15.39 and fell again before Christmas to end the year around \$9.50. The reasons for this have been widely aired in the press. In short, world oil demand growth remains well above the trend of most of the last 30 years fuelled particularly by Asian demand growth, whilst non OPEC supply growth is struggling in the face of the maturing of the traditional non OPEC sources notably North America and the North Sea. OPEC, meanwhile, is producing at levels nearer to its capacity than for many years. Higher oil and gas prices are in turn boosting the profits of all participants in the oil and gas industry whether pure exploration and production companies, or integrated companies, or oil & gas service and equipment companies.

5. Outlook

The future price of equities involved in the energy business will continue to be determined by evolving perceptions of the likely medium term level of the oil and gas price.

We firmly believe that 2006 will be dominated, external events aside, by investors reacting to and attempting to second guess OPEC's reaction to the supply and demand response to \$50+ oil. Our best guess is that the effect on demand will be relatively modest: we think that the world can handle a doubled real oil price without much difficulty but that the extra supply ex OPEC10 might be more meaningful. OPEC will have to handle this carefully. Pumping oil at a rate well above the 1985-2002 average, as they are, means that they are well placed to ensure a balanced market by measured output reductions. However, they must make these in a timely fashion and they could easily get it wrong. So where does this leave the price? \$55 in our view (vs. average \$56.59 in 2005), but investors should expect large swings both up and down as we move through the year

We further believe that, notwithstanding the risk that some of the potential profits that could arise to oil & gas companies from these heightened commodity prices will be taken by governments, the future for oil & gas companies over at least the next 30 years is bright. Furthermore, it is potentially even better for investors as oil & gas companies are not fully priced to reflect this rosy future.



Tim Guinness
Portfolio Manager

February 15, 2006

Short-term performance, in particular, is not a good indication of the Fund's future performance and an investment should not be made based solely on returns.

The MSCI World Index is an unmanaged index composed of more than 1,400 stocks listed on exchanges in the U.S., Europe, Canada, Australia, New Zealand and the Far East.

The S&P 500 Index is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. These indices are unmanaged, not available for investment and do not incur expenses.

PER – Price to Earnings ratio is calculated by dividing current price of the stock by the company's trailing months' earnings per share.

The Fund invests in foreign securities which will involve greater volatility, political, economic and currency risks and differences in accounting methods.

Please refer to the Schedule of Investments for details on fund holdings. Fund holdings and sector allocations are subject to change at any time and are not recommendations to buy or sell any security.

FUND HIGHLIGHTS at December 31, 2005
GUINNESS ATKINSON GLOBAL ENERGY FUND

| | | Fund Managers: | |
|-----------------------------|-------|------------------------|--|
| # of Holdings in Portfolio: | 36 | Timothy W.N. Guinness; | |
| Portfolio Turnover: | 89.2% | Edmund Harriss | |
| % of Stocks in Top 10: | 34.6% | | |

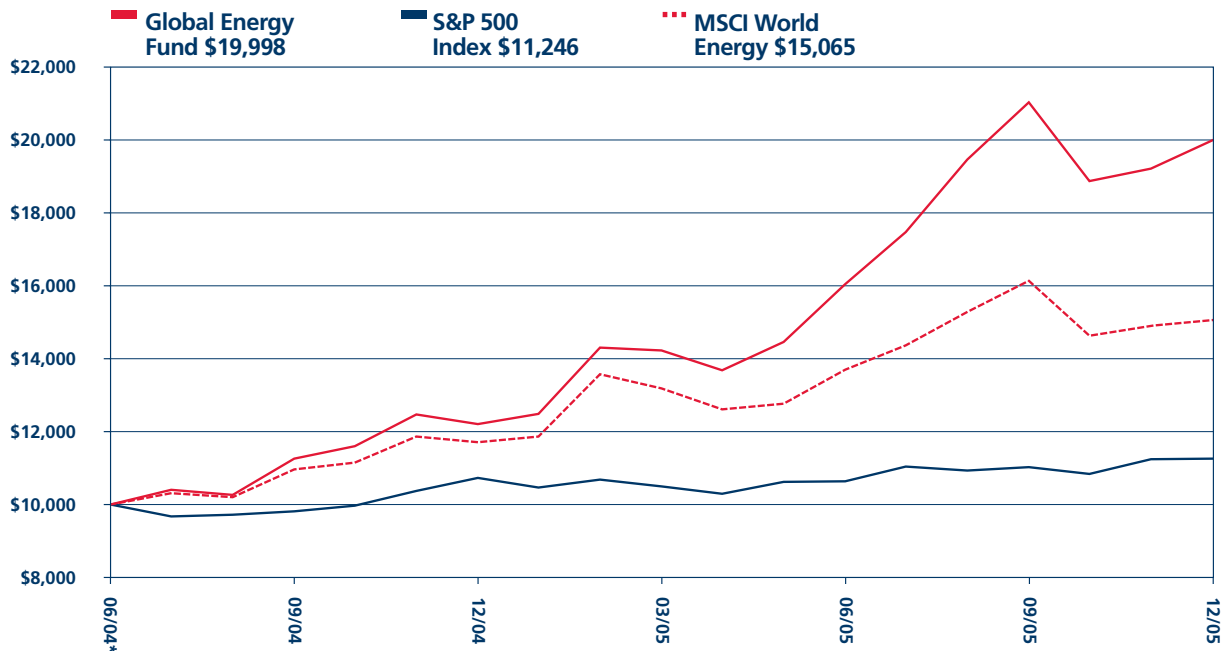
| Top 10 Holdings (% of net assets) | | | |
|--|------|------------------------|------|
| Shell Canada Ltd | 3.8% | Chesapeake Energy Corp | 3.4% |
| Petroleo Brasileiro SA | 3.5% | OPTI Canada Inc | 3.4% |
| Sasol Ltd | 3.5% | PetroChina Co Ltd | 3.4% |
| Petro-Canada | 3.4% | Apache Corp | 3.4% |
| Anadarko Petroleum Corp | 3.4% | Tesoro Corp | 3.4% |

| Top 5 Countries (% of net assets) | | | |
|--|-------|--------|------|
| United States | 54.2% | Brazil | 3.5% |
| Canada | 21.1% | China | 3.5% |
| South Africa | 3.5% | | |

| Sector Breakdown (% of Investments) | | | |
|--|-------|--------------------------|------|
| Oil&Gas | 92.7% | Miscellaneous Manufactur | 2.8% |
| Coal | 3.4% | Machinery-Diversified | 0.1% |

GLOBAL ENERGY FUND

Growth of \$10,000



| Average Annual Total Return Periods Ended December 31, 2005 | |
|--|-------------------------------|
| One Year | Since Inception (06/30/04) |
| 63.92% | 58.57% |

Performance data quoted represents 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

Total returns reflect a fee waiver in effect and in the absence of this waiver, the total returns would be lower. The Fund imposes a 1% redemption fee on shares held less than 30 days.

The MSCI World Index is an unmanaged index composed of more than 1,400 stocks listed on exchanges in the U.S., Europe, Canada, Australia, New Zealand and the Far East. The S&P 500 Index is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. These indices are unmanaged, not available for investment and do not incur expenses.

