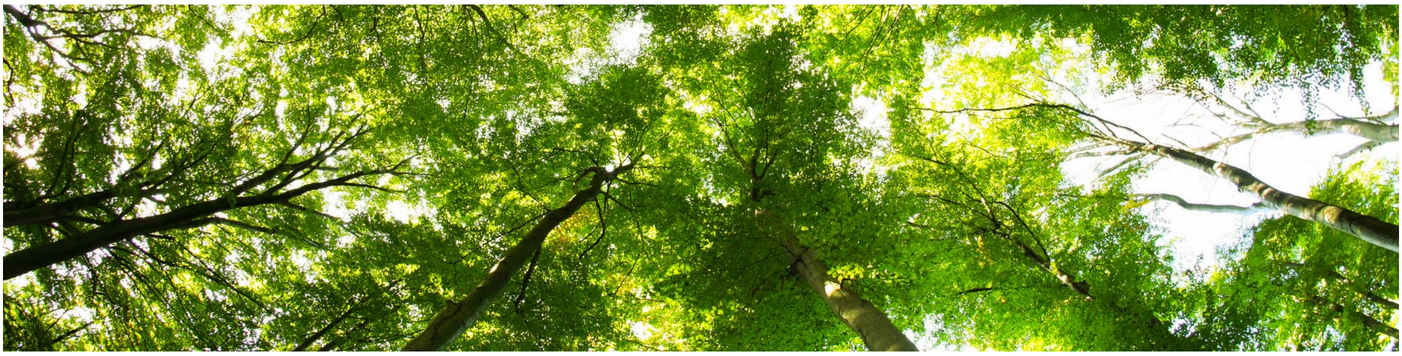

GUINNESS ATKINSON FUNDS

Inflation Managed Dividends *brief*

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Commentary and Review by co-portfolio managers Dr. Ian Mortimer, CFA and Matthew Page, CFA

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Manager's Review

The first half of March continued where February left off, with equity markets rallying strongly. The second half of the month saw prices soften, but overall in March the MSCI World index was up 2.40%. This marks the fifth month in a row of positive performance for global equities.

Throughout March developed markets led the way, with Japan and the US posting the strongest gains with, perhaps surprisingly, Europe also posting small positive returns. Chinese and Russian equities lagged, with small losses also seen in a number of other emerging market regions. Looking at where this leaves us year-to-date, we see a similar picture: Japan, the US and the UK having the largest gains; Western Europe showing modest positive returns; and the majority of emerging markets down. It is interesting to note the performance of each market since the bottom of the financial crisis (which we have taken as March 9, 2009); The US has recovered most strongly alongside the Hang Seng Index, Russia and India. However, this can partly be a reflection of a recovery of markets which fell most dramatically in the crisis. If we instead look at the total return of each market from its individual pre-crisis peak, we can see, for example, Russian equities have some distance to go to recover losses sustained during the financial crisis.

Table of market index total returns (all data in local currencies)

Total return (%) to month end 3/31/2013		Month	YTD	Since market bottom (3/9/09)	Date of pre-crisis peak	Return since pre-crisis peak
S&P 500 INDEX	US	3.75	10.61	152.97	12/10/2007	13.43
FTSE 100 INDEX	UK	1.38	9.97	114.22	12/10/2007	20.12
DAX INDEX	Germany	0.69	2.40	111.14	12/10/2007	-3.06
CAC 40 INDEX	France	0.40	2.69	75.26	01/06/2007	-24.75
Euro Stoxx 50 Pr	Europe	-0.26	-0.00	74.39	13/07/2007	-26.68
NIKKEI 225	Japan	7.94	20.13	89.92	13/07/2007	-24.49
HANG SENG INDEX	Hong Kong	-2.80	-1.22	124.35	02/11/2007	-13.17
SHANGHAI SE COMPOSITE	China	-5.44	-1.42	13.85	12/10/2007	-58.53
MICEX INDEX	Russia	-3.15	-2.41	126.65	16/05/2008	-19.65
KOSPI INDEX	South Korea	-1.07	0.39	95.25	28/10/2007	6.60
S&P BSE SENSEX INDEX	India	-0.01	-2.88	144.78	13/01/2008	-2.70
BRAZIL BOVESPA INDEX	Brasil	-1.87	-7.55	53.38	16/05/2008	-22.56

Source: Bloomberg

On a sector basis, using the individual sectors of the MSCI World Index, we can broadly identify where the positive performance seen in the first quarter has been achieved. In periods of sharply rising markets we typically would expect the more cyclical sectors of the market to drive the rally. However, in the first quarter of 2013 the 7.89% rise in the MSCI World Index has in large parts come from a strong performance in the more defensive sectors such as health care and consumer staples, which are up 14.48% and 12.85% respectively. We believe this is a reflection of both valuations at the start of the year and also a note of caution as investors looking for exposure to equities choose to allocate to ‘lower risk’ assets in the first instance. The Inflation Managed Dividend Fund’s relatively high exposure to both of these top-performing sectors has aided the performance seen since the start of the year.

