GUINNESS ATKINSON FUNDS

Energy brief

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July 2015

**Commentary and Review by portfolio managers
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REPORT HIGHLIGHTS

FUND NEWS

• Fund size $61.8 million at end of June

OIL

Brent and WTI start recovery over the quarter; both global oil supply and demand strengthen

Brent oil rose from $53/bbl to $61/bbl in the quarter while the West Texas Intermediate(WTI) oil price rose from $48 to $59, reducing the Brent/WTI discount to around $2/bbl. Global oil demand grows strongly but the markets remain oversupplied as North American production remains robust and Organization of the Petroleum Exporting Countries(OPEC) adds significant new volumes.

NATURAL GAS

US gas price up; gas market remains structurally oversupplied but better than last quarter

Henry Hub gas rose slightly during the quarter, up from $2.64 to $2.83. Strong US gas production continued, driven by production from the Marcellus, though production growth tailed off as the quarter progressed. The summer season has started with weather slightly warmer than average; despite this, we expect natural gas inventories to reach 3.8-4.0tcf at the end of the injection season.

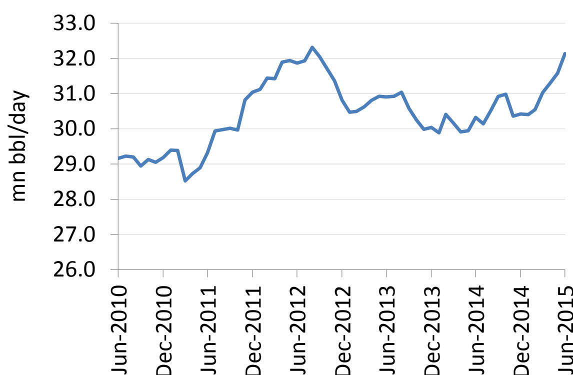
EQUITIES

Energy underperforms the broad market

The second quarter of 2015 was reasonably flat for global equities, with energy equities slightly underperforming in the face of a continued weak oil price.

- Q2 2015 in Review
- Manager's Comments
- Performance: Guinness Atkinson Global Energy Fund
- Portfolio: Guinness Atkinson Global Energy Fund

CHARTS OF THE QUARTER- OPEC-12 oil production



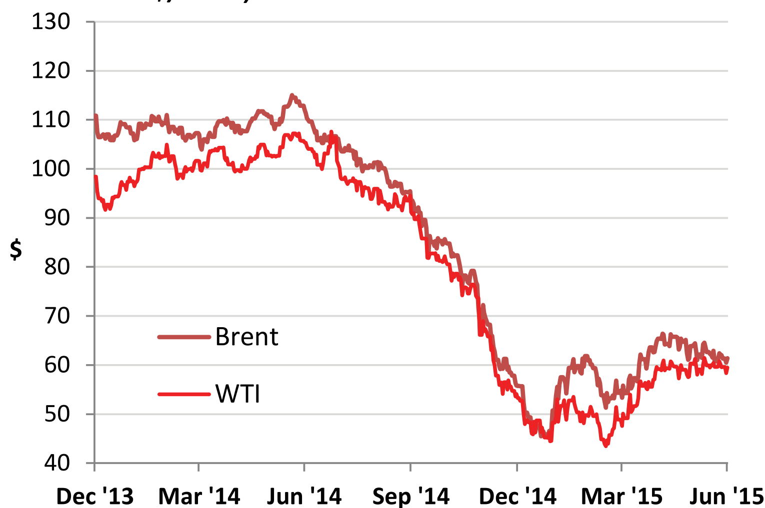
Source: Bloomberg

Since the November 2014 OPEC meeting, OPEC-12 oil production has grown by around 1.5m b/day, led by Saudi (+0.8m b/day) and Iraq (+1.0m b/day). We believe that global oil markets are currently oversupplied to the tune of around 0.5m b/day; thus highlighting how OPEC's recent increases are the major reason for global oil and product inventory builds. Concern remains over the return of production from Iran and potential increases from Libya and how these will fit with the anticipated slowdown in US oil production growth and subsequent sharp fall off in non-OPEC supply from next year. OPEC's strategy is critical from here.

