



**GUINNESS
ATKINSON**
F U N D S

Energy brief



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October 2014

**Commentary and Review by portfolio managers
Tim Guinness, Will Riley & Jonathan Waghorn**



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REPORT HIGHLIGHTS

FUND NEWS

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OIL

- **Brent and WTI fall over the quarter; global supply growth surpasses demand**

Brent oil fell from \$112.4/barrel(bl) to \$94.7 in the quarter while the WTI oil price fell from \$105.4 to \$91.1, compressing the Brent/WTI discount to around \$3.6/bl. Stronger Organization of the Petroleum Exporting Countries (OPEC) and non-OPEC production combined with weak global oil demand growth to yield growing inventories and sharply weaker crude oil prices.

NATURAL GAS

- **US gas price down; gas market structurally oversupplied as inventories build into winter**

Henry Hub gas fell during the quarter, down from \$4.46 to \$4.12. Strong US gas production continued, driven by production from the Marcellus, and helped to bring gas inventories closer to the ten-year average level. There is clear evidence of 'coal to gas' and 'gas to coal' switching in the market as gas prices trade in the \$3-4.5/1000 cubic feet (Mcf) range.

EQUITIES

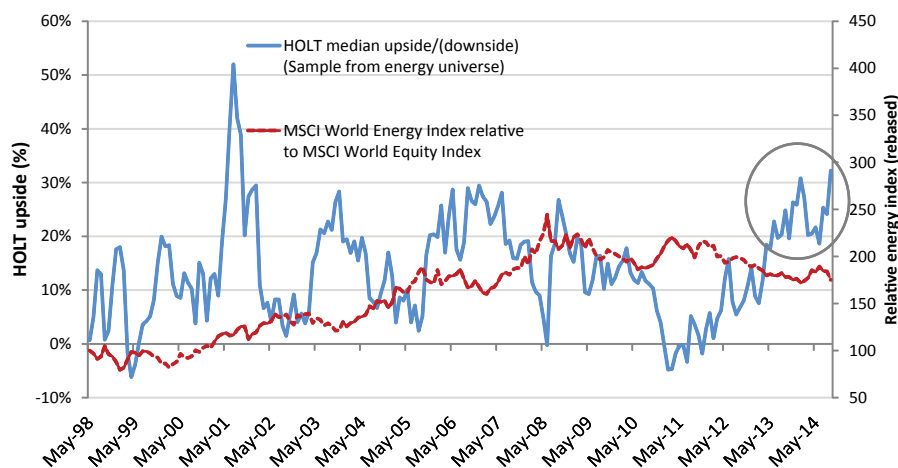
- **Energy underperforms the broad market**

The third quarter of 2014 was relatively flat for global equities, with energy equities underperforming. The MSCI World Energy Index was down by 9.3%, underperforming the S&P 500 Index by 10.4%.

- ➔ Q3 2014 in Review
- ➔ Manager's Comments
- ➔ Performance: Guinness Atkinson Global Energy Fund
- ➔ Portfolio: Guinness Atkinson Global Energy Fund

CHART OF THE QUARTER: CSFB HOLT shows energy equities at cheapest level for the past 10 years

Among several key indicators that we use to assess the valuation of energy equities is the upside of the energy universe implied by Credit Suisse's HOLT valuation framework. The chart below illustrates the median upside of energy stocks, as judged by HOLT, versus the performance of energy equities relative to the broad market. The underperformance of energy equities over the last 3 months puts the sector cheaper than at any point since early 2002, with just over 30% upside. We observe that upside of 20%+ has historically been a good leading indicator of outperformance from the sector.

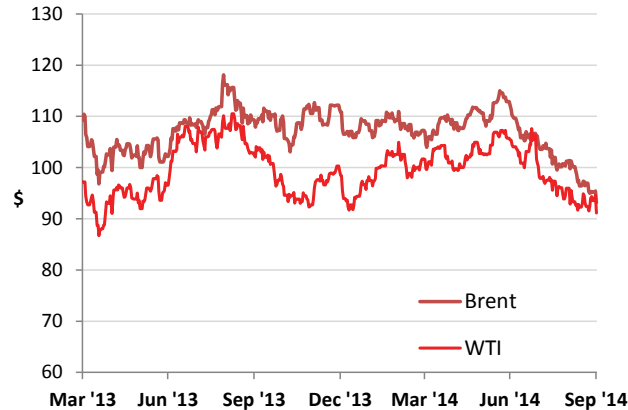


Source: CSFB HOLT, Bloomberg, Guinness Atkinson Asset Management estimates
Past performance is no guarantee of future results.

1. Third Quarter 2014 Review

Oil market

Figure 1: Oil price (WTI and Brent \$/barrel) 18 months March 31, 2013 to September 30, 2014



Source: Bloomberg LP

The West Texas Intermediate (WTI) oil price started July at \$105.4 and fell steadily during the quarter, closing on its lows of \$91.1 at the end of September. WTI has averaged \$99.6 so far in 2014, having averaged \$98.0 in 2013, \$94.1 in 2012 and \$95.0 in 2011.

The Brent oil price followed a similar trajectory during the quarter, moving from \$112.4 to \$94.7 over the quarter. The gap between the WTI and Brent benchmark oil prices therefore closed the month at around \$3.6/bl. The WTI-Brent spread averaged \$10.7/bl during 2013, having been well over \$20/bl at times since 2011.