SCHEDULE OF INVESTMENTS IN SECURITIES
at December 31, 2005

GUINNESS ATKINSON GLOBAL ENERGY FUND

| Shares | COMMON STOCKS: 99.0% | Value |
|--|--|--------------|
| Coal: 3.4% | | |
| 40,490 | Peabody Energy Corp. | \$ 3,337,186 |
| Diversified Manufacturing Operations: 2.8% | | |
| 638,791 | Abbot Group Plc | 2,804,946 |
| Energy: 0.0% | | |
| 600 | Imperial Energy Corp.* | 4,676 |
| Machinery – General Industry: 0.1% | | |
| 299,356 | Shandong Molong Petroleum Machinery Co. Ltd. | 52,122 |
| Oil – Exploration & Production: 10.0% | | |
| 49,349 | Apache Corp. | 3,381,393 |
| 81,410 | Plains Exploration & Production* | 3,234,419 |
| 81,031 | Whiting Petroleum Corp.* | 3,241,240 |
| | | 9,857,052 |
| Oil & Gas: 10.2% | | |
| 38,966 | Burlington Resources, Inc. | 3,358,869 |
| 59,206 | ChevronTexaco Corp. | 3,361,125 |
| 54,768 | Marathon Oil Corp. | 3,339,205 |
| | | 10,059,199 |
| Oil & Gas – Field Services: 3.5% | | |
| 53,625 | Petroleo Brasileiro SA, ADR | 3,451,841 |
| Oil & Gas Exploration & Production: 21.0% | | |
| 99,000 | Afren PLC* | 79,966 |
| 35,865 | Anadarko Petroleum Corp. | 3,398,209 |
| 29,496 | Canadian Oil Sands Trust | 3,187,389 |
| 53,535 | Devon Energy Corp. | 3,348,079 |
| 31,759 | Dragon Oil Plc* | 108,343 |
| 71,066 | EnCana Corp. | 3,203,455 |
| 15,799 | Granby Oil & Gas Plc* | 21,993 |
| 6,200 | Grey Wolf Exploration, Inc.* | 30,947 |
| 69,837 | Nexen, Inc. | 3,319,363 |
| 103,719 | OPTI Canada, Inc.* | 3,395,330 |
| 42,200 | Synenco Energy, Inc.* | 616,714 |
| | | 20,709,788 |
| Oil & Gas Producers: 41.2% | | |
| 26,521 | Amerada Hess Corp. | 3,363,393 |
| 107,080 | Chesapeake Energy Corp. | 3,397,648 |
| 57,588 | ConocoPhillips | 3,350,470 |
| 41,664 | Occidental Petroleum Corp. | 3,328,120 |
| 57,300 | OMV AG | 3,358,948 |
| 84,940 | Petro-Canada | 3,398,329 |
| 4,131,000 | PetroChina Co. Ltd. | 3,383,205 |
| 64,980 | Pioneer Natural Resources Co. | 3,331,525 |

See accompanying Notes to Financial Statements.

GLOBAL ENERGY FUND

| Shares | COMMON STOCKS: 99.0% Continued | Value |
|---|--|---------------------|
| Oil & Gas Producers: 41.2% Continued | | |
| 113,478 | Repsol SA | \$ 3,315,311 |
| 96,007 | Sasol Ltd. | 3,438,037 |
| 103,068 | Shell Canada, Ltd. | 3,716,989 |
| 42,520 | Sunoco, Inc. | <u>3,332,718</u> |
| | | <u>40,714,693</u> |
| Oil Refining & Marketing: 3.4% | | |
| 54,820 | Tesoro Petroleum Corp. | <u>3,374,171</u> |
| Oil/Integrated: 3.4% | | |
| 109,650 | Royal Dutch Shell Plc | <u>3,347,611</u> |
| | Total Common Stocks | |
| | (cost \$90,858,995) | <u>97,713,285</u> |
| | Total Investments in Securities | |
| | (cost \$90,858,995): 99.0% | 97,713,285 |
| | Other Assets less Liabilities: 1.0% | <u>1,025,399</u> |
| | Net Assets: 100.0% | <u>\$98,738,684</u> |

* Non-income producing security.

ADR American Depository Receipt.

See accompanying Notes to Financial Statements.

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STATEMENTS OF ASSETS AND LIABILITIES

at December 31, 2005

| | Asia Focus Fund | China & Hong Kong Fund | Global Innovators Fund | Global Energy Fund |
|---|-----------------------|------------------------------|------------------------------|--------------------------|
| Assets | | | | |
| Investments in securities, at cost | \$ 23,296,386 | \$ 70,157,143 | \$ 29,405,270 | \$ 90,858,995 |
| Investments in securities, at value | \$ 35,903,978 | \$110,603,225 | \$ 35,954,820 | \$ 97,713,285 |
| Cash | 17,372 | — | 488,159 | — |
| Cash denominated in foreign currency (cost of \$252,283, \$0, \$0, and \$4,863, respectively) | 253,548 | — | — | 4,828 |
| Receivables: | | | | |
| Securities sold | 393,244 | 902,166 | — | 2,672,729 |
| Fund shares sold | 54,737 | 8,322 | 244 | 795,896 |
| Due from advisor | — | — | — | 5,678 |
| Dividends and interest | 20,164 | 151,017 | 46,846 | 58,410 |
| Tax Reclaim | — | — | 6,802 | — |
| Prepaid expenses | 9,158 | 10,089 | 9,666 | 10,956 |
| Total assets | <u>36,652,201</u> | <u>111,674,819</u> | <u>36,506,537</u> | <u>101,261,782</u> |
| Liabilities | | | | |
| Cash overdraft | — | 298,104 | — | 1,812,759 |
| Payables: | | | | |
| Securities purchased | — | — | — | 44,413 |
| Fund shares redeemed | 27,399 | 116,311 | 19,271 | 542,067 |
| Unrealized loss on forward foreign currency contracts | 1,345 | 140 | — | 3,755 |
| Due to advisor | 30,578 | 95,909 | 26,970 | 65,366 |
| Accrued administration expense | 3,058 | 9,042 | 701 | 1,623 |
| Accrued shareholder servicing plan fees | 2,609 | 14,101 | 6,066 | 12,264 |
| Other accrued expenses | 40,424 | 78,446 | 56,470 | 37,511 |
| Deferred trustees' compensation | 18,779 | 36,079 | 30,455 | 3,340 |
| Total liabilities | <u>124,192</u> | <u>648,132</u> | <u>139,933</u> | <u>2,523,098</u> |
| Net Assets | <u>\$ 36,528,009</u> | <u>\$111,026,687</u> | <u>\$ 36,366,604</u> | <u>\$ 98,738,684</u> |
| Number of shares issued and outstanding (unlimited shares authorized no par value) | <u>2,949,918</u> | <u>5,852,571</u> | <u>2,402,640</u> | <u>4,010,996</u> |
| Net asset value per share | <u>\$ 12.38</u> | <u>\$ 18.97</u> | <u>\$ 15.14</u> | <u>\$ 24.62</u> |
| Components of Net Assets | | | | |
| Paid-in capital | \$ 99,540,843 | \$113,231,093 | \$ 86,320,115 | \$ 92,840,188 |
| Undistributed net investment income (loss) | (16,440) | (2,052,070) | (30,455) | (24,465) |
| Accumulated net realized gain (loss) on investments and foreign currency | (75,606,915) | (40,598,300) | (56,472,606) | (927,661) |
| Net unrealized appreciation (depreciation) on: | | | | |
| Investments | 12,607,592 | 40,446,082 | 6,549,550 | 6,854,290 |
| Foreign Currency | 2,929 | (118) | — | (3,668) |
| Net Assets | <u>\$ 36,528,009</u> | <u>\$111,026,687</u> | <u>\$ 36,366,604</u> | <u>\$ 98,738,684</u> |

See accompanying Notes to Financial Statements.

