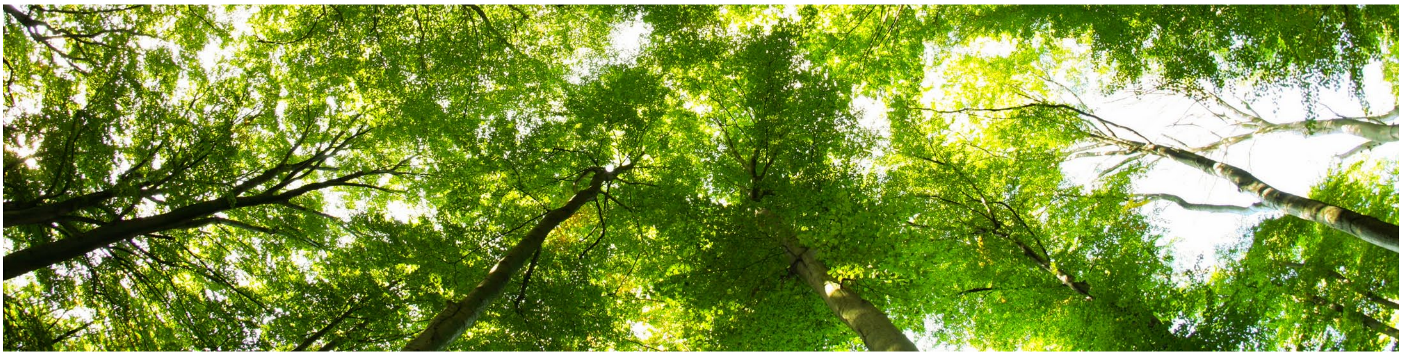

GUINNESS ATKINSON FUNDS

Inflation Managed Dividends *brief*

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Commentary and Review by co-portfolio managers
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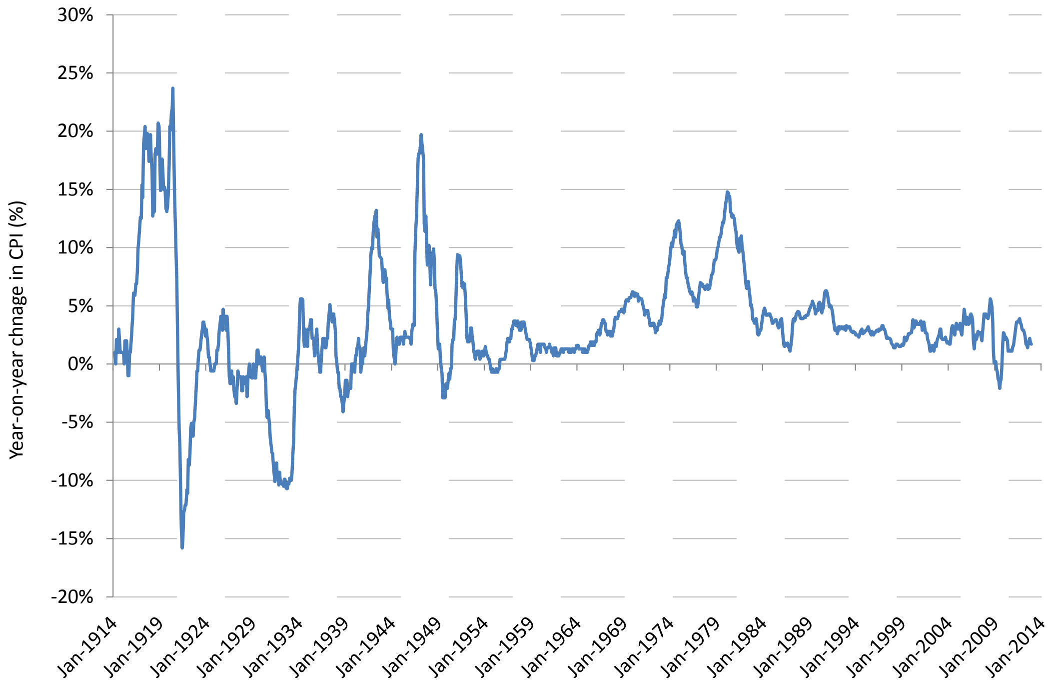
Manager's Review

Some thoughts on inflation.

Two months ago, in our December manager's update for the fund, we discussed our outlook for bonds versus equities, which was prompted by an analysis that showed retail sales of bond funds far outstripping those of equity funds over the prior twelve months and that government bond yields were hitting historic lows. As we start 2013 in earnest, the trend of investor flows appears to have begun to swing in the opposite direction with equity fund sales now turning positive. In the media much has been made of this 'great rotation' and the subsequent asset price inflation that will surely follow this 'wall of money'. January equity market performance was said to be a case in point, with the MSCI World Index rallying an impressive 7.56% in the month. We think there is some merit in this idea, but that basing one's whole investment thesis on it is likely foolhardy; indeed, the thesis may be quite the opposite, with good equity performance driving investor flows, rather than the other way around. More likely, we think, is that improving economic indicators, such as US housing data, better than expected China GDP, and an improving Eurozone PMI, boosted investor confidence in the short term and overshadowed any lingering doubts surrounding the on-going US debt ceiling debates or the European growth outlook.