Factors which weakened the WTI and Brent oil prices in Q3 2014:

- **Decline in NYMEX net non-commercial positions**

The New York Mercantile Exchange (NYMEX) net non-commercial crude oil futures open position has now fallen by 35% from the peak level of 459,000 net long contracts in June 2014 to 296,000 net long contracts at the end of September. Despite the recent decline, the net non-commercial crude oil futures open position still remains at elevated levels versus long run averages (although sharply lower than shorter term average levels).

- **Deteriorating global economic and global oil demand expectations**

During the quarter, there was continued commentary and data indicating that global economic growth – and accordingly global oil demand growth - has started to slow (led predominantly by China and Europe). We note that Q2 2014 was clearly a weak period of oil demand growth and that most recent data implies a rebound in underlying Q3 2014 oil demand growth; nonetheless, poor headline data has caused liquidation of non-commercial positions in crude and weak underlying oil price performance. In early October, the International Energy Agency (IEA) cut its oil demand growth expectations for 2014 to 0.65 million(m) barrels(b)/day.

- **Higher OPEC oil production as Libyan production recovers, political uncertainty recedes**

According to Bloomberg, OPEC production reached 27.8m b/day in September (up 600,000 b/day versus June levels). The increase was driven by Libya (480,000 b/day growth) and Angola (200,000 b/day growth). We fully expect Saudi Arabia to quietly reduce production in order to rebalance this market during the period of weaker than expected demand and returning production from Libya.

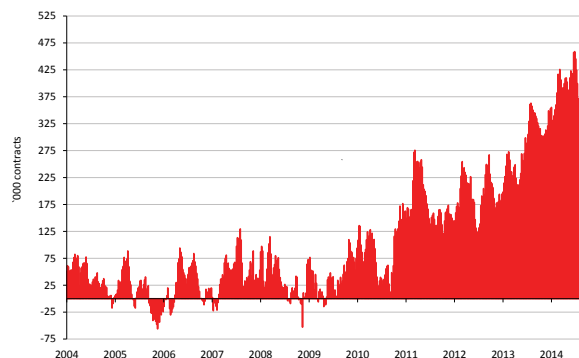
• **Strong North American oil production growth**

North American oil production continued to grow, and July 2014 production (latest data) is around 1.0 million barrels per day greater than July 2013. We monitor the rate of production growth closely and note that the rate of growth has remained quite static since late 2012, despite higher levels of oil price, higher rig counts and greater capital investment. We expect North American growth of around 2-3m b/day over the next 3-5 years but note that this is dependent on WTI oil prices maintaining at least \$80 per barrel. We wait with interest to see how recent oil price weakness will affect the capital expenditure plans for 2015 of the North American Exploration & Production (E&P) companies.

Speculative and investment flows

The New York Mercantile Exchange (NYMEX) net non-commercial crude oil futures open position fell over the quarter, ending September 36% lower at 296,000 contracts long, versus 459,000 contracts long at the end of June. We regard a net long position of 296,000 contracts as still relatively high – any unwinding is likely to dampen the WTI price, as it has done over the last three months.

Figure 2: NYMEX Non-commercial net futures contracts: WTI January 2004 – September 2014

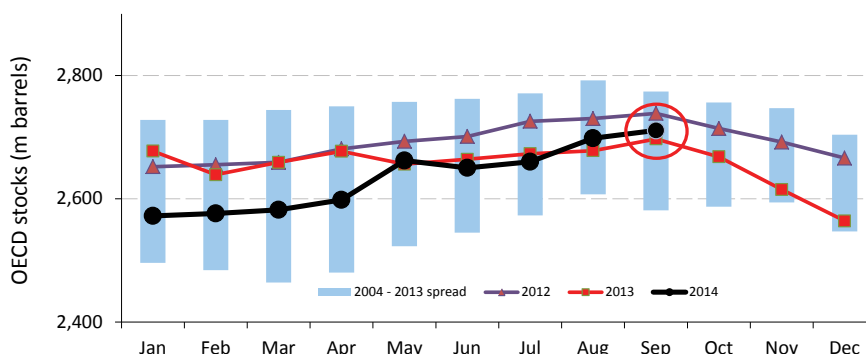


Source: Bloomberg LP/NYMEX (October 2014)

OECD stocks

Organization of Economic Co-operation and Development (OECD) total product and crude inventories at the end of September were estimated to be 2,711m barrels, up 61m barrels compared to June 2014. Total OECD inventories now sit in the upper middle of the 10 year high-low range, in line with the level seen last year. We believe that OPEC would like to manage supply so that OECD inventories remain comfortably within the 10 year range.

Figure 3: OECD total product and crude inventories, monthly, 2004 to 2014



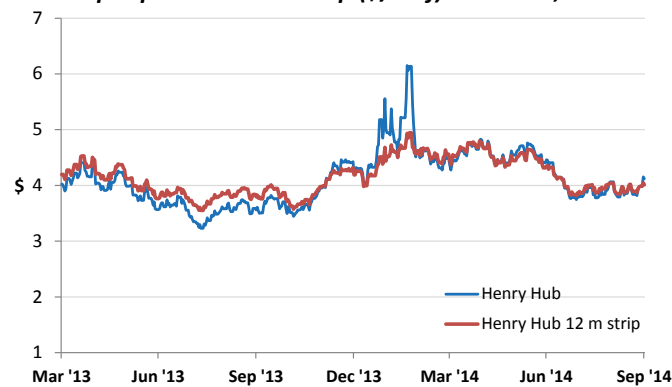
Source: IEA Oil Market Reports (October 2014 and older)

2. Natural Gas Market

The US natural gas price (Henry Hub front month) opened the quarter at \$4.46 per Mcf (1000 cubic feet), and traded in a tight range over the quarter, ending at \$4.14 per Mcf. So far in 2014, the gas price has averaged \$4.41, assisted by a very cold US winter. If the spot price were to sustain at the current level, it would still imply the highest yearly average (spot) gas price since 2008. The price averaged \$3.73 in 2013, well above the 2012 average of \$2.75 but down on the 2010 and 2011 averages of \$4.38 and \$4.00 and significantly below the average in each of the previous 5 years (2005-2009).

