GUINNESS ATKINSON FUNDS

Alternative Energy brief

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Commentary and Review by portfolio manager Edward Guinness

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This month we provide comment on recent sector news and an update to our outlook and positioning

Fund News

We are happy with the fund's performance this year and pleased that the fund is demonstrating what we would expect from a pure-play fund when the sector performance recovers.

However, from our perspective, we feel that the sector is just at the foothills of recovery, with the sector showing signs that it is coming through the end of a down-cycle for alternative energy. We therefore aim to continue to position the fund for further upside in the sector.

IPCC 5th Assessment Report

We read with interest the Working Group 1 contribution to the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report. The new evidence presented confirmed the scientific finding that global warming is being caused by human activity and levels of greenhouse gases. It showed that we are increasingly certain that we will see more extreme weather and more extreme sea levels.

From the perspective of the alternative energy fund, these form one of the drivers for a shift away from fossil fuels, but we believe that the drivers of finite fossil fuel reserves, energy security concerns and direct environmental issues with fossil fuels will remain more important near term drivers, as they are responding to more tangible problems.

We await keenly the reports on mitigation and adaptation that will have more direct bearing on the specific support that climate change policies may engender for alternative energy companies.

While the modelling of the economic and human impact of climate change is less certain than the modelling of changes in temperature and the consequential overall changes to climate, we remain convinced that we should endeavor to avoid ending up in a world with temperatures several degrees higher in the lifetime of people alive today. The uncertainty of the impact of this change is worth addressing today, as there is a chance that it could be considerably more catastrophic than feared.

European utilities

In the UK and across Europe, electricity prices for consumers have continued to rise independently of wholesale power prices. The price increases proposed by utilities in the UK have caused an uproar. While the first response has been to blame green subsidies, the informed comment has noted that this reflects the likely higher future cost of electricity using new plants and the increasing price of fossil fuels. This creates an improved opportunity for renewables whose costs continue to fall and are becoming increasingly competitive, even without subsidies.

EDF nuclear deal

The British government has agreed a deal with Environmental Defense Fund (EDF) to build a new nuclear power station—the first in a generation - by offering a fixed price of £92.50 per milli-watt hours (MWh) linked to inflation. This is roughly $150 per MWh for baseload power, which is a higher cost than new wind installations and higher than the cost of southern European unsubsidized solar power. And solar is likely to continue to fall in price as the efficiency of the technology increases. New coal and gas power plants are similarly more expensive today than many think, and the recognition of that is likely to accelerate the growth of quick to install, low marginal cost renewables.

Outlook

With the strong run up for the year in 2013, we have some concerns that stock prices are now more accurately reflecting the levels of risk that the sector faces. However, much of the return has come from stocks recovering from distressed situations, and many of the stocks are still a long way from historically high prices.

The risks facing the sector are slowly being resolved. Price levels of installations for all alternative energy technologies, not just wind and solar, have fallen to levels where there are much improved economics for installations and where the level of investment is only beginning to respond to the attractive returns now available. Expectations of the long-term natural gas price in a world with shale gas are rising, and public support for the sector remains strong. Balance sheets are improving, and for most sectors, there is more rational pricing of equipment.

The long-term outlook for alternative energy remains good. The key drivers remain in place: dwindling fossil fuel supplies, energy security concerns, environmental issues, and climate change. The reduced cost of alternative energy technologies is likely to accelerate the growth of the alternative energy sector. We continue to position the Fund to benefit from the long-term growth of the sector.

Positioning

The Fund is most exposed to the wind and solar sectors, with just under half the portfolio in wind stocks and roughly a quarter in solar stocks. The remainder of the portfolio is invested in specific company situations rather than representing sector views.

Within the wind portfolio there is a range of holdings. About a quarter of the wind exposure is invested in turbine manufacturers who are beginning to see growth in their order books and who are benefiting from lowering their cost base over the last five years. The rest of the wind exposure is split between large utility-type positions, smaller utilities and Chinese renewables utilities.

The large utility-type positions have attractive valuations and solid pipelines for steady growth. The smaller utilities are reaping the rewards of having completed portfolios of installations over recent years but whose pipelines provide a strong growth corridor. The Chinese utilities are benefiting from mandated strong growth and low installation costs. Several of them had suffered when their wind production was curtailed in recent years, but improvements to the grid are now reversing that.