1. Second Quarter 2015 in Review

Oil market

Figure 1: Oil price (WTI and Brent $/barrel) 18 months December 31 2013 to June 30 2015



Source:Bloomberg LP

The West Texas Intermediate (WTI) oil price started April at $47.6/bbl and traded up over the quarter to close at $59.5. WTI has averaged $53.3 so far in 2015, having averaged $93.1 in 2014, $98.0 in 2013 and $94.1 in 2012.

Brent oil traded in a similar way, opening the quarter at $53.3/bbl and strengthening before closing the quarter at $61.3/bbl. The gap between the WTI and Brent benchmark oil prices therefore narrowed from around $6/bbl to just around $2/bbl. The WTI-Brent spread averaged $5.8/bbl during 2014, having been well over $20/bbl at times since 2011.

Factors which weakened the WTI and Brent oil prices in June:

- **Global demand indicators strong**

Global oil demand continues to look strong. In June, the International Energy Agency (IEA) again revised their estimate for demand in 2015 to be higher, now to growth of 1.4m b/day. We note that this includes demand growth of around 1% for North America, whereas up-to-date indicators suggest a rate nearer 2-3%. The latest demand data from China also looks positive, showing 7% year-to-date(YTD) growth, with gasoline demand up 11% YTD and diesel demand up 6% YTD (the strongest diesel demand trend for the last three years).

- **Smaller than average build in oil inventories in May**

The Organisation for Economic Co-operation and Development (OECD) total product and crude inventories at the end of May (latest data point available) were estimated by the IEA to be 2,831m barrels. The month on month increase in inventories of 13m barrels compares to an average 10 year build of 32 million barrels, implying some tightening of the balance between supply and demand. It is too early to regard this as a trend, but marks a reversal of the loosening inventories reported for the previous two months.

- **North American oil directed rig count falling**

The number of rigs drilling oil wells in the United States fell sharply over the quarter. The Baker Hughes oil directed rig count has fallen from a peak of 1,609 rigs in October 2014 to 628 rigs at the end of June (a fall of 61%). Early in July, the rig count turned up to 640 rigs indicating that some operators are now adjusting to the lower price environment and are seeing cost savings coming through. Historically, rig count has been a lead indicator of future production levels

- **US oil production growth appearing to slow; recent data very volatile**

The lower oil directed rig activity should cause lower oil production growth. We have been seeing signs of this happening in the weekly data published by the Energy Information Administration (EIA) up until the middle of May. However, in the second half of May, weekly US oil production dropped sharply and then rebounded very sharply (reaching 9.586 million barrels per day). Weekly US oil production data is often heavily revised, so we are not yet able to confirm the trend for US oil production. Monthly data for April showed flat production versus March 2015.

Factors which strengthened the WTI and Brent oil prices in quarter:

- **Increases in OPEC's overall supply, particularly Iraq and Saudi Arabia**

Initial estimates suggest that OPEC production rose sharply in June, led by Iraq (up c.500k b/day versus May) and Saudi Arabia (up c.150k b/day). If these estimates prove to be correct, it implies that OPEC-12 produced at a level of around 32m b/day, compared to the official group quota of 30m b/day. After a slow start to the year relating to weather issues, Iraq has grown its exports from both the north (Kurdistan) and south (via ports near Basra). Whilst Saudi production is often higher in the summer, coinciding with seasonally higher domestic demand, it also likely represents Saudi pushing ahead with its desire to secure market share, particularly with growing Iranian exports on the horizon.

- **Negotiations over Iran's nuclear programme and implications for oil exports**

There was growing debate during the quarter about the prospect of Iranian oil returning to the market post a successful resolution to negotiations between US/Europe and Iran over its nuclear programme. The debate centres on the amount exports might recover by and over what timeframe. Iran's oil exports have fallen by around 1m b/day over the last 3 years, with the recovery forecast to be between 0.5m b/day and 1m b/day, over 12 to 18 months.