STATEMENTS OF OPERATIONS

For the year ended December 31, 2005

| | Asia Focus Fund | China & Hong Kong Fund | Global Innovators Fund | Global Energy Fund |
|--|-----------------------|------------------------------|------------------------------|--------------------------|
| Investment Income | | | | |
| Income | | | | |
| Dividends* | \$1,080,286 | \$ 3,782,700 | \$ 495,100 | \$ 495,900 |
| Interest | <u>8,202</u> | <u>16,885</u> | <u>3,873</u> | <u>32,135</u> |
| Total income | <u>1,088,488</u> | <u>3,799,585</u> | <u>498,973</u> | <u>528,035</u> |
| Expenses | | | | |
| Advisory fees (Note 3) | 332,110 | 1,125,368 | 326,087 | 350,470 |
| Administration fees (Note 3) | 48,823 | 162,353 | 18,615 | 19,912 |
| Transfer agent fees | 43,655 | 118,866 | 99,076 | 46,078 |
| Custody fees | 19,114 | 59,065 | 8,903 | 42,810 |
| Fund accounting fees | 28,906 | 61,874 | 37,593 | 58,268 |
| Audit fees | 16,596 | 15,519 | 16,545 | 11,046 |
| Legal fees | 18,531 | 60,697 | 18,676 | 17,909 |
| Trustees' fees | 13,202 | 22,686 | 12,705 | 10,256 |
| Shareholder servicing plan fees (Note 4) | 30,345 | 102,096 | 9,124 | 18,956 |
| Reports to shareholders | 18,282 | 59,916 | 32,676 | 14,955 |
| Registration expense | 17,836 | 19,126 | 16,347 | 17,998 |
| Interest expense | 3,315 | 2,198 | 8,506 | 13,909 |
| Insurance expense | 6,465 | 22,787 | 8,826 | 432 |
| Miscellaneous | <u>4,375</u> | <u>7,235</u> | <u>3,979</u> | <u>4,646</u> |
| Total expenses | 601,555 | 1,839,786 | 617,658 | 627,645 |
| Plus: Expenses recouped (Note 3) | 18,000 | — | — | — |
| Less: Fees waived and expenses absorbed (Note 3) | <u>—</u> | <u>—</u> | <u>(590)</u> | <u>(19,217)</u> |
| Net expenses | <u>619,555</u> | <u>1,839,786</u> | <u>617,068</u> | <u>608,428</u> |
| Net investment income (loss) | <u>468,933</u> | <u>1,959,799</u> | <u>(118,095)</u> | <u>(80,393)</u> |
| Realized and unrealized gain (loss) on investments and foreign currency | | | | |
| Net realized gain (loss) on: | | | | |
| Investments | 2,607,185 | 8,257,990 | 2,269,309 | 854,293 |
| Foreign currency | (9,152) | 26,777 | — | (214,533) |
| Net unrealized gain (loss) on: | | | | |
| Investments | 3,088,697 | (3,246,442) | 1,721,322 | 6,722,876 |
| Foreign currency | <u>683</u> | <u>(154)</u> | <u>—</u> | <u>(2,980)</u> |
| Net realized and unrealized gain on investments and foreign currency | <u>5,687,413</u> | <u>5,038,171</u> | <u>3,990,631</u> | <u>7,359,656</u> |
| Net increase in net assets resulting from operations | <u>\$6,156,346</u> | <u>\$ 6,997,970</u> | <u>\$3,872,536</u> | <u>\$7,279,263</u> |

* Net of foreign tax withheld of \$104,668 for Asia Focus Fund, \$11,572 for Global Innovators Fund and \$21,955 for the Global Energy Fund.

See accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN NET ASSETS

Asia Focus Fund

| | Year Ended December 31, 2005 | Year Ended December 31, 2004 |
|--|---------------------------------|---------------------------------|
| Increase (decrease) in net assets from: | | |
| Operations | | |
| Net investment income (loss) | \$ 468,933 | \$ 186,059 |
| Net realized gain (loss) on: | | |
| Investments | 2,607,185 | 2,349,444 |
| Foreign currency | (9,152) | (30,192) |
| Net unrealized gain (loss) on: | | |
| Investments | 3,088,697 | (136,100) |
| Foreign currency | 683 | 2,026 |
| Net increase in net assets resulting from operations | <u>6,156,346</u> | <u>2,371,237</u> |
| Distributions to shareholders | | |
| From net investment income | (531,257) | (172,805) |
| From net realized cap gain | — | — |
| Decrease in net assets from distributions | <u>(531,257)</u> | <u>(172,805)</u> |
| Capital share transactions | | |
| Proceeds from shares sold | 7,546,892 | 12,640,796 |
| Proceeds from shares reinvested | 513,947 | 167,123 |
| Cost of shares redeemed | (7,783,657) | (20,567,670) |
| Redemption fee proceeds (Note 3) | 14,346 | 11,759 |
| Net increase (decrease) from capital share transactions | <u>291,528</u> | <u>(7,747,992)</u> |
| Total increase (decrease) in net assets | 5,916,617 | (5,549,560) |
| Net assets | | |
| Beginning of period | 30,611,392 | 36,160,952 |
| End of period | <u>\$36,528,009</u> | <u>\$ 30,611,392</u> |
| Accumulated net investment income (loss) | \$ (16,440) | \$ — |
| Capital share activity | | |
| Shares sold | 654,707 | 1,291,009 |
| Shares issued on reinvestment | 42,758 | 17,158 |
| Shares redeemed | (690,744) | (2,167,957) |
| Net increase (decrease) in shares outstanding | <u>6,721</u> | <u>(859,790)</u> |

Commencement of operations.