The Fund's solar positions have performed well this year, but we think they have significant potential for further growth. Stabilization of pricing this year and a floor to the polysilicon price has allowed manufacturers to catch their breath, and the long-expected pick-up in demand is supporting improved utilization, and therefore, margins. We hold a number of the tier one manufacturers likely to benefit from this, and we have recently acquired a position in a Chinese installer that is well placed for the government-mandated growth in installations in China.

Other holdings are in hydro companies, which have struggled with lower base-load electricity prices in Europe and unexpected regulatory changes in Latin America.

As one of the only funds that is investing in alternative energy as a pure-play strategy, we are well placed to capture the returns from an industry that is only now beginning to recover from 2008.

Fund Performance (September 2013)

The Guinness Atkinson Alternative Energy Fund was up 15.47% for September 2013 and is up 63.16% for the year to date.

Total Returns as of 09/30/13

	Sept-13	QTD 2013	YTD 13	1 Year	5 Year	From Inception
Guinness Atkinson Alternative Energy Fund (inception 03/31/06)	15.47%	29.17%	63.16%	67.64%	-13.54%	-12.46%
WilderHill New Energy Global Innovation Index	10.75%	16.92%	46.56%	50.88%	-7.60%	-4.50%
Wilderhill Clean Energy Index	15.53%	17.91%	56.14%	53.05%	-14.60%	-14.63%
MSCI World Index	5.04%	8.34%	17.89%	21.05%	8.59%	4.88%

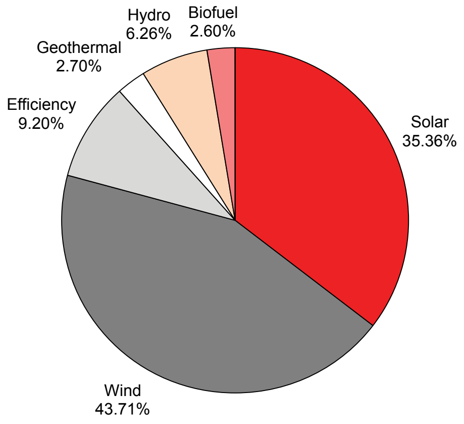
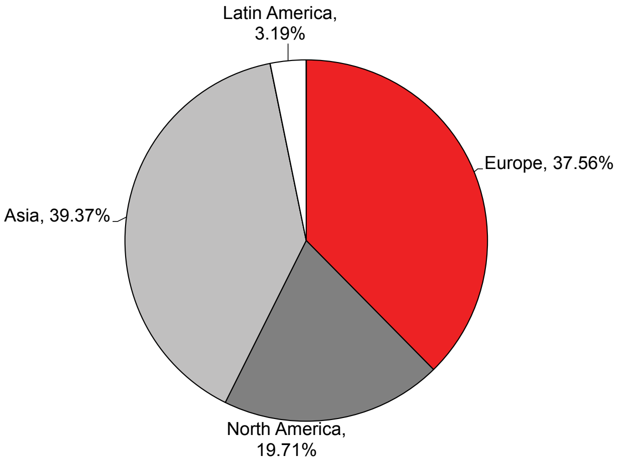
Expense Ratio 2.02% (net); 2.32% (gross)

The Advisor has contractually agreed to reduce its fees and/or pay fund expenses in order to limit the Fund's Total Operating Expenses to 1.98% 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 September were Trina Solar (+64.6%), Yingli Green Energy (+61.4%), JA Solar (+43.6%), Jinkosolar (+40.5%) and Vestas (+35.3%). This mainly reflected increasing belief that there is a floor in the solar module price and that global demand is increasing. Poorer performers were Theolia (-16.3%) whose takeover offer lapsed, China Datang (-12.6%), Maple Energy (-8.1%), Greentech Energy Systems (-4.3%) and China Longyuan (-1.6%).

Top Ten Holdings as of 09/30/13	% of Assets
Trina Solar Ltd.	5.69%
SunPower Corp.	4.78%
Good Energy Group PLC	4.69%
Yingli Green Energy Holding Co. Ltd.	4.33%
JinkoSolar Holding Co. Ltd.	4.02%
JA Solar Holdings Co. Ltd.	3.98%
ReneSola Ltd.	3.58%
Vestas Wind Systems A/S	3.47%
Gamesa Corp Technologica SA	3.33%
Nordex SE	3.25%

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 investment 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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