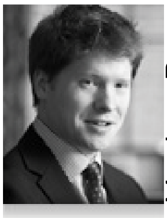
GUINNESS ATKINSON FUNDS

Alternative Energy *brief*



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

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This month we explore the impact of recent EU solar module tariffs and provide a general update on the alternative energy sector and our Fund.

Fund News

May was an excellent month for alternative energy equities.

The main drivers of the Fund's performance were the portfolios solar stocks, which benefited from increasing module prices, the Chinese wind developers who have seen increasing government support for Chinese renewables and grid investment, and the wind turbine manufacturers who are seeing steady orders and the potential for some improvement in the outlook for US installations.

The biggest headline event has been the imposition of tariffs on Chinese solar modules of which more is discussed below. Higher US natural gas prices are favorable for alternative energy, and Chinese air quality issues are keeping energy at the forefront of policy decisions in Beijing. Headwinds have been low; European electricity prices and the ongoing potential for governments to raid highly cash generative renewable investments to increase tax receipts.

EU Tariffs on Solar

The European Union (EU) have introduced a temporary 11.8% tariff on imports of Chinese solar panels with the threat of an increase to 47% if some compromise is not reached by August. The path to get here has been tortuous. German solar module manufacturers complained that Chinese module manufacturers were receiving illegal subsidies and dumping panels into Europe. The EU has agreed and proposed high tariffs of 47% on imports of Chinese solar modules. Interestingly, 18 of the 27 EU countries opposed this high tariff level, including Germany, which has led to the compromise of the 11.8% rate as a negotiating position.

The Chinese have, in retaliation, threatened to impose tariffs on imports of wine from the EU. This would directly hit the countries who are believed to have been supportive of the tariffs—France, Spain and Italy. Amusingly, the EU commissioner leading the push for tariffs, Mr Van der Gucht, owns a vineyard in Italy.

Our view is that the tariffs are a big mistake, first, because the accusations of illegal subsidies and tariffs do not stand up to cursory review. International solar companies all receive some form of subsidies, as witnessed by the US grant program, which gave over $500 million to Solyndra. In China, the main forms of subsidies are loans from Chinese state banks. These are at market rates which are typically in the 6% to 10% range, far in excess of the cost of subsidy finance available in the US and Europe. On dumping, the Chinese are selling modules in their home market at lower prices than they sell them for in Europe, and it is a highly competitive commoditised market where 10 or more major Chinese module competitors compete aggressively for every contract. That is the reason why prices have fallen, not as a result of a dumping strategy to gain a monopoly position.

The second reason why we believe that tariffs are a mistake are because we think they will not have the desired effect. If Chinese modules are subject to high tariffs, module prices in Europe should go up, which could increase electricity costs and lower installation volumes, potentially damaging local installations firms where the bulk of employment in the industry lies. Manufacturing could shift from China to low cost manufacturing countries without tariffs, and these are typically not in Europe. There may not even be any protection for the European manufacturing industry, and the EU solar installation industry could suffer.

What will happen next? It is hard to see a happy outcome in the near term. There is little that the Chinese government can do to impact the prices Chinese companies sell at in Europe, and it is not offering any subsidies to manufacturers that it can stop offering. The often touted suggestion that minimum prices are introduced is not a sensible solution—this will be good for profits at Chinese manufacturers but would harm the EU solar installation industry. We think that access to the growing Chinese market is the best that the EU can strive for. If the tariffs do go up to 47%, this will be damaging in the short term for the European solar industry, but I believe the tariffs would be overturned in December by a vote of the European countries.

On a positive note, the US and EU are engaging further with China on how to move forward for this industry. These tariffs are ultimately a tax on domestic energy consumers, and, in our opinion, the sooner we can move on from proposals for trade tariffs the better.

Module prices rising

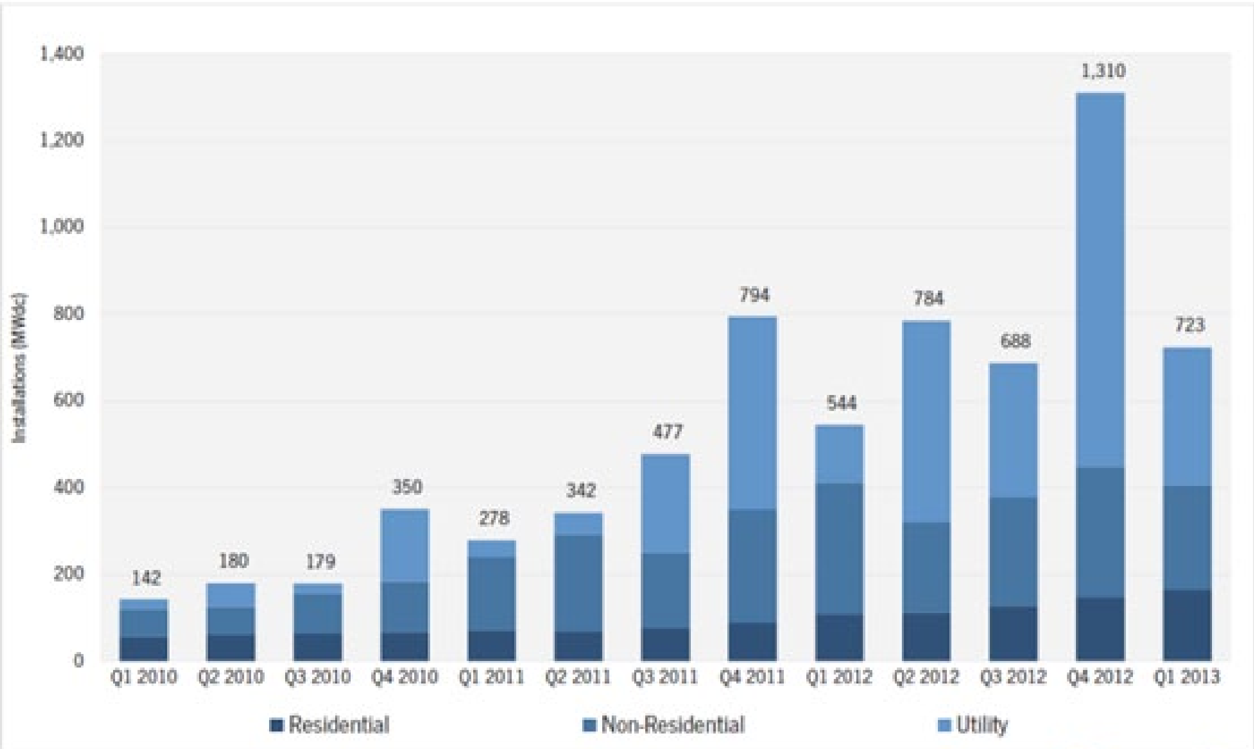
Over the last quarter, module prices have increased from the lows for Chinese modules of 64c to 78c (source: Bloomberg New Energy Finance). This has been as a result of strong demand, inventory from the first quarter being worked through and many second and third tier manufacturers ceasing production. While we expect prices to decline over the long run, the current pricing level allows for better profitability at module manufacturers. We believe that polysilicon prices are unlikely to fall dramatically from current levels and are therefore not going to support continuing production if module prices fall. Overall, we believe this could lead to better earnings numbers in the second half of 2013.

