



**GUINNESS  
ATKINSON**  
F U N D S

## Alternative Energy *brief*



Matthew Page



Ed Guinness

March 2013

**Commentary and Review by co-portfolio managers  
Edward Guinness and Matthew Page**

---

*This month we provide a general update and comment on recent news that impacts the sector.*

---



[Subscribe to other  
Guinness Atkinson  
E-mail services](#)

[View Archive Briefs](#)

- ➔ Fund News
- ➔ Performance
- ➔ Holdings

### **Fund News**

The month started well, with Obama including supporting alternative energy as one of his top priorities for his second term in office. Ernest Moniz has been appointed US Energy Secretary and Gina McCarthy has been appointed head of the Environmental Protection Agency. As Obama appointees, we think they are likely to be supportive of alternative energy, but we note that both have historically been supporters of natural gas both as competition for and as an enabler of alternative energy technologies

China has announced that it is imposing emission limits for air pollution on March 1st. This is part of a steadily increasing program of support for alternative energy technologies.

Carbon prices have been depressed to the point that they do not contribute that meaningfully to the business cases or financing for alternative energy projects. To try to address this, the EU voted in favor of carbon backloading but with insufficient majority, which means action will be pushed back later into 2013.

Europe has introduced an \$83.65/tonne anti-dumping duty on imports of bioethanol from the US. All such tariffs are ultimately unhelpful in advancing the biofuels industry globally.

German government ministers are trying to slow down growth of renewables subsidies in Germany, as a result of high commercial and residential electricity prices. Notwithstanding the high electricity prices being paid, German baseload power rates are at new lows. This is ultimately challenging for all participants in the German electricity market, but this shows signs of the positive impact of renewables on overall electricity costs. To affect this, the German Environmental minister Altmeier is looking to slow alternative energy cost growth in Germany in conjunction with Finance Minister Roesler.

## **Solar**

Recovery in solar panel installation in Europe, adding to solid demand in the US, Japan and China, has helped bolster prices, with small price increases for modules, cells and polysilicon. Europe has announced that solar modules from China are to be registered. This is potentially the first step in imposing a tariff on them, which would be a drag on industry growth. We believe that once there is clarity on tariffs to be imposed in Europe and China on solar products, the industry will be able to address those and focus on lowering costs and increasing volumes installed.

RWE's CEO has said that he expects that Germany will "tear down" the 52GW limit for FIT installations that was set by the German government. This implies that he believes we will see strong unsubsidised demand for Solar in Germany.

Saudi Arabia has announced a plan to install 54GW of solar and wind by 2032 and 24GW by 2020. They currently have just 10MW of solar power installed.

## **Company progress**

A number of the solar manufacturers have announced strong demand growth for Q4 2012 and higher growth expectations for 2013. SMA Solar expects an earlier return to profitability than previously expected and we are seeing signs.

Of concern in the portfolio, Vestas has announced layoffs of 10% of its Colorado blade manufacturing staff. Suntech has made progress towards refinancing its convertible bond by resolving its claims against a third party for fraud, but has removed the CEO, Zhenrong Shi from the board to enable refinancing discussions to proceed.

Overall, February was a volatile month, with investors bedding down the gains of the last three months. We are becoming cautiously optimistic that there will be better clarity on the outlook for the sector by later this year which we believe will support stock price rises in the sector.

**Fund Performance (February 2013)**

The Guinness Atkinson Alternative Energy Fund was down 0.36% for February 2013 and is up 11.74% for 2013 year to date.

**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 02/28/13**

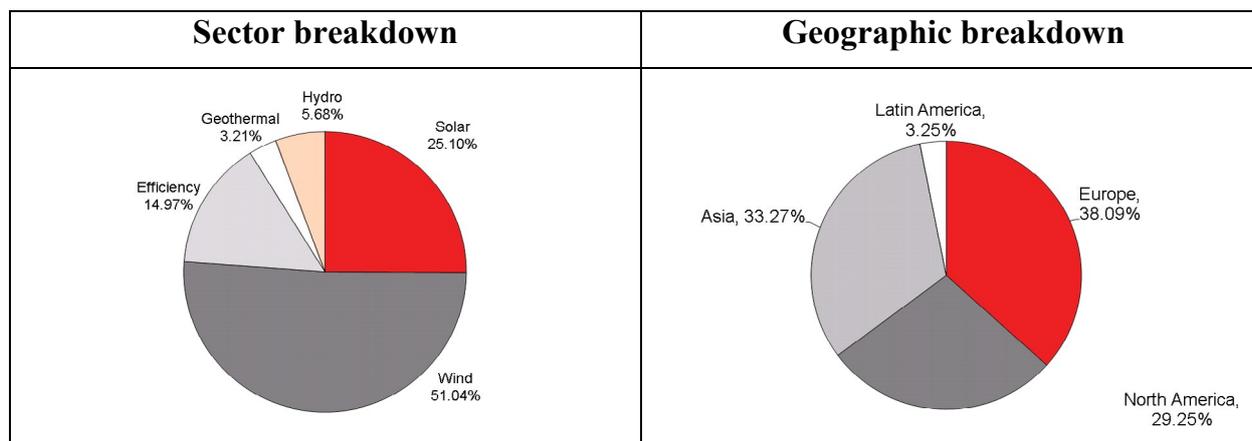
	Feb-12	QTD 2012	YTD 12	1 Year	5 Year	From Inception
Guinness Atkinson Alternative Energy Fund (inception 03/31/06)	-0.36%	11.74%	11.74%	-15.38%	-25.05%	-18.05%
WilderHill New Energy Global Innovation Index	2.20%	9.99%	9.99%	-7.27%	-17.76%	-8.94%
Wilderhill Clean Energy Index	-0.84%	7.46%	7.46%	-21.41%	-26.01%	-20.23%
MSCI World Index	0.23%	5.37%	5.37%	11.45%	2.21%	3.54%

Gross Expense Ratio 1.81%

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](http://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 February were a mix of Asian renewables utilities, wind turbine manufacturers and a US solar company—China Datang Renewables, Sunpower, Huaneng Renewables, Gamesa and Vestas. The Asian solar names gave back some of their gains from the previous month and as a result the poorest performers were Suntech Acciona, Trina Solar, JA Solar and Yingli Green Energy.

Top Ten Holdings as of 02/28/13	% of Assets
Canada Lithium Corp	7.12%
Good Energy Group PLC	5.72%
China Longyuan Power Group Corp	5.00%
China Datang Corp Renewable Power Co Ltd	4.67%
Huaneng Renewables Corp Ltd	4.17%
China Suntien Green Energy Corp Ltd	4.08%
Nordex SE	4.07%
ReneSola Ltd - ADR	3.93%
Enel Green Power SpA	3.52%
Power-One Inc	3.45%

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.

Distributed by Quasar Distributors, LLC