GUINNESS ATKINSON FUNDS

Alternative Energy *brief*

Ed Guinness

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Commentary and Review by portfolio manager Edward Guinness

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This month we review the Fund's performance in 2013 and provide our Outlook for the Alternative Energy sector in 2014.

2013 Performance Review

The headline performance of the Guinness Alternative Energy Fund in 2013 was very strong. Please review the performance table below. We note that the sector had underperformed the broad markets from 2008 to 2012 and that this 2013 performance does not nearly return the fund to pre-2008 levels. However, we believe that it is an indication that the sector is beginning to turn the corner and demonstrates the high return potential that exists in this sector, albeit with high risks.

The three main parts of the portfolio that drove the strong 2013 performance were:

- Chinese solar manufacturers
- European wind turbine manufacturers
- Chinese renewables utilities

The Chinese solar manufacturers returned from the dead as the price of solar modules has plateaued as a result of strong demand growth for solar and intervention by the EU to provide a floor price at which the Chinese can sell modules in Europe. Many of the manufacturers had been trading at valuations that implied that they would not survive, whereas now these companies are returning to profitability and visibility on the potential growth and profitability is increasing. Furthermore, many of them have moved into developing projects themselves with the likely aim to capture higher margins on sales.

The European wind turbine manufacturers benefited from improving order books, particularly from the US and developing markets, and pricing for wind turbines stayed relatively firm over the year. Importantly, the companies also started to reap the benefits of their cost restructuring. The companies have been positioning themselves for a lower growth market and are therefore operating in a much leaner way, which should position them well for any growth in market share that they can achieve and any growth in the market overall.

The Chinese renewables utilities have benefited from China's continued push to support the renewables industry. First, the low price of wind turbines from Chinese manufacturers could provide high returns on new installations. Second, existing installations are benefiting from improvements to the grid so that they are able to sell nearly all of the electricity they produce. Third, they have access to debt for new projects from Chinese state owned banks.

The weakest performing stocks in the portfolio were the fund's only biofuels holding which suffered as ethanol prices fell and the lithium mining investment. Both of these companies are ramping up production and delays have put pressure on their balance sheets and stock prices.

Outlook for 2014

The outlook for alternative energy remains challenging, with government budgets still under pressure, natural gas price weakness in the US and project financing still challenging. However, it is the potential for these challenges to be overcome or to dissipate that provides us with cause for optimism for the fund.

The area that we are most excited about for 2014 and beyond remains solar. We estimate that the best in class cost of solar installations has fallen to about $1.30/Watt from about $6.00/Watt in 2008. This means that solar is now competitive without subsidies in an increasing number of countries, particularly more emerging economies with structural electricity deficits and high electricity prices from use of diesel plants. Even in Germany and the UK a consumer can earn 10%+ returns on an installation based on the avoided cost of electricity from the grid.

The industry is also much less reliant on any one country compared to the over-reliance on Spain, Italy and Germany that has been seen historically and this combined with increasing unsubsidised demand means that the risk of market volumes falling is much lower. This has been further helped by the EU imposition on a floor for prices of Chinese modules, which has made the EU a far less competitive market from a price perspective to the benefit of the manufacturers. A number of analysts are forecasting growth of the market to 40-50GW (gigawatts) and we believe that estimates are likely to be revised upwards. We take this as a sign that the industry is in less of a state of oversupply. In fact, we think that the potential growth in demand from the current low price of modules is likely to lead to a plateau in pricing for a number of years. Solar companies are now competing against retail electricity costs for the first time and this provides extra support to solar module prices.

For the wind industry, we see potential upside to global demand from the emerging economies. Europe and China do not offer major growth opportunities, although we would expect installations to continue at roughly currently levels. The US is hard to predict, although past experience would lead to expectations that if 2014 is a good year, there may be a fall in 2015 if supporting legislation is allowed to lapse at the end of 2014. However, an early extension would allow maintenance of installations. With wind costs now able to deliver electricity at 5cents/kilowatt hour (c/kWh) or less in some geographies, we see the main wind industry growth coming from developing economies, where the electricity cost is again the more important driver. We see specific opportunities in a recovery in valuations for the large cap European renewables utilities held in the portfolio and even more potential from the smaller cap utilities who have been bringing assets into production at a faster rate as a result of their stage of maturity.