- **Build in US oil inventories continues**

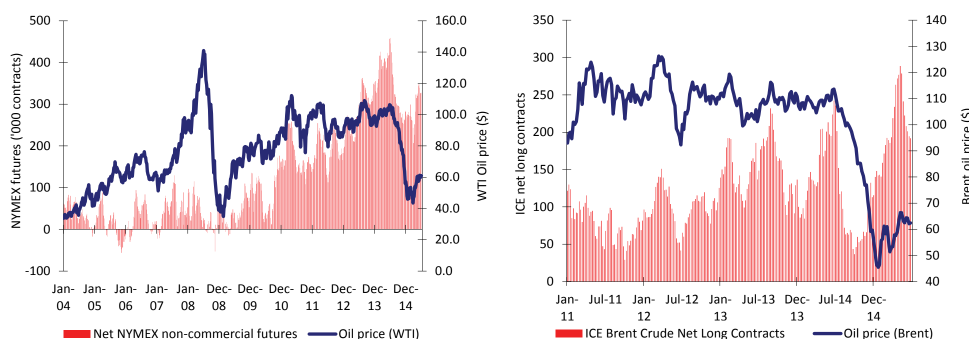
The substantial builds in US crude oil inventories since the start of the year, as reported by the EIA, continued in the early part of the quarter before falling off somewhat towards the end of the quarter. US Department of Energy (DOE) total crude oil inventory is now at 466 million barrels, down from 491 million barrels at the start of May. The broader monthly data from the IEA covering OECD oil inventories also highlights high levels of oil and oil product inventories, although not as extreme as the US weekly data.

Speculative and investment flows

The New York Mercantile Exchange (NYMEX) net non-commercial crude oil futures open position (WTI) grew in the quarter, ending the quarter at 327,000 contracts long versus 227,000 contracts long at the end of March. We regard a net long position of 327,000 contracts as high (in a historical context) but still well down from its peak of 460,000 contracts in June 2014.

The equivalent non-commercial position for Brent oil, Intercontinental Exchange (ICE) Brent crude oil net long contracts, fell in the quarter, from 219,000 contracts to 192,000 contracts long.

Figure 1: NYMEX Non-commercial net futures contracts: WTI January 2004 – June 2015 ; ICE Brent crude net long contracts : January 2011 – June 2015

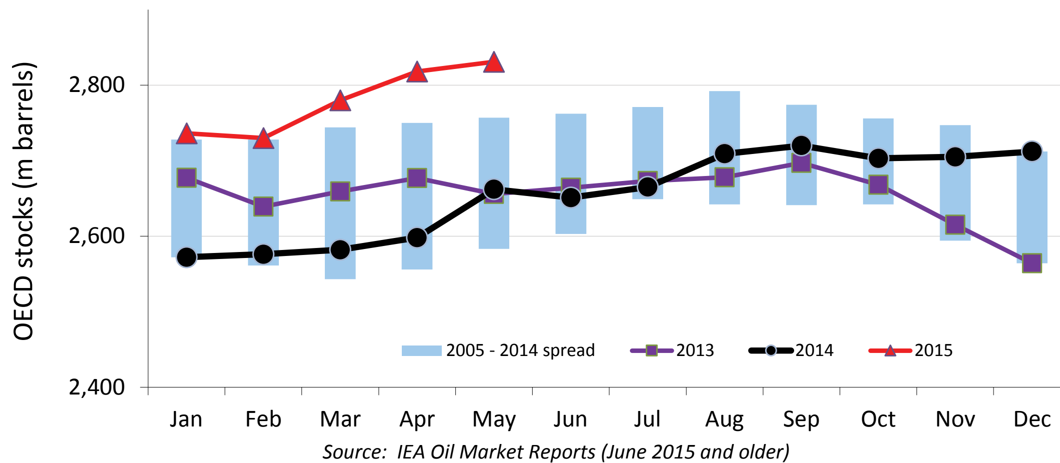


Source: Bloomberg LP/NYMEX/ICE (2015)

OECD stocks

OECD total product and crude inventories at the end of May were estimated by the IEA to be 2,831m barrels, relative to the end of February when inventories were 2,725m barrels. While inventories have built, the month on month increase in inventories in June of 13m barrels compares to an average 32 million barrel build that has been witnessed over the last ten years. On the one hand, the smaller than average build in May can be seen as a positive data point, but still leaves inventories well above the top of the 10 year historic range, an illustration of the looseness in the market that has developed over the past few months.

