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

During November the Financials was the strongest performing sector within the portfolio, with our holdings in Aberdeen Asset Management (+13.8%) and ICAP (+9.6%) performing well. The market reacted particularly positively to the news that Aberdeen Asset Management had struck a deal to acquire Scottish Widows Investment Partnership from Lloyds Banking Group in a transaction mainly financed by equity. We believe it is an attractive deal for Aberdeen as they increase their assets by £136 billion British pounds(£) and reduce the company's concentration in Emerging Market products. With this deal Aberdeen becomes the largest listed asset management company in Europe.

It has been a fairly volatile year for Aberdeen's share price. By May the company had delivered a total return of around 20% only for it to give up all this performance in June after concern Bernanke's signal of tapering the Fed's quantitative easing program could lead to outflows in their core Emerging Market offering. Since finding a low in the summer, the share price has rallied after Aberdeen bought SWIP (Scottish Widows Investment Partnership) in November. The underperformance in June relative to the rest of the portfolio combined with our equally weighted portfolio structure meant that we were able to top up our position.

It is a company that has continued to look attractive to us. The company is a classic example of a more cyclical company that we like to own in the portfolio. Aberdeen has generated consistently high return on capital, it has had essentially no debt and it has traded on what we believe is a very undemanding 2015 PE (price to earnings) multiple of 12x. The valuation multiple currently looks attractive relative to its peer group, with Blackrock trading on a 2015 PE of 17x, T Rowe Price 19x, Schroders 16x as a few examples. The valuation also does not look demanding when compared to its historical range with the company currently trading at around its 10-year average multiple. When we look at the company's cash flow we think there is plenty of potential for continued dividend growth given the company's tiny capex demands and significant operational leverage. As of 11/30/13, it trades on a dividend yield of 4%.

When we construct a discounted cash flow valuation for Aberdeen our model is showing that at the current price (as of 11/30/13) the market is baking in effectively zero growth in free cash flow over the long-term. While clearly a cyclical business we think this is likely to be too conservative given the company's scale and ability to access new distribution channels. Clearly there are risks associated with the business and as we have seen this year, the share price can be volatile. However, we believe our equally weighted portfolio structure combined with rebalancing can turn this volatility in our favour.

We also saw strong performance from our Healthcare holdings in the form of TEVA Pharmaceutical (+10.8%) and Merck (+10.5%).

The worst performing company in the month was Meggitt (-11.1%), the UK based engineering company after they modestly reduced revenue guidance for 2013 due to production issues in the US and announced a raw material supply issue which will have a small impact into next year. These sorts of issues are par for the course for any company that has lumpy order books[1] and producing high-tech industrial components. What we noted which we found encouraging was that despite sequestration in the US, revenues from their military division were flat.

We have owned Meggitt since March 2012 and it has performed well over the period generating a total return of 30.1% despite recent weakness. It looked very attractive to us back in 2010 and despite the company's good performance it continues to look attractive today as we believe it has become a stronger company. Return on capital has remained steady and high, operating margins have improved from a very healthy 20% in 2010 to around 24% as of 11/30/13 this year, while the company has been reducing its debt burden from what we believe was a perfectly reasonable debt to equity ratio of 54% in 2010 to 38% as of June 30th this year. Meanwhile the company has paid out a dividend in 2013 that is 44% higher than what it paid in 2010 while reducing its dividend payout ratio from 50% in 2010 to around 35% today. We believe the company has remained attractively valued. It trades on a 2015 P/E ratio of 11.7x which does not look expensive relative to the company's historic valuation range and looks very cheap, comparitively. On paper, it looks like an attractive acquisition target.

As we have explained in earlier updates we have been increasing our exposure to the Industrials sector over the course of this year as we have found what we believe to be some attractively valued opportunities in Northrop Grumman, BAE Systems and Schneider Electric. Encouragingly we are starting to see some increasingly positive industrial production numbers out of the US and Europe with US industrial output now above its prerecession peak. Encouragingly for Northrop Grumman and BAE the recent US budget deal that passed the Senate and Congress will lessen defence sequester cuts in 2014 and 2015.

[1] "lumpy" refers to the fact that the company's orders are not increased gradually but rather by large jumps, due to the nature of the business.

Portfolio Performance

as of 09/30/13	YTD	1 YR	Since Inception (3/30/12)
Inflation Managed Dividend Fund*	20.87%	22.87%	26.76%
MSCI World Index	17.90%	21.06%	23.13%

as of 11/30/13	YTD	1 YR	Since Inception (3/30/12)
Inflation Managed Dividend Fund	27.26%	27.86%	33.48%
MSCI World Index	24.80%	27.25%	30.34%

*The expense ratio 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 medium and 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.

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.

Earnings growth is a measure of growth in a company's net income over a specific period, often one year.

Price/Earnings (P/E) ratio reflects the multiple of earnings at which a stock or group of stocks in an index sells. It is equal to the market

Free cash flow dividend is the cash a company produces from its operations less the cost of expanding its asset base.

Debt/equity ratio is a measure of a company's financial leverage calculated by dividing its total liabilities by stockholders' equity.

Capex, or capital expenditure, is funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment.

Return on capital is a return from an investment that is not considered income. The return of capital is when some or all of the money an investor has in an investment is paid back to him or her, thus decreasing the value of the investment.

Discounted cash flow (DCF) is a valuation method used to estimate the attractiveness of an investment opportunity.

Dividend payout ratio is the percentage of earnings paid to shareholders in dividends.

Earnings growth and P/E ratio are not forecasts of future performance and earnings growth for a Fund holding does not guarantee a corresponding increase in the market value of the holding or the Fund.

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