The 12-month gas strip price (a simple average of settlement prices for the next 12 months' futures prices) traded in a similar fashion, starting the quarter at \$4.35 and ending at \$4.01. The strip price averaged \$3.92 in 2013, having averaged \$3.28 in 2012, \$4.35 in 2011, \$4.86 in 2010 and \$5.25 in 2009.

Figure 4: Henry Hub Gas spot price and 12m strip (\$/Mcf) March 31, 2013 to September 30, 2014



Source: Bloomberg LP

Factors which weakened the US gas price in the quarter included:

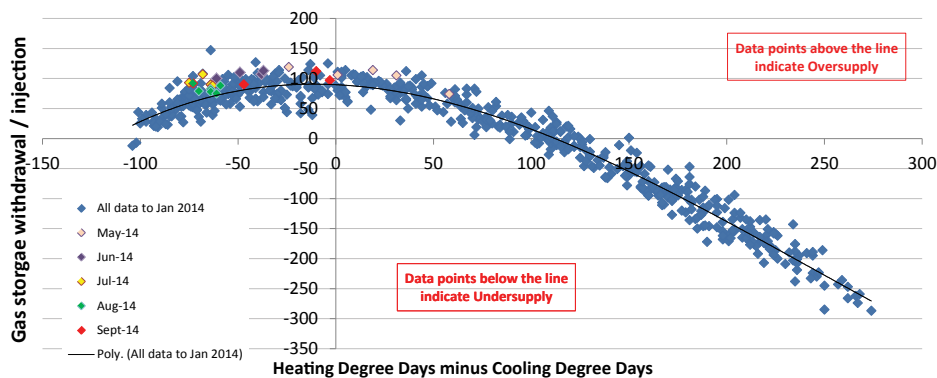
- **US domestic production continued to grow**

Despite the low number of rigs drilling for natural gas, US gas production continued to grow. Gross gas production in July 2014 (the latest data point available) for the lower 48 states was up 0.4 billion cubic feet (bcf)/day (month over month) and 4.6 bcf/day (year over year) to 79.1 bcf/day. The biggest contributor to the production growth over the past year has been the Marcellus region in the north-east of the country, which has grown year-over-year by around 4 Bcf/day.

- **Underlying gas market looks oversupplied and storage injection rates are above average**

The most recent injections of gas into storage suggest the market is, on average, about 2 Bcf/day oversupplied, as indicated on the graph below. If this level is maintained, the natural gas inventory position will normalize by the start of the winter, albeit at the lower end of the historic range.

Figure 5: Weather adjusted US natural gas inventory injections and withdrawals



Factors which strengthened the US gas price in the quarter included:

- **Gas to coal switching reversing at the lower end of the current trading range**

The gas price has recently been trading in a range (\$3.75 - \$4.25) at which the market is particularly sensitive to the switch between gas and coal for electricity generation. With the price moving to the lower end of this range in August and the first half of September, switching to gas likely increased around 1-2 Bcf/day. However, we expect any move over \$4.00 to cause this to reverse.

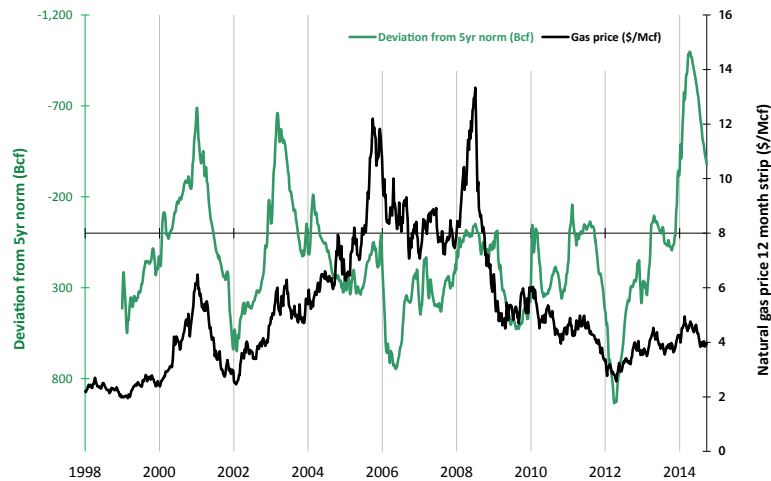
- **Third full approval for Liquid Natural Gas (LNG) export project**

The Federal Energy Regulatory Commission (FERC) granted full and final approval to the Freeport LNG export project in Brazoria County, Texas, making it only the third project to receive full FERC and Department of Energy (DOE) approval. The sanction of this project, at a planned export rate of 1.8 bcf/day of gas, brings the total FERC and DOE approved export volumes now to 5.7 bcf/day. The FERC approval of Cheniere’s Corpus Christi LNG export scheme is expected within the next 6-9 months.