See accompanying Notes to Financial Statements.

| China & Hong Kong Fund | | Global Innovators Fund | | Global Energy Fund | |
|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|--|
| Year Ended December 31, 2005 | Year Ended December 31, 2004 | Year Ended December 31, 2005 | Year Ended December 31, 2004 | Year Ended December 31, 2005 | June 30, 2004* through December 31, 2004 |
| \$ 1,959,799 | \$ 1,372,112 | \$ (118,095) | \$ (76,669) | \$ (80,393) | \$ 257 |
| 8,257,990 | 1,995,959 | 2,269,309 | (1,351,843) | 854,293 | 6,917 |
| 26,777 | (1,991) | — | — | (214,533) | (2,060) |
| (3,246,442) | 7,462,797 | 1,721,322 | 5,745,903 | 6,722,876 | 131,414 |
| (154) | 35 | — | — | (2,980) | (688) |
| <u>6,997,970</u> | <u>10,828,912</u> | <u>3,872,536</u> | <u>4,317,391</u> | <u>7,279,263</u> | <u>135,840</u> |
| (4,726,043) | (1,625,722) | — | — | — | — |
| — | — | — | — | (1,590,636) | — |
| <u>(4,726,043)</u> | <u>(1,625,722)</u> | <u>—</u> | <u>—</u> | <u>(1,590,636)</u> | <u>—</u> |
| 15,987,251 | 22,166,286 | 951,723 | 1,300,643 | 150,338,858 | 2,199,078 |
| 4,595,099 | 1,584,631 | — | — | 1,524,399 | — |
| (24,180,299) | (37,199,616) | (10,513,339) | (13,341,802) | (60,588,462) | (705,921) |
| 28,955 | 28,630 | 806 | 772 | 140,523 | 5,742 |
| <u>(3,568,994)</u> | <u>(13,420,069)</u> | <u>(9,560,810)</u> | <u>(12,040,387)</u> | <u>91,415,318</u> | <u>1,498,899</u> |
| (1,297,067) | (4,216,879) | (5,688,274) | (7,722,996) | 97,103,945 | 1,634,739 |
| <u>112,323,754</u> | <u>116,540,633</u> | <u>42,054,878</u> | <u>49,777,874</u> | <u>1,634,739</u> | <u>—</u> |
| <u>\$111,026,687</u> | <u>\$112,323,754</u> | <u>\$ 36,366,604</u> | <u>\$ 42,054,878</u> | <u>\$ 98,738,684</u> | <u>\$1,634,739</u> |
| \$ (2,052,070) | \$ 632,287 | \$ (30,455) | \$ — | \$ (24,465) | \$ — |
| 832,145 | 1,250,352 | 69,056 | 104,942 | 6,458,941 | 157,815 |
| 242,230 | 89,124 | — | — | 59,921 | — |
| (1,271,184) | (2,222,373) | (772,796) | (1,076,691) | (2,615,032) | (50,649) |
| <u>(196,809)</u> | <u>(882,897)</u> | <u>(703,740)</u> | <u>(971,749)</u> | <u>3,903,830</u> | <u>107,166</u> |

FINANCIAL HIGHLIGHTS

For a capital share outstanding throughout the year

| Asia Focus Fund | Year Ended December 31, | | | | |
|---|-------------------------|---------|---------|---------|---------|
| | 2005 | 2004 | 2003 | 2002 | 2001 |
| Net asset value, beginning of year | \$10.40 | \$9.51 | \$5.80 | \$6.18 | \$5.16 |
| Income from investment operations: | | | | | |
| Net investment income (loss) | 0.16 | 0.06 | 0.06 | (0.05) | 0.01 |
| Net realized and unrealized gain (loss) on investments and foreign currency | 2.00 | 0.89 | 3.61 | (0.37) | 1.01 |
| Total from investment operations | 2.16 | 0.95 | 3.67 | (0.42) | 1.02 |
| Less distributions: | | | | | |
| From net investment income | (0.18) | (0.06) | — | — | — |
| Total distributions | (0.18) | (0.06) | — | — | — |
| Redemption Fee Proceeds | — ⁽¹⁾ | — | 0.04 | 0.04 | — |
| Net asset value, end of year | \$12.38 | \$10.40 | \$9.51 | \$5.80 | \$6.18 |
| Total return | 20.83% | 10.01% | 63.97% | (6.15)% | 19.77% |
| Ratios/supplemental data: | | | | | |
| Net assets, end of year (millions) | \$36.5 | \$30.6 | \$36.2 | \$16.5 | \$17.1 |
| Ratio of expenses to average net assets: | | | | | |
| Before fees waived/expenses recouped | 1.81% | 2.04% | 2.16% | 2.62% | 3.08% |
| After fees waived/expenses recouped | 1.87% | 1.98% | 1.95% | 1.98% | 1.98% |
| Ratio of net investment income (loss) to average net assets: | | | | | |
| Before fees waived/expenses recouped | 1.47% | 0.51% | 0.75% | (1.26)% | (0.89)% |
| After fees waived/expenses recouped | 1.41% | 0.57% | 0.96% | (0.62)% | 0.21% |
| Portfolio turnover rate | 18.25% | 32.41% | 114.90% | 188.96% | 43.91% |

⁽¹⁾ Amount represents less than \$0.01 per share.

See accompanying Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

For a capital share outstanding throughout the year

| China & Hong Kong Fund | Year Ended December 31, | | | | |
|---|-------------------------|------------------|------------------|----------|----------|
| | 2005 | 2004 | 2003 | 2002 | 2001 |
| Net asset value, beginning of year | \$18.57 | \$16.81 | \$10.17 | \$11.67 | \$15.75 |
| Income from investment operations: | | | | | |
| Net investment income | .37 | 0.25 | 0.20 | 0.13 | 0.09 |
| Net realized and unrealized gain (loss) on investments and foreign currency | .86 | 1.78 | 6.44 | (1.66) | (3.79) |
| Total from investment operations | 1.23 | 2.03 | 6.64 | (1.53) | (3.70) |
| Less distributions: | | | | | |
| From net investment income | (0.83) | (0.27) | — | — | (0.38) |
| Total distributions | (0.83) | (0.27) | — | — | (0.38) |
| Redemption Fee Proceeds | — ⁽¹⁾ | — ⁽¹⁾ | — ⁽¹⁾ | 0.03 | — |
| Net asset value, end of year | \$18.97 | \$18.57 | \$16.81 | \$10.17 | \$11.67 |
| Total return | 6.61% | 12.16% | 65.29% | (12.85)% | (23.45)% |
| Ratios/supplemental data: | | | | | |
| Net assets, end of year (millions) | \$111.0 | \$112.3 | \$116.5 | \$56.9 | \$76.8 |
| Ratio of expenses to average net assets | 1.63% | 1.67% | 1.81% | 2.02% | 1.85% |
| Ratio of net investment income to average net assets | 1.74% | 1.26% | 2.01% | 1.08% | 0.56% |
| Portfolio turnover rate | 12.51% | 15.37% | 28.57% | 60.95% | 31.54% |

⁽¹⁾ Amount represents less than \$0.01 per share.

See accompanying Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

For a capital share outstanding throughout the year

| Global Innovators Fund | Year Ended December 31, | | | | |
|--|-------------------------|----------------------|----------------------|------------------|----------|
| | 2005 | 2004 | 2003 | 2002 | 2001 |
| Net asset value, beginning of year | \$13.54 | \$12.21 | \$8.98 | \$13.04 | \$18.38 |
| Income from investment operations: | | | | | |
| Net investment loss | (0.05) ⁽¹⁾ | (0.02) | (0.08) | (0.08) | (0.14) |
| Net realized and unrealized gain (loss) on investments | 1.65 | 1.35 | 3.31 | (3.98) | (5.20) |
| Total from investment operations | 1.60 | 1.33 | 3.23 | (4.06) | (5.34) |
| Redemption Fee Proceeds | — ⁽¹⁾ | — ⁽¹⁾ | — ⁽¹⁾ | — ⁽¹⁾ | — |
| Net asset value, end of year | \$15.14 | \$13.54 | \$12.21 | \$8.98 | \$13.04 |
| Total return | 11.82% | 10.89% | 35.97% | (31.13)% | (29.05)% |
| Ratios/supplemental data: | | | | | |
| Net assets, end of year (millions) | \$36.4 | \$42.1 | \$49.8 | \$45.9 | \$79.3 |
| Ratio of expenses to average net assets: | | | | | |
| Before fees waived | 1.66% | 1.68% | 1.76% | 2.03% | 1.46% |
| After fees waived | 1.66% ⁽²⁾ | 1.68% ⁽²⁾ | 1.56% ⁽²⁾ | 1.35% | 1.35% |
| Ratio of net investment loss to average net assets: | | | | | |
| Before fees waived | (0.32)% | (0.17)% | (0.90)% | (1.34)% | (0.89)% |
| After fees waived | (0.32)% | (0.17)% | (0.70)% | (0.66)% | (0.78)% |
| Portfolio turnover rate | 27.75% | 50.57% | 0.00% | 54.15% | 50.03% |

⁽¹⁾ Amount represents less than \$0.01 per share.