Other holdings are in more stock specific type opportunities in hydro, geothermal, efficiency and biofuels companies. These range from turnaround situations to larger cap undervalued companies.

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

Fund Performance (December 2013 & January 2014)

The Guinness Atkinson Alternative Energy Fund was down 5.45% for December 2013. The Fund was up 61.54% for the calendar year ending 12/31/2013.

Total Returns as of 1/31/14

	Jan-14	MTD 2014	YTD 14	1 Year	5 Year	From Inception
Guinness Atkinson Alternative Energy Fund (inception 03/31/06)	2.26%	2.26%	2.26%	47.29%	-1.84%	-11.82%
WilderHill New Energy Global Innovation Index	2.91%	2.91%	2.91%	48.87%	4.06%	-3.22%
Wilderhill Clean Energy Index	2.96%	2.96%	2.96%	50.62%	-2.15%	-13.57%
MSCI World Index	-3.67%	-3.67%	-3.67%	16.83%	17.06%	5.22%

Total Returns as of 12/31/13

	Dec-13	QTD 2013	YTD 13	1 Year	5 Year	From Inception
Guinness Atkinson Alternative Energy Fund (inception 03/31/06)	-5.45%	-0.99%	61.54%	61.54%	-3.88%	-12.19%
WilderHill New Energy Global Innovation Index	0.93%	6.23%	55.69%	55.69%	2.13%	-3.61%
Wilderhill Clean Energy Index	0.68%	1.53%	58.54%	58.54%	-4.33%	-14.03%
MSCI World Index	2.15%	8.13%	27.49%	27.49%	15.81%	5.79%

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

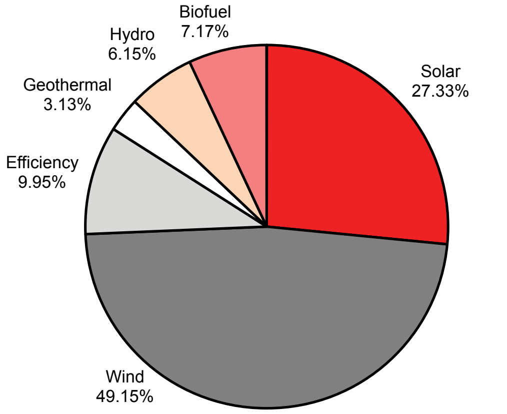
The Advisor has contractually agreed to reduce its fees and/or pay fund expenses in order to limit the Fund's Total Operating Expenses to 1.98% through 06/30/2014.

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

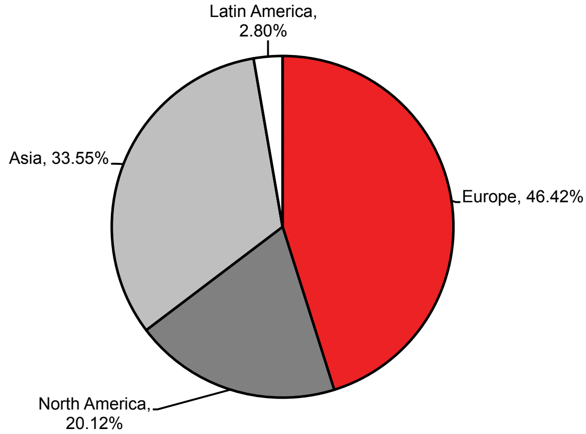
Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the 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 December were Huaneng Renewables (+10.03%), Ormat Technologies (+8.49%), China Datang (+7.17%), Gamesa (+5.71%) and Vestas (+3.63%).

Poorer performers were Maple Energy (-31.62%), Renesola (-23.67%), SMA Solar (-21.07%), China Singyes (-11.88%) and Greentech Energy (-10.94%).

Top Ten Holdings as of 1/31/14	% of Assets
JinkoSolar Holding Co. Ltd.	4.56%
Vestas Wind Systems A/S	4.17%
Gamesa Corp Technologica SA	3.96%
Theolia SA	3.91%
China Suntien Green Energy Corp. Ltd.	3.89%
Mytrah Energy Ltd.	3.78%
Acciona SA	3.78%
Boralex Inc.	3.70%
China Singyes Solar Technology Holdings Ltd.	3.69%
Greentech Energy Systems	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 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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