Table of MSCI World Index total returns (all data in USD)

Total return (%) to month end 03/31/2013	Month	YTD
MSCI World Index	**2.40%**	**7.89%**
MSCI World Health Care Index	5.62%	14.48%
MSCI World Consumer Staples Index	4.35%	12.85%
MSCI World Consumer Discretionary Index	3.37%	9.83%
MSCI World Industrials Index	1.61%	8.54%
MSCI World Financials Index	1.21%	7.61%
MSCI World Telecom Service Sector Index	4.74%	7.56%
MSCI World Utilities Sector Index	4.11%	6.35%
MSCI World Energy Sector Index	1.03%	5.53%
MSCI World Information Technology Index	2.33%	4.92%
MSCI World Materials Sector Index	-2.57%	-3.24%

Source: Bloomberg

So, with markets up so strongly in just a few months, where do we think we'll go from here? History has shown that it is foolhardy to simply 'chase the market', but neither are we prepared to throw in the towel. A sanguine approach would be to note 'cautious optimism' and effectively sit on the fence; there remains enough evidence to suggest a reasonable economic outlook in the US for example, but this can easily be tempered by the continuing issues caused by the unsustainable indebtedness in the European periphery. Instead of trying to call the top, or pile in with renewed bullish zeal, we instead continue to try and do the simple things right, thinking long term and focusing on good value, cash-generative companies that have shown the ability to perform well in most economic conditions and are committed to creating shareholder value and returning that value back to shareholders in the form of dividends and share buybacks. We also try to maintain a strong sell discipline, taking profits where companies we own have performed well and no longer have a sufficient upside to warrant holding them in the fund, i.e. the margin of safety has become too thin and expectations for future growth have become stretched.

Two companies we felt had reached this level were Wal-Mart and VF Corp, which we sold this month. We have owned both companies in the fund since launch (03/31/2012) and each has made a significant contribution to performance. They are both very different businesses and have grown in very different ways, but what they share is a remarkable ability to generate cash and a consistent approach to distributing that cash back to shareholders. Over the last year alone, VF Corp increased its dividend by over 20% and Wal-Mart by just under 10%. However, neither company is now the bargain it once was (VF Corp trades on 15.3X P/E ratio for 2013, and Wal-Mart on 15.4X), and the share price growth of both companies has outpaced that of the dividend, meaning their dividend yields have significantly reduced. We continue to like both companies and will follow their progress in the future, but for now we are happy to take profits and put those profits back to work in other companies where we see better opportunities.

In last month's fund commentary we noted the markets obsession with 'cliffs' of all types, be it patent or fiscal, and the investment opportunities these obsessions can throw up - as people's perceptions of the severity and implications of such cliffs move the market to extreme levels which do not necessarily reflect reality. One area in particular we identified were the defence stocks which looked cheap on our screens because of the negative sentiment towards these companies following the sequestration debates in the US. To take advantage of these cheap valuations, and to replace our sales of Wal-Mart and VF Corp, we purchased two new companies for the portfolio; Northrup Grumman and BAE Systems. Northrop Grumman is a US-focused defense contractor trading on a 9.9X P/E ratio for 2013, and BAE Systems is a more internationally diversified supplier of defense equipment and systems trading on a 9.4X P/E ratio for 2013. Both companies have underperformed the broad market in recent months and are trading on EV/EBITDA multiples at historic lows. But with free cash flow yields of 10%+ and proven track records of generating high returns on capital even in previous periods of budgetary constraints we feel these companies now offer a compelling investment opportunity.

Portfolio

In March the Fund delivered a total return of 4.03% and 8.99% year to date (YTD). As of 03/31/13, the Fund's one-year performance is 14.32% and has returned 14.28% since inception (3/30/12). 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 http://www.gafunds.com/IMD_performance 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.

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

P/E is a valuation ratio of a company's current share price compared to its per-share earnings.

EV/EBITDA is a financial ratio that measures a company's return on investment that is normalized for differences between companies like capital structure, taxation and fixed asset accounting.

Free Cash Flow is a measure of financial performance calculated as operating cash flow minus capital expenditures.

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.

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.

The FTSE 100 Index is an index of 100 blue-chip stocks on the London Stock Exchange.

The DAX is an index that represents 30 of the largest and most liquid German companies that trade on the Frankfurt Exchange.

The CAC 40 is an index that tracks the 40 largest French stocks based on market capitalization on the Paris Bourse.

The Euro Stoxx 50 pr is market capitalization-weighted stock index of 50 large, blue-chip European companies operating within eurozone nations.

The NIKKEI 225 is a price-weighted index comprised of Japan's top 225 blue-chip companies on the Tokyo Stock Exchange.

The Hang Seng Index is a market capitalization-weighted index of 40 of the largest companies that trade on the Hong Kong Exchange.

The SHANGHAI SE COMPOSITE is a market composite made up of all the A-shares and B-shares that trade on the Shanghai Stock Exchange.

The MICEX INDEX is an un-weighted price index that tracks the ten most liquid Russian stocks listed on MICEX-RTS in Moscow, Russia.

The KOSPI INDEX is a series of indexes that track the overall Korean Stock Exchange and its components.

The BSE SENSEX is a free-float market capitalization-weighted stock market index of 30 well-established and financially sound companies listed on the Bombay Stock Exchange.

The Bovespa Index is a gross total return index weighted by traded volume & is comprised of the most liquid stocks traded on the Sao Paulo Stock Exchange.

The MSCI World/Health Care Index is a free-float weighted equity index based in the health care sector.

The MSCI World/Consumer Discretionary Index is a free-float weighted equity index based on the Consumer Discretionary sector.

The MSCI World/Industrials Index is a free-float weighted equity index based on the industrials sector

The MSCI World/Consumer Staples Index is a free-float weighted equity index based on the Consumer Staples sector.

The MSCI World/Financials Index is a free-float weighted equity index based on the financial sector.

The MSCI World/Telecommunication Services Index is a free-float weighted equity index based on the Telecommunication services sector.

The MSCI World/Utilities Index is a free-float weighted equity index based on the utilities sector.

The MSCI World/Energy Index is a free-float weighted equity index based on the energy sector.

The MSCI World/Information Technology Index is a free-float weighted equity index based on the information technology sector.

The MSCI World/Materials Index is a free-float weighted equity index based on the materials sector.

One cannot invest directly in an index.

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