⁽²⁾ The Fund's total operating expense was limited at 1.88% from 4/26/03 to 10/31/05. It was limited to 1.35% prior to 4/26/03.

See accompanying Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

For a capital share outstanding throughout the period

| Global Energy Fund | Year Ended December 31, 2005 | June 30, 2004⁽¹⁾ through December 31, 2004 |
|---|-------------------------------------|--|
| Net asset value, beginning of period | \$15.25 | \$12.50 |
| Income from investment operations: | | |
| Net investment income (loss) | (0.02) | — ⁽²⁾ |
| Net realized and unrealized gain (loss) on investments and foreign currency | 9.75 | 2.70 |
| Total from investment operations | 9.73 | 2.70 |
| Less distributions: | | |
| From net investment income | — | — |
| From net realized gains | (0.39) | — |
| Total distributions | (0.39) | — |
| Redemption Fee Proceeds | 0.03 | 0.05 |
| Net asset value, end of period | \$24.62 | \$15.25 |
| Total return | 63.92% | 22.00% ⁽³⁾ |
| Ratios/supplemental data: | | |
| Net assets, end of period (millions) | \$98.7 | \$1.6 |
| Ratio of expenses to average net assets: | | |
| Before fees waived | 1.50% | 17.36% ⁽⁴⁾ |
| After fees waived | 1.45% | 1.45% ⁽⁴⁾ |
| Ratio of net investment loss to average net assets: | | |
| Before fees waived | (0.24)% | (15.84)% ⁽⁴⁾ |
| After fees waived | (0.19)% | 0.07% ⁽⁴⁾ |
| Portfolio turnover rate | 89.24% | 9.96% ⁽³⁾ |

⁽¹⁾ Commencement of Operations.

⁽²⁾ Amount represents less than \$0.01 per share.

⁽³⁾ Not annualized.

⁽⁴⁾ Annualized.

See accompanying Notes to Financial Statements.

Note 1**Organization**

Guinness Atkinson Funds (the “Trust”), was organized on April 28, 1997 as a Delaware business trust and registered under the Investment Company Act of 1940 as a non-diversified, open-end management investment company. Currently, the Trust offers four separate series all of whose long-term objective is capital appreciation: Guinness Atkinson Asia Focus Fund (the “Asia Focus Fund”), Guinness Atkinson China & Hong Kong Fund (the “China & Hong Kong Fund”), Guinness Atkinson Global Innovators Fund (the “Global Innovators Fund”), and Guinness Atkinson Global Energy Fund (“the Global Energy Fund”). The first four of which (each a “Fund” and collectively, the “Funds”) are covered by this report. The China & Hong Kong Fund began operations on June 30, 1994, the Asia Focus Fund began operations on April 29, 1996, the Global Innovators Fund began operations on December 15, 1998, and the Global Energy Fund began operations on June 30, 2004.

Note 2**Significant accounting policies**

The following is a summary of significant accounting policies consistently followed by the Funds. These policies are in conformity with accounting principles generally accepted in the United States of America.

A. Security Valuation. Securities of the Global Innovators and Global Energy Funds that are traded on a principal exchange (U.S. or foreign) or Nasdaq are valued at the official closing price on each day that the exchanges are open for trading. Securities of the Asia Focus and China & Hong Kong Funds are valued at 12:30 a.m. Eastern Time on each day the NYSE is open for trading. Securities traded on an exchange or Nasdaq for which there have been no sales, and other over-the-counter securities are valued at the mean between the bid and asked prices. Securities for which quotations are not readily available are valued at their respective fair values as determined in good faith by, or under procedures established by, the Board of Trustees. Due to the inherent uncertainty of valuation, those estimated values of not readily marketable securities may differ significantly from the values that would have been used had a ready market for the securities existed. The differences could be material. Short-term investments are stated at cost, which when combined with accrued interest, approximates market value. Realized gains and losses from securities transactions are calculated using the identified cost method.

Foreign securities are recorded in the financial statements after translation to U.S. dollars based on the applicable exchange rate at the end of the period. The Funds do not isolate that portion of the results of operations resulting from changes in the currency exchange rate from the fluctuations resulting from changes in the market prices of investments.

Foreign exchange gain or loss resulting from holding of a foreign currency, expiration of a currency exchange contract, difference in exchange rates between the trade date and settlement date of an investment purchased or sold, and the difference between dividends actually received compared to the amount shown in a Fund’s accounting records on the date of receipt are shown as net realized gains or losses on foreign currency transactions in the respective Fund’s statement of operations.

B. Forward Foreign Currency Exchange Contracts. The Funds may utilize forward foreign currency exchange contracts (“forward contracts”) to hedge against foreign exchange fluctuations on foreign denominated investments under which they are obligated to exchange currencies at specific future dates and at specified rates. All commitments are “marked-to-market” daily and any resulting unrealized gains or losses are included as unrealized appreciation (depreciation) on foreign currency denominated assets and liabilities. The Funds record realized gains or losses at the time the forward contract is settled. Risks may arise upon entering these contracts from the potential inability of a counter party to meet the terms of their contracts and from unanticipated movements in the value of a foreign currency relative to the U.S. dollar or other currencies. Counterparties to these contracts are major U.S. financial institutions.

C. Security Transactions, Dividend Income and Distributions. Security transactions are accounted for on the trade date. Dividend income and distributions to shareholders are recorded on the ex-dividend date.

D. Federal Income Taxes. The Funds intend to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies, and to distribute all of their taxable income to their shareholders. Therefore, no federal income tax provision is required.

E. Concentration of Risk. Asia Focus Fund invests substantially all of its assets in the Asian continent. The China & Hong Kong Fund invests substantially all of its assets in securities that are traded in China or Hong Kong or that are issued by companies that do a substantial part of their business in China. The Global Energy Fund invests substantially in energy companies, the changes in the prices and supplies of oil and other energy fuels may affect the Funds’ investments. The consequences of political, social, or economic changes in the countries or business sectors in which the securities are offered or the issuers conduct their operations may affect the market prices of the Funds’ investments and any income generated, as well as the Funds’ ability to repatriate such amounts.

F. Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

G. Reclassifications. Accounting principles generally accepted in the United States require that certain components of net assets be reclassified between financial and tax reporting. These reclassifications have no effect on net assets or net asset value per share. For the year ended December 31, 2005, permanent differences in book and tax accounting have been reclassified to paid-in capital, undistributed net investment income/(loss) and accumulated realized gain(loss) as follows:

| | Increase (Decrease) | | |
|------------------------|---------------------|--|----------------------------------|
| | Paid-in-Capital | Undistributed Net Investment Income/(Loss) | Accumulated Realized Gain / Loss |
| Asia Focus | (8,549,930) | 45,884 | 8,504,046 |
| China & Hong Kong Fund | 3,077,638 | 81,887 | (3,159,525) |
| Global Innovators Fund | 9,290,494 | 87,640 | (9,378,134) |
| Global Energy Fund | (74,029) | 55,928 | 18,101 |

H. Indemnifications. Under the Funds' organizational documents, its current and former officers and trustees are indemnified against certain liabilities arising out of the performance of their duties to the Funds. In addition, in the normal course of business, the Funds enter into contracts that contain a variety of representations and warranties that provide general indemnifications. The Funds' maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Funds that have not yet occurred or that would be covered by other parties.

Note 3

Commitments and other related party transactions

The Trust, on behalf of each Fund, entered into an Investment Advisory Agreement with Guinness Atkinson Asset Management, LLC (the "Advisor"), which provided the Funds with investment management services under an investment advisory agreement. The Advisor furnishes all investment advice, office space, facilities, and most of the personnel needed by the Funds. As compensation for its services, the Advisor is entitled to a monthly fee at the following annual rates based upon the average daily net assets of the Funds:

| | |
|-------------------------|--|
| Asia Focus Fund | 1.00% |
| China & Hong Kong Fund | 1.00% |
| Global Innovators Fund* | 0.75% on the first \$500 million and 0.60% on assets over \$500 million |
| Global Energy Fund* | 0.75% |

* Effective November 1, 2005, the Advisor has contractually reduced its management fees from 0.90% of the 1st \$500 million average daily net assets to 0.75%, for the Global Innovators Fund and from 0.90% to 0.75% for the Global Energy Fund.

The Funds are responsible for their own operating expenses. Effective April 26, 2003, the Advisor has contractually agreed to limit the Funds' total operating expenses by reducing all or a portion of their fees and reimbursing the Funds' for expenses so that its ratio of expenses to average daily net assets will not exceed the following levels:

| | |
|------------------------|------------------------------------|
| Asia Focus Fund | 1.98% |
| China & Hong Kong Fund | 1.98% |
| Global Innovators Fund | 1.55% (effective November 1, 2005) |
| Global Energy Fund | 1.45% |

The operating expense limit for the Global Innovators Fund was 1.88% from April 26, 2003 to October 31, 2005. There was no operating expense limit for the China & Hong Kong Fund prior to April 26, 2003.

Expenses reimbursed by the Advisor will be limited to three years from the year of the reimbursement, and are subject to the Funds' ability to effect such reimbursement and remain in compliance with applicable expense limitations.

For the year ended December 31, 2005, the Advisor waived fees and absorbed expenses of \$590 and \$19,217 in the Global Innovators Fund and the Global Energy Fund, respectively. The Advisor recouped expenses of \$18,000 from the Asia Focus Fund during the year ended December 31, 2005.

At December 31, 2005, the Advisor may recapture a portion of the following amounts that has been paid and/or waived on behalf of the Funds no later than the dates as stated below:

| Funds: | December 31, 2007 | December 31, 2008 | Total |
|------------------------|--------------------------|--------------------------|--------------|
| Global Innovators Fund | \$ — | \$ 590 | \$ 590 |
| Global Energy Fund | \$60,587 | \$19,217 | \$79,804 |

U.S. Bancorp Fund Services, LLC (the "Administrator") acts as the Funds' administrator under an administration agreement. The Administrator prepares various federal and state regulatory filings, reports and returns for the Funds; prepares reports and materials to be supplied to the Trustees; monitors the activities of the Funds' custodian, transfer agent and accountants; coordinates the preparation and payment of the Funds' expenses and reviews the Funds' expense accruals. Effective April 30, 2005, the Administrator receives a monthly fee from each Fund at the following annual rates:

| Fund | Asset Based Fee |
|------------------------|---|
| China & Hong Kong Fund | 0.10% on 1 st \$100 million of average daily net assets 0.05% on next \$100 million of average daily net assets 0.03% thereafter. subject to \$40,000 annual minimum. |
| Asia Focus Fund | 0.10% on 1 st \$100 million of average daily net assets 0.05% on next \$100 million of average daily net assets 0.03% thereafter. subject to \$20,000 annual minimum. |
| Global Innovators Fund | 0.05% of average daily net assets subject to \$20,000 annual minimum |
| Global Energy Fund | 0.05% of average daily net assets subject to \$20,000 annual minimum |

Prior to April 30, 2005, each of the Asia Focus Fund and the China & Hong Kong Fund paid the Administrator a monthly fee at the annual rate of 0.25% of its average daily net assets, subject to an annual minimum of \$20,000 for the Asia Focus Fund and \$40,000 annual minimum for the China & Hong Kong Fund.

For the year ended December 31, 2005, the following Administration fees were incurred:

| | |
|------------------------|-----------|
| Asia Focus Fund | \$ 48,823 |
| China & Hong Kong Fund | \$162,353 |
| Global Innovators Fund | \$ 18,615 |
| Global Energy Fund | \$ 19,912 |

Quasar Distributors, LLC (the "Distributor") acts as the Funds' principal underwriter in a continuous public offering of the Funds' shares. The Distributor is an affiliate of the Administrator.

On August 14, 1998, the Trust approved a Deferred Compensation Plan for Trustees (the "Plan"). Trustees can elect to receive payment in cash or defer payments provided for in the Plan. If a trustee elects to defer payment, the Plan provides for the creation of a deferred payment account (Phantom Share Account). This account accumulates the deferred fees earned, and the value of the account is adjusted at the end of each quarter to reflect the value that would have been earned if the account had been invested

in designated investments. The Funds recognize as trustee expense amounts accrued as meetings are attended plus the change in value of the Phantom Share Account.

For the year ended December 31, 2005, the change in the value of the phantom share account included unrealized appreciation were as follows:

| | |
|------------------------|---------|
| Asia Focus Fund | \$3,533 |
| China & Hong Kong Fund | \$1,917 |
| Global Innovators Fund | \$1,764 |
| Global Energy Fund | \$ 456 |

Certain officers of the Funds are also officers and/or Directors of the Advisor and Administrator.

Note 4

Shareholder Servicing Plan

Each Fund has adopted a Shareholder Servicing Plan to pay a fee at an annual rate of up to 0.25% of its daily average net assets of shares service by shareholder servicing agents who provide administrative and support services to their customers. The shareholder servicing fee was effective on April 30, 2005 for the Asia Focus Fund and the China & Hong Kong Fund and on November 1, 2005 for the Global Innovators Fund and the Global Energy Fund.