Natural gas in storage

Swings in the supply/demand balance for US natural gas should, in theory, show up in movements in gas storage data. The following graph shows the 12 month gas strip price (in black) against the amount of gas in storage expressed as the deviation from the 5 year storage average (in green). Swings in storage have frequently been a leading indicator to movements in the gas strip price.

Figure 6: Deviation from 5yr gas storage norm vs gas price 12 month strip (H. Hub \$/Mcf)



Source: Bloomberg; EIA (September 2014)

The surplus of gas in the second half of 2008 and 2009, a result of oversupply during the recession, can be seen in gas storage data, with the inflection point in storage occurring in July 2008 and the storage line moving from negative (i.e. deficit) to positive (i.e. surplus) territory over this 18 month period. This coincided with the gas strip price falling from a peak of over \$13 in July to below \$5. An unusually cold 2009/10 winter boosted demand and pushed the gas storage level back into balance, only for oversupply to persist again for much of the rest of 2010. A cold 2010/11 winter followed by a hot 2011 summer tightened storage again, with storage levels staying around the 5 year average for much of this period.

The very mild 2011/12 winter (in combination with rising production) caused gas storage levels to balloon to record levels, driving prices down to their lowest levels for a decade. Since then, coal-to-gas switching and shut ins and the sharp rig count drop have worked in the other direction, seeing gas prices rising from their sub \$2 lows in April 2012 to around \$4 at the end of 2013. The most recent winter saw gas in storage tighten very considerably. Much of this can be attributed to an extremely cold 2013/14 winter rather than a structural tightening. Coal regained some market share in the spring and summer of 2014 as a result of the higher natural gas prices, though gas in storage remains lower than average.

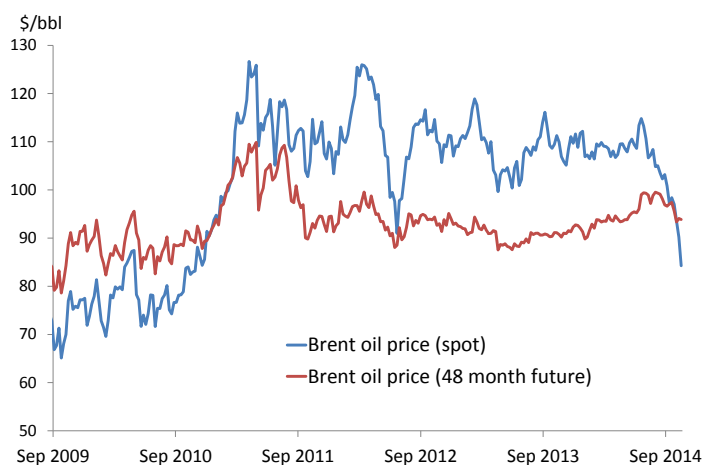
We watch movements in gas storage closely as a tightening from here, weather adjusted, is likely to be a coincident indicator for the start of the next leg of gas price recovery, in our opinion.

3. Manager's Comments

Setting some context around sub \$100 oil

Focussing on Brent crude oil (rather than the US domestic West Texas Intermediate crude), it has averaged \$108 since the start of 2011 and has traded, to the end of September 2014, in a range of \$90 to \$125. It has been a period of low volatility.

At the start of 2014, our outlook for the year was for Brent in a \$90 to \$110 range (with Brent averaging \$105 per barrel) and until the end of August, actual Brent oil prices averaged around \$108. Brent has since weakened to around \$85, and if it stays at \$90 for the rest the year, the outcome will be an average of around \$103 – so our 2014 forecasts for the year will prove to have been about \$2 on the high side.



Despite the weakness in front month Brent oil, we would highlight that long-dated oil prices (for example the four year forward Brent oil price) have fallen by just \$5/bl since the middle of June, to around \$94/bl, while front month Brent oil prices have fallen by around \$30 per barrel. Moreover, the four year forward oil price is actually up \$3 per barrel since the start of the year! Suffice to say, long-dated oil prices are much more important for company profitability and valuation, in our opinion, and we are comforted that oil prices still remain in the one hundred dollar range.

Nonetheless, front month Brent oil has fallen sharply recently, and we wanted to explore some of the implications.

Why has this happened to the price of front month Brent since June?

Some main reasons why this has happened:

- The spike in June was caused by real worries about how the political issues in Ukraine, Libya and Iraq/Kurdistan (ISIL) would affect the supply of oil.
- A realization has dawned that any immediate effect is so far modest, and the medium-term threat (at least in terms of oil supply) also is looking rather less than once feared.
- Global, and especially Chinese, oil demand was quite weak in Q2 2014. The weakness was partly seasonal, but there are worries it also reflects underlying economic realities. Recent gross domestic product (GDP) forecasts for Europe and China indicate some weakening in those economies.
- North American oil production continued to grow strongly. This is probably as a result of the higher than expected WTI oil prices in the first half of 2014 (where the gap with Brent narrowed markedly), providing greater revenues for the producers to reinvest in new wells.

- As a result of these supply and demand changes, global oil inventories have recovered in recent months, although they are still in the middle of the ten year range.
- The improving macro issues have caused some significant liquidation of speculative interest (net non-commercial crude oil futures open positions) in the NYMEX crude oil markets. The number of net long contracts is down to 296,000 from 446,000 at the end of June. This liquidation has clearly had some negative oil price impact.

What happens now in the short term and long term?

