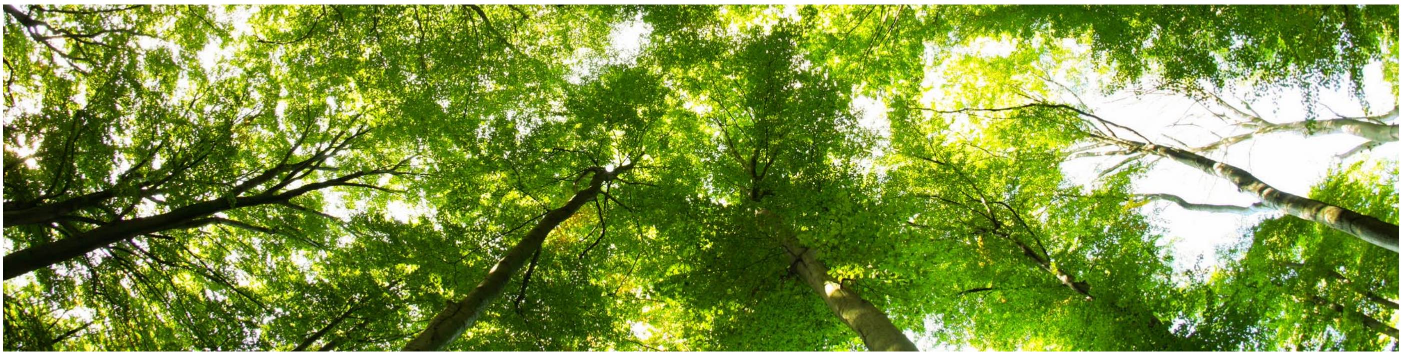

GUINNESS ATKINSON FUNDS

Inflation Managed Dividends *brief*

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**Commentary and Review by co-portfolio managers
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Manager's Review

The so-called 'risk rally' began to stall in May. Japan gave up some of the strong gains seen since Prime Minister Shinzo Abe stepped in to reflate the Japanese economy earlier in the year, and emerging markets in general were weak. The US remained a bright spot, despite its retreat in the last week of the month. As of 05/31/13 this still leaves the MSCI World Index up +11.51% since the start of the year and up +142.15% since the market bottom on March 9, 2009. As of 05/31/13 on an annualized basis, this equates to a return of 23.25% per year since the market turned following the financial crisis – a generous return in anyone's book. Within this recovery there have been several corrections on the way, but the march has always been ever higher. Investors have also become used to the 'risk-on/risk-off' mind-set and appear to have developed an unhealthy appetite for central bank liquidity. This is best illustrated in the bizarre 'bad-is-good, good-is-bad' analysis of US economic data points with regard to how the Federal Reserve may react; good jobs numbers one month, for example, will be followed by a drop in US equity prices, as investors believe improved employment rates will encourage the Fed to slow their bond buying sooner.

The market turn at the end of the month reflected investors' concern over the removal of liquidity from the market, given added focus in this instance by the April/May Federal Open Market Committee meeting minutes and the May 22 testimony of Fed chairman Bernanke to Capitol Hill. The uncertainty surrounded the prospect and timing of any potential tapering of the Fed's $85 billion in monthly bond purchases. Various market participants inferred the Fed could even start to reduce their bond buying as early as September this year. In reaction, treasury yields moved higher and some high dividend-yielding equities moved lower, as implied future demand for these bond-like securities waned with the prospect of a return to more 'normal' bond yields. The worst performing sectors in the S&P500 during May were utilities (down 9.03%) and telecoms (down 7.36%), which also have the highest dividend yields of the ten industry sectors at 4.2% and 5.3%, respectively.

What do we surmise from these market movements, and how have we changed the Fund's portfolio in response? In fact we made no changes to the portfolio in the month, and instead continue to prefer to take a long view, rather than try and time the market by dialling up or down the 'risk' in the portfolio. What May has shown, however, is the danger of chasing yield. As markets have moved upwards over the last few years many companies' dividend yields have become depressed as their dividend growth (even if impressive) has often not matched that of their share price appreciation. In this scenario some investors can succumb to the temptation of buying lower quality securities to satisfy their search for yield. With markets making new highs every week, this investment philosophy can potentially reap great rewards. If you are left holding these lower quality assets when the music stops, however, then they are often the first and hardest fallers.
Our approach is to focus on quality companies first and foremost. What we are interested in are the cash flows a company can generate in the future and what those cash flows are worth today. If we can get confidence in the ability of that company to achieve those cash flows in a variety of economic conditions (both good and bad), then we can remain long-term holders, whatever the vagaries of the market throws at us.

Whether we can buy these types of quality companies cheaply is another matter. The opportunities available when we launched the fund at the beginning of 2012 are not as prevalent today as the market has appreciated so much since then, which makes the job of finding good quality, cheap companies that much harder. What we note, however, is that the market often emphasizes returns on a very short timescale – whether the next quarterly results are above or below consensus, or the number of widgets sold compared to this time last year has increased or not. This means good companies which are out of favor can become mispriced. We have seen that the market tends to concentrate on the next six months and fails to adequately recognize the value of the cash flows the company can generate in two, three or even five years hence, when whatever cloud hanging over the company has dispersed. We classify many of the companies held in the Fund today under this description of good companies that are currently unloved – Microsoft, ICAP, AstraZeneca, Pfizer, Northrup Grumman, to name just a few.

Although we find the ebb and flow of the markets fascinating, we will keep trying to concentrate on finding quality companies with robust cash flows which offer good value and a reasonable and growing dividend. We believe that, if markets remain focused on the short term, there will continue to be ample opportunities for the patient, long-term investor.

Portfolio

In May the fund delivered a total return of 1.12%, and as of 5/31/13, the Fund's one-year performance was 28.62%, it was 14.19% year to date, and it has returned 19.75% since inception (3/30/12). As of 3/31/13, the Fund's one-year performance returned 14.32%, its year to date was 8.99%, and its since inception was 14.28%. The expense ratio for the Inflation Managed Dividend Fund is 7.05% (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 protect against loss in a declining market

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.

One cannot invest directly in an index.

Cash flow is a revenue or expense stream that changes a cash account over a given period.

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