Figure 3: OECD total product and crude inventories, monthly, 2004 to 2015



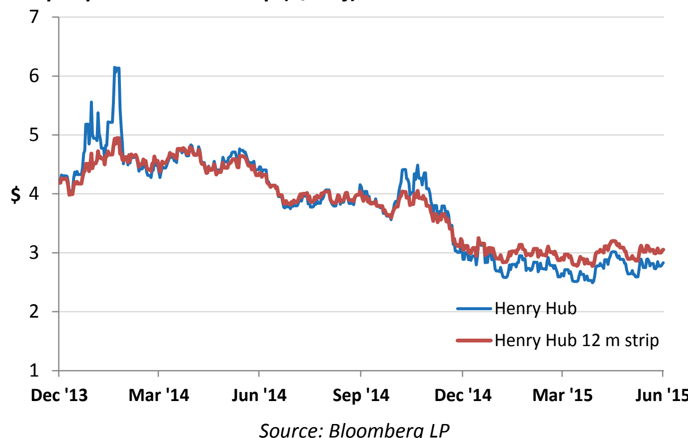
Source: IEA Oil Market Reports (June 2015 and older)

2. Natural Gas Market

The US natural gas price (Henry Hub front month) opened the quarter at $2.64 per Mcf (1000 cubic feet). The price traded in a tight range for the quarter to close June at $2.83 per Mcf. Year to date, the spot gas price has averaged $2.77/mcf, which compares to an average gas price in 2014 of $4.26 (assisted by a very cold 2013/14 US winter). The price averaged $3.72 over the preceding four years (2010-2013), significantly below the average in each of the previous five 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 $2.91 and closing the quarter at $3.05. The strip price has averaged $3.00 so far in 2015, having averaged $4.18 in 2014, $3.92 in 2013, $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) December 31 2013 to June 30 2015



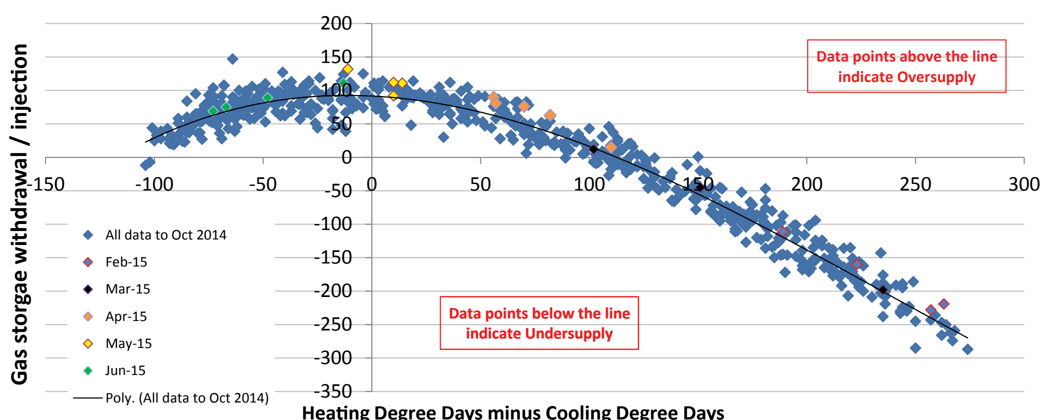
Source: Bloomberg LP

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

- **Structurally oversupplied market**

Adjusting for the impact of weather in the quarter, the most recent injections of gas into storage suggest the market is, on average, about 1-2 Bcf/day oversupplied (as indicated by the green dots on the graph below). The market has been consistently oversupplied over recent months (although this was reduced somewhat in June relative to the start of the quarter) and has caused natural gas inventory levels to return to average levels, having been heavily depleted by cold weather last winter. We also highlight that new pipeline export infrastructure from the Marcellus has allowed strong production growth in recent months.

Figure 5: Weather adjusted US natural gas inventory injections and



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

- **US shale oil production flattening, lowering associated gas growth**

Weekly data published by the EIA suggests that oil production growth is showing signs of slowing. It is early days to identify a lasting trend, but any indication that US oil supply growth is slowing will be accompanied by a slowdown in associated gas production. There are signs that gas production growth is starting to slow, with monthly data showing year over year growth of 4.1bcf/d in April 2015, versus 5.0bcf/d in the previous month.

- **Warmer weather than usual in the US in the second quarter**

Weather patterns affect natural gas demand and as we enter the peak summer period (peak air conditioning demand), we note that there were more 'cooling degree days' than normal throughout the second quarter. Despite this extra weather-driven demand, inventories remain just above five year average levels.

