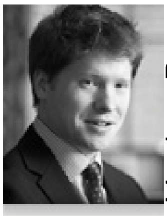
GUINNESS ATKINSON FUNDS

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

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A recent visit to China brought interesting insight into the solar industry, which has been on an upward trend of late. We hold an increasingly positive outlook for the sector as surviving companies begin to profit from lower equipment costs, higher volumes and growing demand.

- Fund News
- Performance
- Holdings

Fund News

This brief combines reports on events for two months—March and April 2013—where the alternative energy sector continued to outperform the broader markets, albeit with high volatility.

I am growing increasingly positive on the outlook for the equities in the sector, as the surviving companies begin to profit from the lower price points for equipment, higher volumes and increasing demand.

China Visit

Edward Guinness made a trip to China to visit bureaucrats, companies, regulators and utilities. The main conclusions of the trip were that China is still very committed to renewables and has to be given the air quality concerns in the major cities and the continuing strong economic growth. There were interesting signs that the command and control economy that seems so attractive for rolling out new energy projects is subject to a more western style of checks and balances, with an increasing incidence of consultations and bureaucratic blockages to moving fast.

For the Chinese solar companies, they were operating at higher capacities than in late 2012, and there were indications that the leading module manufacturing companies are hoping to sell volumes this year that exceed nameplate capacity on their manufacturing plants. Government support is there for a select few and the survivors are reaping the benefits of lower competition as many plants have now been shut down.

For the Chinese renewables industry, we believe the outlook is positive, with curtailment of existing assets being reduced, prices for new installations remaining low and the planning and grid connection regimes have been improved to favor renewables.

EU tariffs on solar

We are in the middle of the negotiations between China and the European Union (EU) on tariffs for the solar industry. The EU Commission appears to be heading down a path towards imposing tariffs on Chinese solar products which would probably result in retaliatory tariffs from the Chinese on European polysilicon imports. This may lead to higher module prices, which is likely to lower demand.

There is a chance that tariffs are not imposed—this would be very positive for the solar sector and might provide the turning point for the industry.

Our current expectations are for tariffs to be imposed, but with the solar manufacturers finding ways to sidestep them. This is a highly commoditised global industry that responds fast to regulatory changes.

US PTC extension

Wind installation levels have fallen dramatically after the reintroduction of the Production Tax Credit at the beginning of this year as project pipelines were empty on the expectation of no extension. This year, lawmakers are pushing to extend this tax credit before the year end. In our view this has the potential to be a positive catalyst for the industry, but experience from previous years would point to a decision being made at the last minute.

Solar growth

The demand response in solar growth that we were expecting to see in 2013 is beginning to materialize. Anecdotally, demand in Japan, the US is stronger than expected. Chinese installations are ramping up, and a surprising number of emerging markets are beginning to see strong growth in installations. In Europe there has been as surge in module buying prior to the imposition of the tariffs discussed above.

Underpinning this is what appears to be a bottoming out of the polysilicon price. This means that companies will not have to make further write downs of inventory and that may help support module prices. It is also a good indicator of the strong demand we are seeing.

Chinese solar bankruptcies

Two of the stocks within the portfolio are now in a distressed situation—LDK Solar and Suntech. The stock price of LDK is up since the announcement that it was late on a repayment, while the stock price of Suntech is down. Both are in discussions with creditors and creditors of subsidiaries, and we think there is a chance that one or both of the companies makes a recovery from here. They are being managed as distressed positions.

Power-one acquisition

Power-one, one of the two inverter manufacturers has announced that it is being acquired by ABB. The announced premium was 53.53% to the previous closing share price and we are pleased with the share price performance, notwithstanding that, we believe that ABB are making the acquisition at a discount to the long term value of the business. They are certainly buying at a moment when future demand is uncertain. We see increased M&A activity as indication of the potential for the sector.

Fund Performance (March & April 2013)

The Guinness Atkinson Alternative Energy Fund was down -5.80% in March, up 10.00% in April and is up 15.79% for 2013 year to date.

Total Returns as of 04/30/13

	Apr-13	QTD 2012	YTD 12	1 Year	5 Year	From Inception
Guinness Atkinson Alternative Energy Fund (inception 03/31/06)	10.00%	10.00%	15.79%	3.51%	-26.00%	-17.25%
WilderHill New Energy Global Innovation Index	6.63%	6.63%	17.15%	11.92%	-17.87%	-7.73%
Wilderhill Clean Energy Index	10.11%	10.11%	16.69%	-4.10%	-25.10%	-18.83%
MSCI World Index	3.20%	3.20%	11.34%	17.51%	2.46%	4.26%

Total Returns as of 03/31/13

	Mar-13	QTD 2012	YTD 12	1 Year	5 Year	From Inception
Guinness Atkinson Alternative Energy Fund (inception 03/31/06)	-5.80%	5.26%	5.26%	-15.09%	-26.31%	-18.55%
WilderHill New Energy Global Innovation Index	-0.11%	9.87%	9.87%	-1.99%	-17.77%	-8.66%
Wilderhill Clean Energy Index	-1.37%	5.98%	5.98%	-20.70%	-25.58%	-20.14%
MSCI World Index	2.40%	7.89%	7.89%	12.61%	2.88%	3.85%

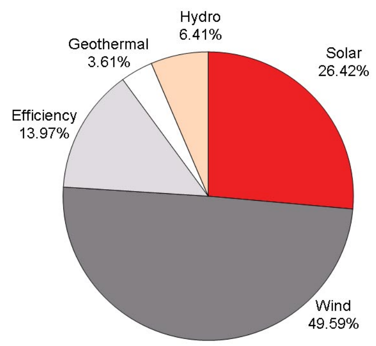
Gross Expense Ratio 1.81%

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

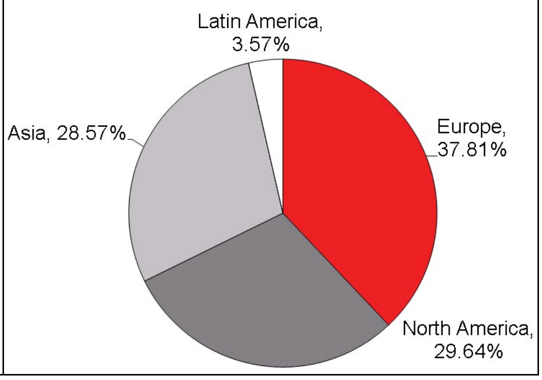
Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the 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 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.

Sector breakdown



Geographic breakdown



Fund Holdings

Better performers over the two months were Power One, which received a takeover offer, Nordex, Huaneng renewables, Gamesa and Trina Solar. Poorer performers were Suntech, Canada Lithium, LDK Solar, Maple Energy and Thermal Energy International.

Top Ten Holdings as of 04/30/13	% of Assets
Canada Lithium Corp	5.61%
Good Energy Group PLC	5.37%
Power-One Inc	5.23%
China Sunpower Corp	3.98%
Huaneng Renewables Corp Ltd	3.87%
Nordex SE	3.86%
China Datang Corporation	3.74%
Gamesa Corp	3.60%
Cemig	3.57%
Ormat Technologies	3.52%

Commentary for our views on global energy and Asia markets is available on our website. Please click here to view.

Total returns reflect a fee waiver in effect and in the ab¬sence of this waiver, the total returns would be lower.

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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