Note 5

Investment Transactions

The following table presents purchases and sales of securities during the year ended December 31, 2005, excluding short-term investments, to indicate the volume of transactions in each Fund.

| Fund | Purchases | Sales |
|------------------------|--------------|--------------|
| Asia Focus Fund | \$ 5,963,917 | \$ 6,379,510 |
| China & Hong Kong Fund | 13,988,752 | 17,886,934 |
| Global Innovators Fund | 10,307,396 | 20,238,581 |
| Global Energy Fund | 125,539,572 | 37,042,828 |

Note 6

Forward foreign currency contracts

In order to hedge their portfolio and to protect them against possible fluctuations in foreign exchange rates pending the settlement of securities transactions, the Funds may enter into forward currency contracts which obligate them to exchange currencies at specified future dates. At the maturity of a forward contract, the Funds may either make delivery of the foreign currency from currency held, if any, or from the proceeds of the portfolio securities sold. It may also terminate its obligation to deliver the foreign currency at any time by purchasing an offsetting contract. The forward value of amounts due are netted against the forward value of the currency to be delivered, and the net amount is shown as a receivable or payable in the financial statements. Open forward contracts at December 31, 2005 were as follows:

| Funds | Currency | Amount | Currency Receivable (Deliverable) | Delivery Date | Unrealized Loss |
|------------------------|----------|-----------|-----------------------------------|---------------|-----------------|
| Asia Focus Fund | US\$ | \$391,898 | Korean Won (395,210,032) | 01/03/06 | \$(1,345) |
| China & Hong Kong Fund | US\$ | \$551,535 | Hong Kong Dollar (4,276,878) | 01/03/06 | \$ (85) |
| China & Hong Kong Fund | US\$ | \$350,491 | Hong Kong Dollar (2,717,886) | 01/03/06 | \$ (55) |
| | | | | | \$ (140) |

| Funds | Currency | Amount | Currency Receivable (Deliverable) | Delivery Date | Unrealized Loss |
|--------------------|----------|-----------|-----------------------------------|---------------|-----------------|
| Global Energy Fund | US\$ | \$4,814 | Canadian Dollar (5,629) | 01/03/06 | \$ (15) |
| Global Energy Fund | US\$ | \$554,205 | Canadian Dollar (648,143) | 01/04/06 | \$(1,680) |
| Global Energy Fund | US\$ | \$52,232 | Euro (44,309) | 01/03/06 | \$ (242) |
| Global Energy Fund | US\$ | \$73,122 | Euro (62,031) | 01/03/06 | \$ (338) |
| Global Energy Fund | US\$ | \$140,285 | Euro (119,006) | 01/04/06 | \$ (656) |
| Global Energy Fund | US\$ | \$155,414 | Hong Kong Dollar (1,205,161) | 01/04/06 | \$ (19) |
| Global Energy Fund | US\$ | \$212,207 | South Africa Rand (1,347,300) | 01/09/06 | \$ (805) |
| | | | | | \$(3,755) |

Note 7

Tax Matters

As of December 31, 2005, the tax basis of investments were as follows:

| | Asia Focus Fund | China & Hong Kong Fund | Global Innovators Fund | Global Energy Fund |
|---|-----------------|------------------------|------------------------|--------------------|
| Cost of investment for tax purposes | \$ 23,296,534 | \$ 72,379,571 | \$ 30,510,097 | \$91,786,657 |
| Gross tax unrealized appreciation | 13,458,904 | 41,493,132 | 6,292,437 | 7,132,372 |
| Gross tax unrealized (depreciation) | (851,460) | (3,269,478) | (847,714) | (1,205,743) |
| Net tax unrealized appreciation on investment | 12,607,444 | 38,223,654 | 5,444,723 | 5,926,629 |
| Net tax appreciation on derivatives and foreign-currency denominated assets and liabilities | 2,929 | (118) | — | (3,668) |
| Net tax unrealized appreciation** | \$ 12,610,373 | \$ 38,223,536 | \$ 5,444,723 | \$ 5,922,961 |
| Undistributed net ordinary income*** | — | 53,575 | — | — |
| Post October currency losses* | — | — | — | (24,861) |
| Capital loss carryforward | (74,738,195) | (38,378,101) | (52,293,571) | — |
| Capital loss carryforward limitation | (868,572) | (2,067,337) | (3,074,208) | — |
| Total accumulated earnings (losses) | \$(62,996,394) | \$ (2,168,327) | \$(49,923,056) | \$ 5,898,100 |

* Under the current tax law, capital and currency losses realized after October 31 and prior to the Fund's fiscal year end may be deferred as occurring on the first day of the following fiscal year.

** The differences between book-basis and tax-basis unrealized appreciation/(depreciation) is attributable primary to the tax deferral of losses on wash sales and passive foreign investment company (PFIC) market to market adjustments.

*** The differences between book-basis and tax basis undistributed net ordinary income is attributable to deferred compensation.

As of December 31, 2005, the following funds have capital loss carryforwards available to offset future realized capital gains:

| Capital losses expiring in: | Asia Focus Fund | China & Hong Kong Fund | Global Innovators Fund | Global Energy Fund |
|-----------------------------|-----------------|------------------------|------------------------|--------------------|
| 2006 | \$(62,854,581) | \$(27,516,756) | \$ — | \$— |
| 2007 | (8,451,431) | — | — | — |
| 2008 | — | — | (1,565,424) | — |
| 2009 | (2,794,130) | — | (17,621,884) | — |
| 2010 | (638,053) | (3,556,242) | (19,915,748) | — |
| 2011 | — | (7,305,103) | (8,376,172) | — |
| 2012 | — | — | (4,814,343) | — |
| Total | (74,738,195) | (38,378,101) | (52,293,571) | — |

For the Asia Focus Fund, \$868,572 of capital loss carryover related to the acquisition of the Asia New Economy Fund on January 25, 2002 is remaining to be recognized over the next four years. This amount is subject to an annual limitation of \$217,143 under tax rules.

For the China & Hong Kong Fund, \$2,067,337 of capital loss carryover related to the acquisition of the Investec Mainland China Fund on April 23, 2003 is remaining to be recognized over the next five years. This amount is subject to an annual limitation of \$425,792 over the next four years and \$364,169 on the fifth year under tax rules.

For the Global Innovators Fund, \$3,074,208 of capital loss carryover related to the acquisitions of the Investec Internet.com Fund and the Wireless World Fund on January 25, 2002 is remaining to be recognized over the next four years. The amount is subject to an annual limitation of \$838,362 over the next three years and \$559,122 on the fourth year under tax rules.

Note 8

Distribution to Shareholders

The tax character of distributions paid during 2005 and 2004 was as follows:

| | Asia Focus | | China & Hong Kong | | Global Energy | |
|--------------------------|------------|-----------|-------------------|-------------|---------------|------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Distributions paid from: | | | | | | |
| Ordinary Income | \$531,257 | \$172,805 | \$4,726,043 | \$1,625,722 | \$1,511,163 | — |
| Long-term capital gain | — | — | — | — | 79,473 | — |
| | \$531,257 | \$172,805 | \$4,726,043 | \$1,625,722 | \$1,590,636 | — |

Additional Information (Unaudited)

Proxy Voting Procedures

The Advisor of the Funds vote proxies relating to portfolio securities in accordance with procedures that have been approved by the Board of Trustees of the Funds. You may obtain a description of these procedures, free of charge, by calling “toll-free” 1-800-915-6565. This information is also available through the Securities and Exchange Commission’s website at <http://www.sec.gov>.