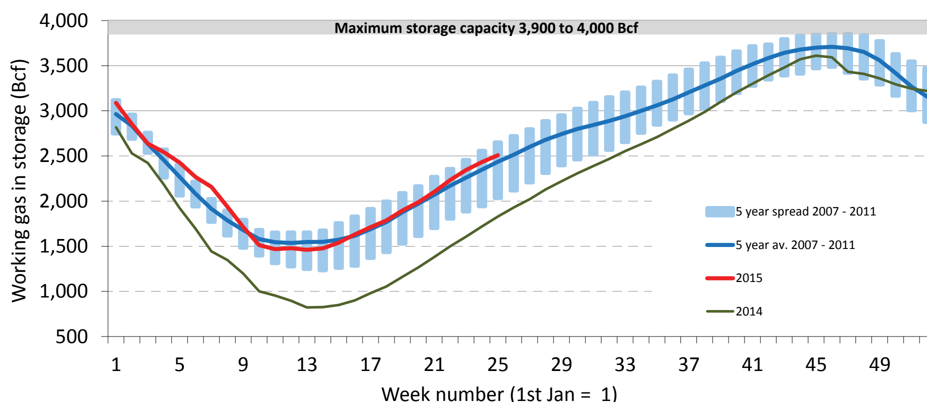
- **Coal to gas switching**

With the natural gas price below $3, we estimate that gas is a more economic fuel to consume by electric utilities than almost all grades of coal. As a result, we are seeing coal to gas switching by the utilities.

Natural gas inventories

Swings in the supply/demand balance for US natural gas should, in theory, show up in movements in gas storage data. Natural gas inventories at the end of June were reported by the EIA to be 2,233 Bcf. The quarter on quarter build was slightly greater than average, leaving inventories just above the 5 year average level at the end of the quarter. Indications are that natural gas storage will end the injection season at between 3.8 and 4.0tcf, i.e. towards the upper end of the historic range for the end of the injection season.

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



Source: Bloomberg; EIA (July 2015)

The 2013/2014 winter saw gas in storage tighten very considerably as a result of extremely cold weather rather than any 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. A surge in onshore production, particularly from the Marcellus region, has since led to gas in storage levels above the previous year.

3. Manager's Comments

With the first six months of 2015 behind us, we take this opportunity to review the overall performance of the energy sector over this period, as well as company activity within the sector and the performance of the Fund.

Energy has lagged so far in 2015, with the MSCI World Energy Index (-4.7%) underperforming the MSCI World (+3.0%) by 7.7%.

At first blush, this might be considered an unusual outcome since spot oil prices have risen since the start of the year, with Brent (the international oil price) up from around $56/bbl to $61/bbl and WTI (the US oil price) up from around $53/bbl to $59/bbl. This follows the very sharp fall we saw over the second half of 2014, with prices declining from over $100/bbl. However, the answer appears to lie with longer-term expectations for oil prices, which have fallen this year. The four year forward price for Brent, as an example, is down from around $77/bbl to $73/bbl, whilst four year forward WTI is down a similar amount, from $69/bbl to $66/bbl.

So, what have we learnt about the oil market over the last 6 months? In essence, the market has remained oversupplied, with a strong price-led rise in global demand more than offset by supply growth (albeit slowing) from the US and a significant pick up in production across OPEC. OPEC was producing 30.6m b/day in December 2014, which has risen by 1.5m b/day to around 32.1m b/day in June 2015, with Saudi production up by 0.9m b/day and Iraq up by 0.7m b/day. Overall, the oil market was oversupplied by around 0.5m b/day, with almost all of the oversupply showing up in US inventories rather than Europe or Asia.

Natural gas prices were weak across the board. The US natural gas price declined by around 7% from $2.99 at the start of the year to $2.77 by June 30, as strong shale gas production overshadowed the boost to demand provided by utilities switching from coal to gas as a result of the lower price. European and Asian gas prices, with a lagged link to oil prices, fell to around $7 and $9 respectively, as the sharp fall in oil prices in the second half of 2014 fed through the gas pricing system.

In terms of **sector and company activity**, the general theme of 2015 so far has been one of adjustment to lower prices. In the US, shale oil oriented exploration and production (E&P) companies have been working furiously to maximize production from significantly reduced CAPEX budgets. Improving efficiencies have stemmed from 'high grading' drilling activity to the core of each shale play, drilling wells quicker so each well is cheaper, and exploiting excess service capacity to drive drilling and completion costs lower.

The capital markets have generally been accommodating to the E&P sector, via equity and debt fund raising. US E&Ps raised $16.6bn from bond issues in the first five months of 2015, compared with $13.1bn in the equivalent period of 2014, whilst around 30 companies have raised new equity finance. As a result, the number of E&P companies facing immediate financial distress remains fairly low.