Recent front month price weakness seems to reflect a view that global oil demand will weaken further, that US oil supply growth will swamp the world and that the political uncertainty in the Middle East/Ukraine and Libya has just been a blip. We would acknowledge that 2014 will be a year in which non-OPEC supply grows faster than demand, but fundamentally, there has been no significant impact on global oil supply and demand balances. We feel that the oil market bears cannot see the wood from the trees and that they miss the truly important point about world supply and demand – that world demand growth (mainly from emerging economies) has greatly exceeded supply from the world (ex. Saudi Arabia, Kuwait and the United Arab Emirates - UAE) for three years. The oil price is only as low as it is because those three Middle East producers have ramped up production temporarily by around 3m b/day – significantly above their long run average production – to satisfy global demand. Despite higher US oil production, we are still living in tight oil markets.

Longer term, we believe that the long-dated Brent oil price of \$100 per barrel is a much better reflection of the underlying market dynamics. We have held a view for over two years now that Saudi, Kuwait and the UAE have tacitly determined to play the swing producer role in the world oil markets (played historically by first Standard Oil, then the Texas Railroad commission and then the Seven Sisters) and that their objective is to keep Brent oil prices at or above \$100 per barrel on average. We believe that they will (quietly) cut back production by not just their 2.9m barrel/day current oversupply, but probably twice that to ensure near-term price stability. This dwarfs everything else. Further ahead, Saudi et al. will ultimately use up this spare capacity to lower prices as global oil demand growth outstrips non-OPEC oil production growth into the end of the decade.

\$100 per barrel appears to be the magic number for both supply and demand

Why does Saudi seek a price of \$100? \$100/barrel for Brent is an acceptable level for both producers and for consumers. It is sufficient to incentivise new production from the unconventional oil developments in the USA (reference their recent years of strong production growth), and it is not so high that it stifles global oil demand growth (reference the IEA expectation of 0.9 and 1.2 million barrels per day of oil demand growth in 2014 and 2015, respectively). It enables Saudi and the other swing OPEC producers to balance their budgets and set some cash flow aside for a rainy day; and it ensures that Iran (Saudi's enemy) is affected by sanctions and is not bailed out by a Brent price surge.

Limited implications from front month Brent oil weakness for the energy equity sector outlook

The spot price of Brent may be weak for a period, depending on the short-term actions of Saudi et al., but it is unlikely to sit below \$90 for any great length of time, and any such price weakness would probably be followed by a recovery, in our opinion. We believe that the trading range will be managed as \$90-110 for the majority of the time, so the recent weakness is largely within the bounds of this "normal" range and typical crude price volatility.

Energy equities remain cheap. Recent company results continue to reaffirm that the larger capitalization oil and gas producers are progressing with their ‘value over volume’ strategies, and we believe this is positive for the sector as a whole. Energy equities have underperformed the S&P500 and the MSCI World Index in 2011, 2012 and 2013; and having staged a rebound since February in 2014, they have fallen back over the summer on the crude price weakness. At the start of 2014, we argued that energy equities were around 20-30% cheap, and this yo-yo performance in 2014 has not changed that one iota. We are more convinced than ever that the energy sector is still around 20-30% under-valued and that investors, therefore, are being presented with a similar opportunity to the one that appeared at the start of 2014.

4. Performance – Guinness Atkinson Global Energy Fund

The main index of oil and gas equities, the MSCI World Energy Index, was down by 9.3% in the third quarter of 2014. The S&P 500 Index was up by 1.1% over the same period. The Fund was down by 12.6% over this period, underperforming the MSCI World Energy Index by 3.3% (all in US dollar terms).

Within the Fund, the third quarter’s stronger performers were PetroChina, Hess, Occidental, Dragon Oil and Trina Solar. Poorer performers were Stone Energy, Enquest, OMV, Bankers petroleum and Carrizo

Performance as of September 30, 2014

Inception date 6/30/04	Full Year 2009	Full Year 2010	Full Year 2011	Full Year 2012	Full Year 2013	YTD	1 year (annualized)	Last 5 years (annualized)	Last 10 years (annualized)	Since Inception (annualized)
Global Energy Fund	63.27%	16.63%	-13.16%	3.45%	24.58%	5.45%	11.77%	7.76%	11.99%	12.98%
MSCI World Energy Index	26.98%	12.73%	0.71%	2.54%	18.98%	3.66%	10.91%	8.75%	9.34%	10.09%
S&P 500 Index	26.47%	15.06%	2.09%	15.99%	32.36%	8.33%	19.69%	15.67%	8.10%	7.69%

Source: Bloomberg

Gross expense ratio: 1.35%

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 www.gafunds.com 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.

5. Portfolio – Guinness Atkinson Global Energy Fund

Buys/Sells

In August we sold our position in Chevron and switched to a position in Occidental. Chevron has been the best performing super-major over the last five years, the stock's total return outpacing its peers,¹ to the extent that we now see better value elsewhere.

The purchase of Occidental is driven by the value we see in the restructuring process that the company is currently undertaking. We see a sharp focus from company management towards raising return on capital employed in 2015 and 2016, led by strong operational performance in the Permian basin.

Sector Breakdown

The following table shows the asset allocation of the Fund at **September 30, 2014**.

