



**GUINNESS
ATKINSON**
FUND S



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Alternative Energy *brief*

Commentary and Review by co-portfolio managers
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The sector had a strong start in 2013. This month we explore recent news throughout the world that impacts the sector, both positively and negatively.

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Fund News

The alternative energy sector made a strong start to 2013. Indications that companies in the solar and wind manufacturing sector are beginning to “turn the corner” continued, China further increased its commitment to renewables and President Obama gave support for alternative energy policy a high priority in his annual State of the Union address.

The macro-economic environment remains tricky, with European issues still unresolved, although the US, China and Japan are showing signs of recovery. The outlook for the sector is beginning to improve, with subsidy regimes that are driving demand spread across more countries and with long term growth expectations reset at low levels. However, investors should note that the alternative energy sector still faces uncertainty and visibility on earnings is low. That means that valuations are low, but it also means that we are likely to see continued high volatility of prices in the sector.

Recent news that has a positive impact on the alternative energy sector:

State of the Union address

President Obama kept renewable energy high on his priority list in the State of the Union Address, with high level commitment to putting in place more supportive policy for the industry

Chinese solar companies pre announcing strong demand growth

A number of the Chinese solar manufacturers, including Trina Solar, Yingli Solar, JA Solar and Jinko Solar have announced that demand is now at or above the high end of company forecasts.

China delaying announcing preliminary results of anti-dumping probe

The delay of China's probe into US, EU and South Korean polysilicon prices bodes well for an agreed settlement to be reached. Tariff wars in this sector are not helpful in increasing the availability of renewables at the lowest cost possible.

French Feed-in tariff

France has increased the feed-in tariff available for non-agricultural solar sites and is keen to boost solar installations as they start having to address the replacement of their aging nuclear power plant fleet.

Japan tax break extension

Japan has extended tax breaks for wind and solar as part of a 20.2 trillion Yen economic stimulus package.

China solar targets raised

China has increased its target for solar installations by 2015 from 21GW to 35GW, a 67% increase. We think they are likely to exceed this target.

Recent news that has a negative impact on the alternative energy sector:

Lower Italian and German baseload electricity prices

European baseload electricity prices have fallen to low levels mainly as a result of lower economic activity than expected. This could create a headwind for all projects that earn baseload power rates as part of their revenues.

Italian politics

Uncertainty over elections in Italy could mean that there are headwinds to making new installations in Italy.

Germany looking at retrospective reductions to Feed-in tariffs

While we don't believe it likely to happen, German ministers are reported to have been looking at small 1-1.5% reductions in Feed-in tariffs for existing plant. This would have a dramatic negative impact on the cost of capital for German renewables projects and a knock on effect to other countries.

Fund Performance (January 2012)

The Guinness Atkinson Alternative Energy Fund was up 12.15% for January 2013.

Total Returns as of 12/31/12

	Dec-12	QTD 2012	YTD 12	1 Year	5 Year	From Inception
Guinness Atkinson Alternative Energy Fund (inception 03/31/06)	8.61%	2.75%	-15.20%	-15.20%	-29.70%	-19.77%
WilderHill New Energy Global Innovation Index	7.27%	2.95%	-4.23%	-4.23%	-22.63%	-10.41%
Wilderhill Clean Energy Index	6.49%	-1.98%	-17.59%	-17.59%	-31.53%	-21.50%
MSCI World Index	1.96%	2.68%	16.62%	16.62%	-0.62%	2.83%

Total Returns as of 1/31/13

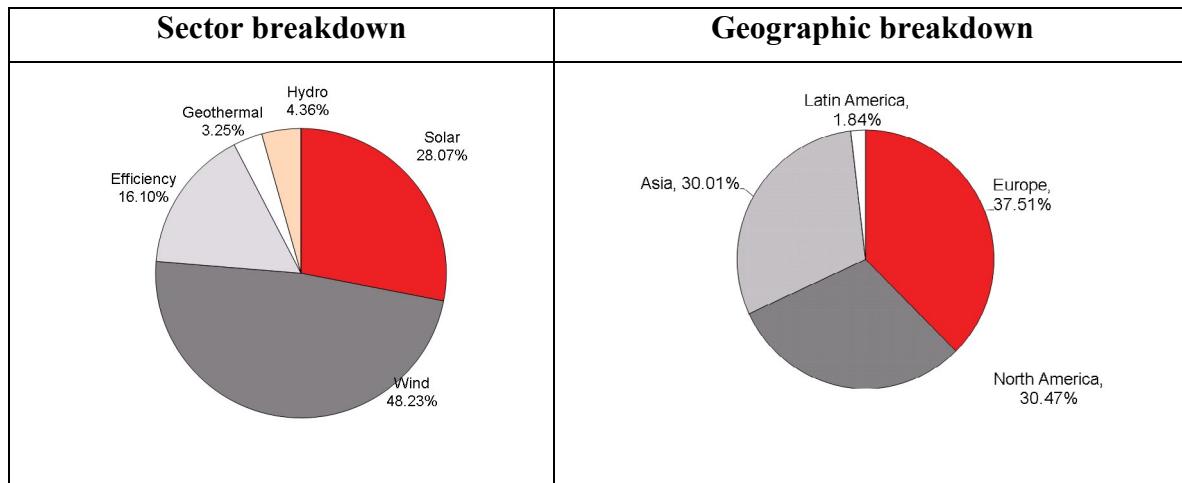
	Dec-12	QTD 2012	YTD 12	1 Year	5 Year	From Inception
Guinness Atkinson Alternative Energy Fund (inception 03/31/06)	12.15%	12.15%	12.15%	-13.49%	-25.36%	-18.19%
WilderHill New Energy Global Innovation Index	7.62%	7.62%	7.62%	-5.63%	-18.20%	-9.32%
Wilderhill Clean Energy Index	8.37%	8.37%	8.37%	-20.83%	-26.81%	-20.33%
MSCI World Index	5.13%	5.13%	5.13%	16.71%	2.05%	3.54%

Gross Expense Ratio 1.76%

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

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting www.gafunds.com or calling 800-915-6566.

The Funds impose a redemption fee of 2% on shares held less than 30 days. Performance data does not reflect the redemption fee. If reflected, total returns would be reduced.



Fund Holdings

Better performers in January were entirely solar holdings—Sunpower, Nordex, Renesola, Canada Lithium and JA Solar. Poor performers were STR Holdings, Verbund, Power-One, Maple Energy and Boralex.

Top Ten Holdings as of 01/31/13	% of Assets
CANADA LITHIUM CORP	7.66%
GOOD ENERGY GROUP PLC	6.05%
CHINA LONGYUAN POWER GROUP-H	4.29%
SUNPOWER CORP	4.24%
NORDEX SE	3.90%
ENEL GREEN POWER SPA	3.66%
THEOLIA SA - REGR	3.56%
CHINA SUNTIEN GREEN ENERGY-H	3.50%
RENESOLA LTD-ADR	3.50%
ACCIONA SA	3.34%

Commentary for our views on global energy and Asia markets is available on our website. Please [click here](#) to view.

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

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

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

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

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

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

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

One cannot invest directly in an index.

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