Japanese solar market poised for growth

Cumulative capacity approved for Feed-in Tariffs in Japan increased by over 7.5 gigawatts (GW) in just the first quarter of 2013. Expectations are for 6GW to 9GW of installations in 2013 in Japan.

US solar market has continued to grow

Figure 2.1 U.S. PV Installations by Market Segment, Q1 2010-Q1 2013



Complete dataset available in full report

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As shown in the above chart, US installations are growing substantially; even the seasonally weak first quarter showed installations of 723 milliwatts (MW). The same report forecast 4.4 GW of installations for 2013—our expectation is that the actual level could be higher than that as new business models such as that used by Solarcity become more established and utility programs ramp up as a result of much lower installation costs.

Fund Performance (May 2013)

The Guinness Atkinson Alternative Energy Fund was up 10.49% for May 2013 and is up 27.94% for 2013 year to date.

Total Returns as of 05/31/13

	May-13	QTD 2013	YTD 13	1 Year	5 Year	From Inception
Guinness Atkinson Alternative Energy Fund (inception 03/31/06)	10.49%	21.54%	27.94%	38.34%	-24.92%	-15.91%
WilderHill New Energy Global Innovation Index	12.48%	19.93%	31.77%	43.13%	-16.84%	-6.11%
Wilderhill Clean Energy Index	13.66%	25.14%	32.63%	30.63%	-24.31%	-17.17%
MSCI World Index	0.14%	3.34%	11.51%	28.72%	2.23%	4.31%

Total Returns as of 03/31/13

	Mar-13	QTD 2013	YTD 13	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%	-18.56%
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%

Expense Ratio 2.02% (net*); 2.32% (gross)

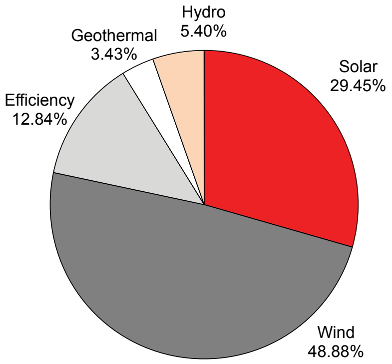
**The Advisor has contractually agreed to reduce its fees and/or pay fund expenses through 06/30/2014.*

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

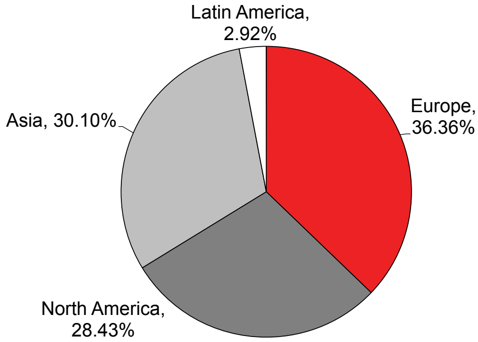
Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the 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 month were JA Solar (+71.9%), Vestas (+70.1%), Suntech (+50.7%), Sun-power (+42.1%) and SMA Solar (+34.2%). Poorer performers were Cemig (-18.8%), Canada Lithium (-14.2%), Maple Energy (-10.0%), Acciona (-5.0%) and Theolia (-4.7%).

Top Ten Holdings as of 05/31/13	% of Assets
SUNPOWER CORP	5.04%
VESTAS WIND SYSTEMS A/S	4.89%
GOOD ENERGY GROUP PLC	4.72%
POWER-ONE INC	4.67%
CANADA LITHIUM CORP	4.29%
JA SOLAR HOLDINGS CO LTD	4.11%
GAMESA CORP TECNOLOGICA SA	3.70%
HUANENG RENEWABLES CORP	3.69%
CHINA SUNTIEN GREEN ENERGY	3.64%
WATER FURNACE REWABLE ENERGY	3.61%

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 absence 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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