(%)	31 Dec 2007	31 Dec 2008	31 Dec 2009	31 Dec 2010	31 Dec 2011	31 Dec 2012	31 Dec 2013	30 Sept 2014	Change YTD
Oil & Gas	103.5	96.4	96.1	93.2	98.5	98.6	95.6	95.8	0.2
Integrated	66.2	53.7	47.2	41.2	39.6	39.1	39.6	36.7	-2.9
Exploration and production	25.8	28.7	32.0	36.9	41.5	41.6	36.8	38.7	1.9
Drilling	8.1	5.2	8.4	6.3	6.0	7.4	6.8	3.5	-3.3
Equipment and services	3.4	6.4	5.4	5.3	6.6	7.1	9.0	13.8	4.8
Refining and marketing	0.0	2.4	3.1	3.5	4.8	3.4	3.4	3.1	-0.3
Coal and consumables	2.5	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Solar	0.0	0.0	0.0	3.2	1.2	1.2	2.8	3.2	0.4
Construction and engineering	0.0	0.4	0.4	0.4	0.4	0.6	0.9	0.0	-0.9
Cash	-6.0	0.9	3.5	3.2	-0.1	-0.4	0.7	1.0	0.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	0.0

Source: Guinness Atkinson Asset Management

Basis: Global Industry Classification Standard (GICS)

Guinness Atkinson Global Energy Fund Portfolio

The Fund at September 30, 2014 was on an average price to earnings ratio (P/E) versus the S&P 500 Index at 1,960 as set out in the table. (Based on S&P 500 'operating' earnings per share estimates of \$56.9 for 2009, \$83.8 for 2010, \$96.4 for 2011, \$96.8 for 2012, \$107.3 for 2013 and \$118.0 for 2014). This is shown in the following table:

	2007	2008	2009	2010	2011	2012	2013	2014
Guinness Atkinson Global Energy Fund P/E	10.4	9.4	17.2	10.9	11.1	11.8	12.3	11.4
S&P 500 P/E	21.3	35.5	34.7	23.5	20.5	20.4	18.4	16.6
Premium (+) / Discount (-)	-51%	-74%	-50%	-54%	-46%	-42%	-33%	-31%
Average oil price (WTI \$)	\$72.2/bbl	\$99.9/bbl	\$61.9/bbl	\$79.5/bbl	\$95/bbl	\$94/bbl	\$98/bbl	\$97/bbl

¹ In the 5 years to August 8, 2014 (date of sale): Chevron +118.0%; Exxon +63.2%; Shell +96.5%; BP +13.7%; Total + 58.8% (total return in USD) - Source: Bloomberg
Past performance is no guarantee of future results.

Portfolio Holdings

Our integrated and similar stock exposure (c.37%) is comprised of a mix of mid cap, mid/large cap and large cap stocks. Our four large caps are Exxon, BP, Royal Dutch Shell and Total. Mid/large and mid-caps are ENI, Statoil, Hess and OMV. At September 30 2014 the median P/E ratio of this group was 11.2x 2014 earnings. We have one Canadian integrated holding, Suncor. The company has significant exposure to oil sands and stands on what we believe is an attractive P/E of 11.4x 2014 earnings given the company's good growth prospects.

Our exploration and production holdings (c.39%) give us exposure most directly to rising oil and natural gas prices. We include in this category non-integrated oil sands companies, as this is the GICS approach. The stock here with oil sands exposure is Canadian Natural Resources. The pure E&P stocks are all largely in the US (Newfield, Devon, Chesapeake, Carrizo, Stone, Ultra, QEP and Bill Barrett), with two more US names (Apache and Noble) which have significant international production and two (Enquest and Bankers Petroleum) which are European and North Sea focused. One of the key metrics behind a number of the E&P stocks held is low enterprise value / proven reserves. Almost all of the E&P stocks held also provide exposure to North American natural gas and include two of the industry leaders (Devon and Chesapeake). In P/E terms, the group divides roughly into two: (i) Apache, Chesapeake, Devon, Ultra, Stone, Bankers and Enquest all with quite low P/Es (11x – 14x 2014 earnings); and (ii) Noble, Bill Barrett, Newfield, Carrizo and QEP with higher P/E ratios. However, in our opinion, all look reasonably attractive on EV/EBITDA multiples.

We have exposure to four (pure) emerging market stocks in the main portfolio, though two are half-positions. Two are classified as integrations by the Global Industry Classification Standard (GICS) (Gazprom and PetroChina) and two as E&P companies (Dragon Oil and SOCO International). Gazprom is the Russian national oil and gas company which produces approximately a quarter of the European Union gas demand and trades on 2.8x 2014 earnings. PetroChina is one of the world's largest integrated oil and gas companies and has significant growth potential and advantages as a Chinese national champion. Dragon Oil is an oil and gas E&P company focused on offshore Turkmenistan in the Caspian Sea and trades on 7.9x 2014 earnings. SOCO International is an E&P company with production in Vietnam and exploration interests across East Africa in Angola, Democratic Republic of Congo and the Republic of Congo.

We have useful exposure to oil service stocks, which comprise around 17% of the portfolio. The stocks we own are split between those which focus their activities in North America (land driller Unit Corp) and those which operate in the US and internationally (Helix, Halliburton, Wood Group and Shawcor).

Our independent refining exposure is currently in the US in Valero, the largest of the US refiners, which is currently trading at significant discount to book and replacement value. Valero has a reasonably large presence on the US Gulf Coast and is benefitting from the rise in US exports of refined products seen in recent times.