Proxy Voting Records

Information regarding how the advisor of the Funds voted proxies relating to portfolio securities during the latest 12-month period ended June 30 is available, without charge, by calling toll-free, 1-800-915-6565. This information is also available through the Securities and Exchange Commission’s website at <http://www.sec.gov>.

Form N-Q Disclosure

The Funds file their complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The Funds’ Form N-Q is available on the Securities and Exchange Commission’s website at <http://www.sec.gov>. The Funds’ Form N-Q may be reviewed and copied at the Commission’s Public Reference Room in Washington, DC, and information on the operation of the Public Reference Room may be obtained by calling 1-202-551-8090. This information is also available, without charge, by calling the Funds’ toll-free, 1-800-915-6565.

**REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM**

**To the Shareholders of and Board of Trustees
Guinness Atkinson Funds
Glendora, California**

We have audited the accompanying statements of assets and liabilities, including the schedules of investments, of the Asia Focus Fund, China & Hong Kong Fund, Global Innovators Fund, and Global Energy Fund, each a series of shares of the Guinness Atkinson Funds, as of December 31, 2005, the related statements of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended (with respect to the Global Energy Fund for the year then ended and the period June 30, 2004 to December 31, 2004), and the financial highlights for each of the three years in the period then ended (with respect to the Global Energy Fund for the period June 30, 2004 to December 31, 2004). These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights for the two years in the period ended December 31, 2002 were audited by other auditors whose report dated February 21, 2003 expressed an unqualified opinion on such financial highlights.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (US). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Funds' internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2005, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly in all material respects, the financial position of the above mentioned Funds as of December 31, 2005, the results of their operations for the year then ended, and the changes in their net assets and the financial highlights for the periods referred to above, in conformity with accounting principles generally accepted in the United States of America.



**Philadelphia, Pennsylvania
February 10, 2006**

TRUSTEE AND OFFICER INFORMATION (Unaudited)

| Name, Address, and Age | Position(s) Held with Trusts | Date Elected† | Principal Occupation(s) During the Past 5 Years | Number of Portfolios In Fund Complex Overseen by Trustee | Other Directorships Held by Trustee |
|---|------------------------------|---------------|--|--|--|
| Timothy W.N. Guinness 19 Lord North Street London, SWIP 3LD U.K. (59) | Trustee | August 1998 | Chairman of Guinness Asset Management Ltd., investment adviser in London, since 2003. Chairman/CIO of Guinness Atkinson, since November 2002. Joint Chairman of Investec Asset Management Ltd. September 1998 to March 2003. | 4 Guinness Atkinson Funds | Investec Global Strategy Fund Limited, Investec International Accumulation Fund Limited, Investec Select Funds Plc, Investec High Income Trust Plc, SR Europe Investment Trust Plc. Atlantis Japan Growth Fund Ltd., New Boathouse Capital Ltd. Guinness Asset Management Ltd. |
| James I. Fordwood* 21550 Oxnard Street, Suite 750 Woodland Hills, CA 91367 (59) | Trustee | April 1994 | CFO and Managing Member of Prima Marketing LLC (network of convenience stores) | 4 Guinness Atkinson Funds | J.L. Energy, Inc., Intoil, Inc., Fior D'Italia. |
| Dr. Gunter Dufey* 21550 Oxnard Street, Suite 750 Woodland Hills, CA 91367 (66) | Trustee | April 1994 | Pacific International Business Associates, a consulting firm in Singapore since 2002. Professor (em.) of Ross School at The University of Michigan, where he served from 1968-2002. | 4 Guinness Atkinson Funds | Independent director, five subsidiaries of GMAC in the United States and Canada. |
| Dr. Bret A. Herscher* 21550 Oxnard Street, Suite 750 Woodland Hills, CA 91367 (46) | Trustee | April 1994 | President of Pacific Consultants, a technical and technology management consulting company serving the Electronic industry and venture capital community that he co-founded. | 4 Guinness Atkinson Funds | Strawberry Tree Inc. |
| J. Brooks Reece, Jr.* 21550 Oxnard Street, Suite 750 Woodland Hills, CA 91367 (59) | Trustee | April 1994 | Vice President of Adcole Corp. a manufacturer of precision measuring machines and sun angle sensors for space satellites. | 4 Guinness Atkinson Funds | Adcole Far East Ltd. |

* Not an "interested person", as defined in the 1940 Act of the Funds.

† Trustees and officers of the Fund serve until their resignation, removal or retirement.

| Name, Address, and Age | Position(s) Held with Trusts | Date Elected† | Principal Occupation(s) During the Past 5 Years | Number of Portfolios In Fund Complex Overseen by Trustee | Other Directorships Held by Trustee |
|--|------------------------------|---------------|--|--|-------------------------------------|
| Jim Atkinson 21550 Oxnard Street, Suite 750 Woodland Hills, CA 91367 (48) | President | April 2003 | Chief Executive Officer and Director of Guinness Atkinson since November 2002. Principal of ORBIS Marketing, a mutual fund marketing and advertising firm since November 2001. President of MAXfunds.com from September 2000 to March 2001. Managing Director of Guinness Flight Global Asset Management US (1993-2000). | N/A | N/A |
| Rita Dam 2020 E. Financial Way, Suite 100 Glendora, CA 91741 (39) | Treasurer and Secretary | November 2004 | Vice President, U.S. Bancorp Fund Services, LLC. since July 2001. Vice President of the Investment Company Administration LLC (1994-July 2001). | N/A | N/A |
| Richard F. Cook, Jr. 2 Portland Square Portland, ME 04101 (54) | Chief Compliance Officer | December 2005 | Officer of Foresides Fund Services LLC since November 2005, and Managing Director of Foreside Compliance Services LLC since January 2006. From 2002, Founder and Managing Member of NorthLake, LLC. From 1985-2002, Executive Officer, Director and Shareholder of Century Capital Management, Inc. and Secretary of Century Shares Trust. | N/A | N/A |

† Trustees and officers of the Fund serve until their resignation, removal or retirement.

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Guinness Atkinson Funds and Guinness Atkinson Asset Management, LLC may collect non-public information about you from the following sources:

- Information we receive about you on applications or other forms;
- Information you give us orally; and
- Information about your transactions with us.

We do not disclose any non-public personal information about our shareholders or former shareholders without the shareholder's authorization, except as required by law or in response to inquiries from governmental authorities. We restrict access to your personal and account information to those employees who need to know that information to provide products and services to you. We also may disclose that information to unaffiliated third parties (such as to brokers or custodians) only as permitted by law and only as needed for us to provide agreed services to you. We maintain physical, electronic and procedural safeguards to guard your non-public personal information.

Guinness Atkinson Funds Information

Board of Trustees

J. Brooks Reece, Jr., Chairman
Dr. Gunter Dufey
James I. Fordwood
Timothy W.N. Guinness
Dr. Bret A. Herscher

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| Guinness Atkinson Funds | | | |
|-------------------------|-------------|--------|-------|
| Fund | Cusip | Ticker | Fund# |
| Asia Focus Fund | 402031 10 8 | IASMX | 1096 |
| China & Hong Kong Fund | 402031 20 7 | ICKKX | 1094 |
| Global Innovators Fund | 402031 30 6 | IWIRX | 1095 |
| Global Energy Fund | 402031 40 5 | GAGEX | 1098 |

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