One subject that has received relatively little attention in the media, however, is the outlook for inflation; despite the great amount of quantitative easing employed since the financial crisis and the extraordinary government intervention into markets we have witnessed in recent years, inflation has remained fairly stable. If we look at the year-on-year change in the consumer price index (CPI) in the US as an example, we can see it has been running at 2.15% over the past year, and just 2.29% over the past three years, on average.

Year-on-year change is US consumer price index (CPI)



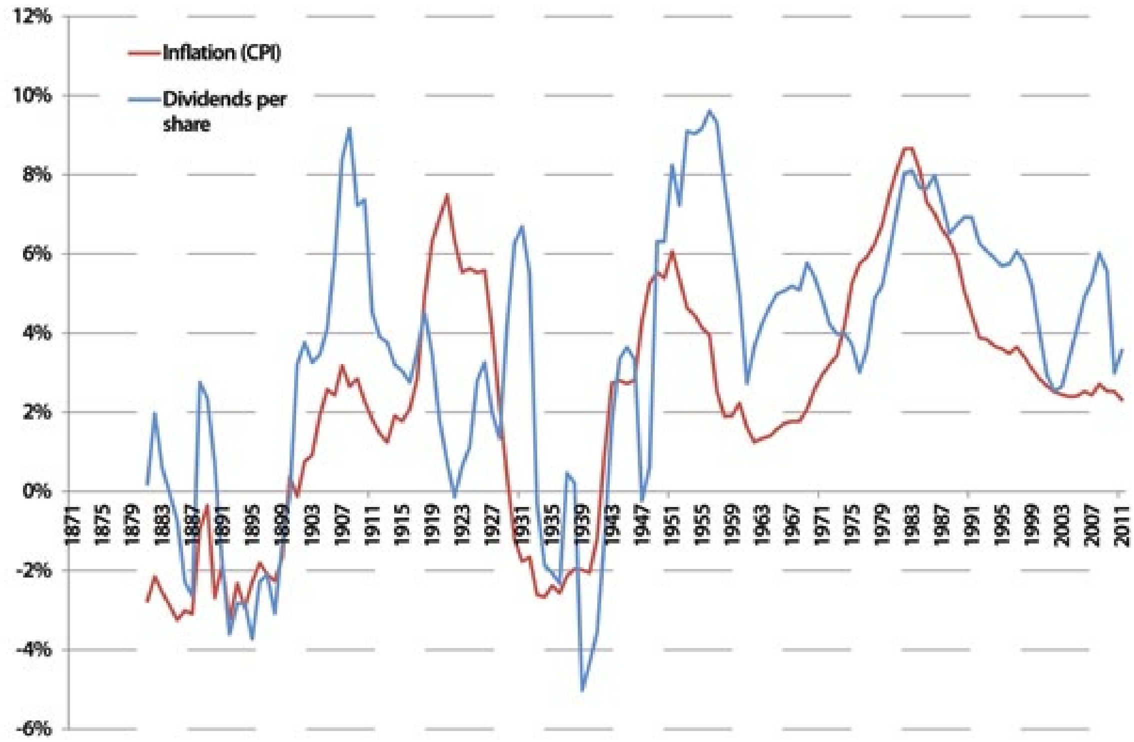
Source: Bloomberg, Guinness Atkinson Asset Management

At the same time, we have seen yields in the index linked bond markets pushed into negative territory, suggesting investors fear that the extreme monetary policies enacted in recent times could result in significant increases in inflation in the future. The extended period of high inflation in the 1970s, and its consequences, is not so far in the past as to be forgotten in the memories of investors today it seems.

The large overhang of public sector debt in many developed countries can also be used as a potential indicator of higher inflation in the future, insofar as inflation may be seen as a useful tool to help 'solve' such overhangs in terms on nominal debt levels. Indeed, it is interesting to note central banks have recently been moving away from inflation targeting as the main anchor of monetary policy – a policy route that only became popular in the last two decades. In December the US Federal Reserve stated that it would keep interest rates at or below 0.25% until unemployment falls to "at least" 6.5%; Mark Carney, the new Bank of England Governor, suggested targeting nominal GDP rather than consumer prices alone; and in Japan Prime Minister Shinzo Abe has forcefully launched an unprecedented fiscal and monetary policy which includes the Bank of Japan setting a 2% inflation target with the aim of ending the near two decades of deflation. All such policy amendments suggest to us that central banks are setting out their stall to give themselves room to continue reviving growth even if inflation begins to move above target. The presumption being that any rise in inflation above target would only be temporary in any case; a presumption we would be extremely cautious of, if history is anything to go by.