Our alternative energy exposure is currently a single unit split equally between two companies: JA Solar and Trina Solar. Both were loss making in 2012 and 2013 due to sharp falls in solar prices during the year but are expected to return to profitability during 2014. Trina is a Chinese solar module manufacturer and JA Solar is a Chinese solar cell manufacturer. Some measure of their continued recovery potential may be indicated by their 2010 P/Es of 12.8x and 9.9x respectively.

Tim Guinness

Chairman & Chief Investment Officer

Will Riley & Jonathan Waghorn

Fund investment team

Portfolio at September 30, 2014

Guinness Atkinson Global Energy Fund 30 June 2014													
Stock	ID_ISIN	Curr.	Country	% of NAV	2006 B'berg mean PER	2007 B'berg mean PER	2008 B'berg mean PER	2009 B'berg mean PER	2010 B'berg mean PER	2011 B'berg mean PER	2012 B'berg mean PER	2013 B'berg mean PER	2014 B'berg mean PER
Integrated Oil & Gas													
Exxon Mobil Corp	US30231G1022	USD	US	3.02	15.37	13.8	11.9	25.9	16.8	12.0	12.8	13.6	13.0
Chevron Corp	US1667641005	USD	US	3.32	16.7	14.9	11.5	25.4	14.0	9.7	10.6	11.8	12.2
Royal Dutch Shell PLC	GB00B03MLX29	EUR	NL	3.14	10.4	8.3	9.6	19.0	13.4	10.0	9.8	13.0	11.4
BP PLC	GB0007980591	GBP	GB	3.13	8.0	8.1	6.5	11.3	7.8	7.8	9.7	12.0	10.9
Total SA	FR0000120271	EUR	FR	3.11	7.7	7.1	5.8	14.8	11.5	10.3	9.8	10.9	11.2
ENI SpA	IT0003132476	EUR	IT	3.19	7.1	7.7	7.1	14.0	10.6	10.2	9.9	15.9	15.3
Statoil ASA	NO0010096985	NOK	NO	3.00	10.0	13.7	10.3	18.7	14.1	12.1	11.4	12.5	12.0
Hess Corp	US42809H1077	USD	US	3.37	17.9	16.6	13.5	51.6	19.1	16.4	16.7	17.3	20.2
OMV AG	AT0000743059	EUR	AT	3.23	6.5	6.3	5.1	13.2	8.3	10.4	7.2	8.9	9.0
				28.50									
Integrated Oil & Gas - Canada													
Suncor Energy Inc	CA8672241079	CAD	CA	3.28	18.5	19.1	14.3	43.1	28.7	12.7	14.1	14.3	11.2
Canadian Natural Resources Ltd	CA1363851017	CAD	CA	3.43	33.5	23.2	15.0	20.4	20.2	21.2	30.8	21.8	13.3
				6.71									
Integrated Oil & Gas - Emerging market													
PetroChina Co Ltd	CNE1000003W8	HKD	HK	3.13	9.9	9.7	12.4	13.2	10.6	10.4	12.0	13.3	10.7
Gazprom OAO	US3682872078	USD	RU	3.40	nm	nm	nm	5.4	4.2	2.9	3.0	2.8	3.1
				6.53									
Oil & Gas E&P													
Apache Corp	US0374111054	USD	US	3.33	13.8	11.6	9.0	18.1	10.8	8.5	10.5	12.4	14.3
Bill Barrett Corp	US06846N1046	USD	US	0.96	18.9	27.6	9.8	15.8	13.2	15.2	505.3	nm	89.3
QEP Resources Inc	US74733V1008	USD	US	1.07	nm	nm	nm	nm	25.0	21.1	27.8	24.7	24.9
Ultra Petroleum Corp	CA9039141093	USD	US	1.11	20.8	26.0	11.2	16.4	13.3	11.6	16.1	18.5	10.2
Devon Energy Corp	US25179M1036	USD	US	3.32	12.6	11.4	8.0	22.0	13.4	13.2	24.6	18.7	13.6
Chesapeake Energy Corp	US1651671075	USD	US	3.32	8.6	9.7	8.8	12.6	10.6	11.1	64.1	18.9	15.0
Noble Energy Inc	US6550441058	USD	US	3.32	40.9	28.5	22.0	45.8	37.4	29.5	33.9	25.1	23.9
Newfield Exploration Co	US6512901082	USD	US	3.51	12.6	13.7	14.1	8.7	9.6	10.8	18.2	24.6	22.0
Stone Energy Corp	US8616421066	USD	US	1.57	17.0	9.1	8.4	20.3	23.0	12.1	16.9	16.7	31.4
Carriizo Oil & Gas Inc	US1445771033	USD	US	1.80	97.5	98.9	38.5	47.0	54.4	67.4	47.5	31.3	25.1
				23.30									
International E&P													
Bankers Petroleum Ltd	CA0662863038	CAD	CA	1.54	nm	nm	nm	2,133.6	94.1	33.9	32.5	22.5	14.8
Dragon Oil PLC	IE0000590798	GBP	GB	1.69	29.7	17.7	14.7	21.3	15.4	8.3	8.5	9.5	8.4
EnQuest PLC	GB00B635TG28	GBP	GB	1.56	nm	nm	nm	nm	25.2	28.8	8.7	9.6	12.2
Soco International PLC	GB00B572ZV91	GBP	GB	1.55	67.2	61.8	66.4	41.4	57.1	36.8	10.2	10.9	11.2
				6.34									
Drilling													
Unit Corp	US9092181091	USD	US	3.17	10.2	12.1	10.1	26.1	22.6	16.8	16.6	18.6	14.2
				3.17									
Equipment & Services													
Halliburton Co	US4062161017	USD	US	3.43	32.4	28.0	32.7	54.2	35.3	21.2	23.9	22.9	17.8
Helix Energy Solutions Group Inc	US42330P1075	USD	US	3.40	9.2	7.9	10.8	45.4	49.8	17.5	14.2	24.5	15.9
ShawCor Ltd	CA8204391079	CAD	CA	3.36	47.5	37.1	30.6	32.5	47.5	81.3	26.6	16.3	19.2
John Wood Group PLC	GB00B5NOP849	GBP	GB	3.26	54.4	36.1	25.8	34.3	35.7	23.5	16.3	14.0	13.9
				13.44									
Solar													
Trina Solar Ltd	US89628E1047	USD	US	1.67	nm	17.7	10.6	7.9	3.8	475.2	nm	nm	11.2
JA Solar Holdings Co Ltd	US4660902069	USD	US	1.58	12.5	33.7	49.9	nm	1.4	nm	nm	nm	13.2
				3.25									
Oil & Gas Refining & Marketing													
Valero Energy Corp	US91913Y1001	USD	US	2.85	6.0	6.4	9.2	nm	31.6	12.6	10.3	12.2	8.0
				2.85									
Construction & Engineering													
Cluff Natural Resources PLC	GB00B6SYKF01	GBP	GB	0.22	nm	nm	nm	nm	nm	nm	nm	nm	nm
JKX Oil & Gas PLC	GB0004697420	GBP	GB	0.54	2.0	1.6	2.0	2.1	2.3	2.8	3.8	7.2	14.6
Kentz Corp Ltd	JE00B28ZGP75	GBP	GB	0.97	nm	62.5	63.3	62.3	42.9	32.5	27.4	23.6	16.2
Ophir Energy PLC	GB00B24CT194	GBP	GB	0.17	nm	nm	nm	nm	nm	nm	nm	nm	nm
Shandong Molong Petroleum Machinery Co	CNE1000001N1	HKD	HK	0.08	13.1	9.1	6.1	16.8	6.5	9.1	nm	nm	nm
Sino Gas & Energy Holdings Ltd	AU000000SEH2	AUD	AU	0.17	nm	nm	nm	nm	nm	nm	160.0	nm	16.0
Triangle Petroleum Corp	US89600B2016	USD	US	0.28	nm	nm	nm	nm	nm	nm	nm	nm	20.4
Trinity Exploration & Production PLC	GB00B8JG4R91	GBP	GB	0.19	nm	nm	nm	nm	nm	nm	nm	3.5	nm
WesternZagros Resources Ltd	CA9600081009	CAD	CA	0.27	nm	nm	nm	nm	nm	nm	nm	nm	223.4
				2.88									
				Cash	3.02								
				Total	100								
				PER	14.4	13.6	12.2	19.3	12.4	12.6	13.3	13.9	12.5
				Med. PER	13.4	13.8	11.0	20.4	14.7	12.6	15.1	14.3	14.0
				Ex-gas PER	14.4	13.5	12.6	20.3	12.2	12.6	12.1	12.9	11.7