Globally, the large integrated oil and gas companies have also been adjusting to lower spending budgets, although their declining upstream cashflows have been cushioned by improved downstream cashflows; driven by buoyant refining margins. For most companies in this sector, the shift in focus from volume growth to profitability had already started even before the fall in the oil price, and has been intensified. With the exception of ENI, who chose to cut their dividend in March, the large integrateds have so far chosen to prioritize a stable dividend, a move helped by the relative healthiness of most balance sheets in the sector.

The fall in oil and equity prices in the sector has been a catalyst for a pick-up in **Mergers and Acquisitions activity** this year. We've seen three types of deal so far in 2015: 1) the return of the 'mega-merger', with the announcement in April of Shell's planned acquisition of BG Group, being the first very large deal in the sector since the Chevron-Texaco tie-up in 2000; 2) the purchase of highly indebted North American shale oil companies by larger peers looking to expand their core shale footprint (e.g. Noble Energy/Rosetta Resources; Crescent Point/Legacy Oil & Gas); 3) opportunistic purchases while the oil price is low (e.g. ENOC/Dragon Oil). What he haven't seen yet is a significant acquisition by a global major of a large independent shale oil oriented E&P company, something we think remains likely given how underweight most of the majors are to shale production.

Falling E&P and majors' CAPEX budgets are showing up, of course, when looking at the fortunes of service companies, who have seen their pricing and activity levels attacked from most angles. Onshore service companies, including land drillers and pressure pumpers, have experienced a sharp drop in margins, whilst the malaise in offshore drilling and seismic equipment markets continues. That said, equity markets are anticipatory, with the large diversified service companies among the better stock performers this year (having suffered in 2H 2014) as they look forward to a recovery in activity.

Elsewhere, the coal sector, both in the US and internationally, continues to struggle. The combination of natural gas and renewables taking market share from coal, and slowdown of the investment cycle in China affecting demand there, continues to weigh on earnings, sentiment and share prices in the sector, with many US coal equities now trading at little more than option value.

Among the better performers over this period were those stocks exposed to strong refining margins, which showed up in the returns of US independent refiner, Valero (+28.3%), and European integrateds, including OMV (+7.9%), BP (+6.6%) and ENI (+4.1%). Our emerging market integrated exposure also fared reasonably well, with Gazprom (+10.8%) and Petrochina (+2.0%) enjoying the general improvement in sentiment towards emerging markets this year.

There was a wide dispersion in the returns of E&P companies, with those companies most resilient to the fall in the oil price performing better. In this group, US E&Ps Newfield (+33.2%) and Carrizo (+18.4%) both reported improving well results, whilst outside the US, Dragon Oil (+38.8%) benefitted from the announced takeover by its majority shareholder, ENOC. Generally, however, the fall in forward oil prices weighed on the E&P sector, with higher cost and more highly financially leveraged companies suffering the most, including Stone Energy (-25.4%) and Chesapeake (-42.3%).

Service company exposure in the portfolio was, overall, a drag on performance, with large diversified names such as Halliburton (+10.4%) more than offset by offshore biased operations, such as Shawcor (-19.0%) and Helix (-41.8%).

Beyond oil & gas, we saw positive returns from our position in the solar sector, with Trina Solar (+25.7%) and JA Solar (+4.5%) both contributing to the significant expansion in solar installations expected globally this year.

Outlook

As we look forward to the second half of 2015, we expect an improvement in the balance of the oil market which today remains oversupplied. On the positive side; US oil production growth should slow from the current rate of 1.0m b/d to around half that rate by the end of the year (as a result of the 60% fall in rig count and reduced producer cash flows) while strong global oil demand growth should contribute. The biggest wildcards are a possible recovery supply from Iran (c.0.5m b/day) in the second half of 2015 and the potential for other OPEC production gains, both of which would slow the rebalancing process.

Ultimately, we do not believe that the US oil industry can provide enough new oil every year at $60/bl Brent to match global oil demand growth; we expect this equation is much more likely to be balanced at $70-80/bl Brent. From there, oil prices should inflate as the higher quality shale plays become exhausted and other non-OPEC growth falters as a result of the sharp reduction in project sanctions.