So what does this mean for investors? In an inflationary environment the outlook for bonds, and in particular long duration bonds, could be very negative. We believe investors could be better placed investing in well capitalized companies, with a focus on those companies that pay a sustainable and growing dividend, if they require an income stream from their investments. We have shown before in previous updates that equity dividend growth and inflation are actually well correlated over the long-term, which means investors can give themselves some protection in the purchasing power of that dividend stream into the future. If the company also has the ability to pass on costs to their consumers, then their margins and earnings should also be better able to defend against the creeping effects of inflation.

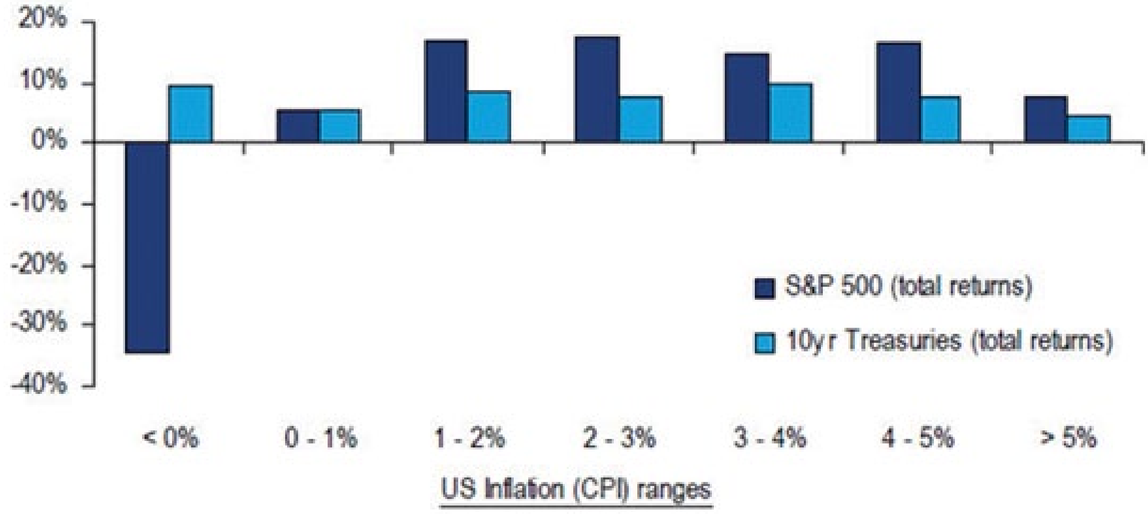
Rolling 10-year growth in inflation (CPI) and S&P500 dividends per share



Source: Robert J Shiller, stock market data used in "Irrational Exuberance", Princeton University Press, Guinness Atkinson Asset Management

Bank of America Merrill Lynch also released an interesting chart recently looking at returns of bonds and equities (represented by 10 year Treasuries and the S&P500, respectively) in different inflationary environments which show equities outperforming bonds in all cases where inflation trends above 1%.

US Equity versus US Treasury total returns in different inflationary environments



Source: BofA Merrill Lynch Global Research, Bloomberg

Like all outlooks, our view may well be incorrect, and the ability of the market to maintain 'unsustainable' levels for far longer than one might expect never ceases to surprise, but we believe inflation may well be a risk that investors have not yet fully appreciated.

Portfolio

Equity markets started 2013 with a bang. The fund's focus on quality companies with high cash flow returns on investment and bias towards value tends to mean (in broad terms) that the fund does not capture the full upside when markets move sharply upwards in a short period; as investors tend to buy more growth orientated and cyclical stocks in preference. The good performance in January was driven by a rebound of stocks that had been weak in December; most notably, some of the more defensive 'blue chip' stocks we own in the US, such as Walmart and Coca Cola, appeared to be sold down in December by the market in anticipation of changing rules regarding dividend taxes. In the end, dividend taxes were increased only modestly for US investors, and at a rate much lower than feared. The stocks that underperformed in December therefore bounced back in January, gaining not only the lost ground, but their share of the market exuberance as well.

In January the fund delivered a total return of 4.38%. As of 12/31/12, the fund since inception (3/31/12) has returned 4.89%, and as of 01/31/13 the fund
since inception has returned 9.48%. Expense Ratio for the Inflation Managed Dividend Fund is 0.92% (gross), 0.68% (net).

Performance data quoted represent past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. For most recent month-end and quarter-end performance, visit www.gafunds.com/performance.asp or call (800) 915-6566.

The Fund imposes a 2% redemption fee on shares held for less than 30 days. Performance data does not reflect the redemption fee and, if deducted, the fee would reduce the performance noted.

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

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

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

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

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

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

Correlation is a statistical measure of how two securities move in relation to each other.

Cash Flow is a revenue or expense stream that changes a cash account over a given period.

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

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.

You cannot invest directly in an index.

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