The Fund's portfolio may change significantly over a short period of time; no recommendation is made for the purchase or sale of any particular stock.

For more information on the factors affecting the global energy market read our [Global Energy Outlook](#).

Commentary for our views on Dividends, Alternative Energy and Asia markets is available on our website. Please [click here](#) to view.

The Fund's holdings, industry sector weightings and geographic weightings may change at any time due to ongoing portfolio management. References to specific investments and weightings should not be construed as a recommendation by the Fund or Guinness Atkinson Asset Management, Inc. to buy or sell the securities. Current and future portfolio holdings are subject to risk.

Mutual fund investing involves risk and loss of principal is possible. The Fund invests in foreign securities which will involve greater volatility, political, economic and currency risks and differences in accounting methods. The Fund is non-diversified meaning it concentrates its assets in fewer individual holdings than a diversified fund. Therefore, the Fund is more exposed to individual stock volatility than a diversified fund. The Fund also invests in smaller companies, which involve additional risks such as limited liquidity and greater volatility. The Fund's focus on the energy sector to the exclusion of other sectors exposes the Fund to greater market risk and potential monetary losses than if the Fund's assets were diversified among various sectors. The decline in the prices of energy (oil, gas, electricity) or alternative energy supplies would likely have a negative effect on the funds holdings.

MSCI World Energy Index is the energy sector of the MSCI World Index (an unmanaged index composed of more than 1400 stocks listed in the US, Europe, Canada, Australia, New Zealand, and the Far East) and as such can be used as a broad measurement of the performance of energy stocks.

The S&P 500 Index is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general.

MSCI World Index is a capitalization weighted index that monitors the performance of stocks from around the world.

One cannot invest directly in an index.

Price to earnings (P/E) ratio (PER) reflects the multiple of earnings at which a stock sells and is calculated by dividing current price of the stock by the company's trailing 12 months' earnings per share.

Earnings per share (EPS) is calculated by taking the total earnings divided by the number of shares outstanding.

EV/EBITDA is EV divided by "Earnings Before Interest, Taxes, Depreciation and Amortization" (EBITDA)

Price to discounted cash flow is a valuation method used to estimate the attractiveness of an investment opportunity.

Free cash flow (FCF) represents the cash that a company is able to generate after laying out the money required to maintain or expand its asset base.

Opinions expressed are subject to change, are not guaranteed and should not be considered investment advice.

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