In the US natural gas market, our current working assumption is that the US natural gas price will trade in a $2.50 to $3.50 range for the rest of the year (with weather being a key determinant of near-term pricing). Below $2.50 should herald coal to gas switching and above $4.00 should see switching back to coal again. The start of US liquid natural gas(LNG) exports at the end of 2015 and further new start-ups in 2016 should be positive for natural gas prices. Against this backdrop, we believe there is little positive outlook for coal and while weaker global gas prices (and lower government subsidies) will temper demand for alternative energy, we do expect demand growth rates here to remain very strong.

We believe that sensitivity analysis is the best form of assessing sector valuation at times like this. We estimate that energy equities are pricing in an oil price (into perpetuity) of around $60/bl Brent, although we note that there are many assumptions regarding operating costs, capital costs and efficiency gains inherent in this calculation. If Brent were to average $75/bbl through 2016 and 2017 and, again assuming this price into perpetuity, we see a potential upside in the equities. If we are correct about upside potential thereafter, then we believe the sector offers a very attractive long term potential.

Overall, the Fund continues to seek to be well placed to benefit from the oil and gas price environment described above.

3. Performance – Guinness Atkinson Global Energy Fund

The main index of oil and gas equities, the MSCI World Energy Index, was down by 0.90% in the second quarter of 2015. The S&P 500 Index was up by 0.30% over the same period. The Fund was down by 0.90% over this period, performing in line with the MSCI World Energy Index (all in US dollar terms).

Within the Fund, the first quarter's stronger performers were Dragon Oil, EnQuest, Soco International, Bankers Petroleum and John Wood Group. Poorer performers were Helix, Stone Energy, Chesapeake, Noble Energy and QEP Resources.

Performance as of June 30, 2015

Inception date 6/30/04	Full Year 2010	Full Year 2011	Full Year 2012	Full Year 2013	Full Year 2014	YTD 2015	1 year (annualized)	Last 5 years (annualized)	Last 10 years (annualized)	Since Inception (annualized)
Global Energy Fund	16.63%	-13.16%	3.45%	24.58%	-19.62%	-3.58%	-35.53%	3.18%	3.96%	8.95%
MSCI World Energy Index	12.73%	0.71%	2.54%	18.98%	-10.93%	-4.63%	-25.67%	7.19%	4.31%	7.41%
S&P 500 Index	15.06%	2.09%	15.99%	32.36%	13.66%	1.23%	7.41%	17.31%	7.55%	7.74%

Source: Bloomberg
Gross expense ratio: 1.30%

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/performance.asp or call (800) 915-6566.

Total returns reflect a fee waiver in effect and in the absence of this waiver, the total returns would be lower.

Performance data does not reflect the redemption fee and, if deducted, the fee would reduce the performance noted

4. Portfolio – Guinness Atkinson Global Energy Fund

Buys/Sells

There were no buys or sells during the quarter.

Sector Breakdown

The following table shows the asset allocation of the Fund at March 31, 2015.

The following table shows the asset allocation of the Fund at **June 30, 2015**.

(%)	31 Dec 2008	31 Dec 2009	31 Dec 2010	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Dec 2014	30 Jun 2015	*Chang YT*
Oil & Gas	96.4	96.1	93.2	98.5	98.6	95.6	95.3	94.9	-0
Integrated	53.7	47.2	41.2	39.6	39.1	39.6	37.5	37.3	-2
Exploration and production	28.7	32.0	36.9	41.5	41.6	36.8	38.1	37.6	0
Drilling	5.2	8.4	6.3	6.0	7.4	6.8	3.1	2.8	-4
Equipment and services	6.4	5.4	5.3	6.6	7.1	9.0	13.1	12.6	3
Refining and marketing	2.4	3.1	3.5	4.8	3.4	3.4	3.5	4.5	1
Coal and consumables	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0
Solar	0.0	0.0	3.2	1.2	1.2	2.8	3.5	4.1	1
Construction and engineering	0.4	0.4	0.4	0.4	0.6	0.9	0.0	0.0	-0
Cash	0.9	3.5	3.2	-0.1	-0.4	0.7	1.2	0.9	0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**0**

Source: Guinness Atkinson Asset Management
Basis: Global Industry Classification Standard (GICS)

Guinness Atkinson Global Energy Fund Portfolio

The table below shows the fund valuation in terms of historical and forward (analyst consensus estimates) price/earnings ratios versus the S&P500 Index.

	2010	2011	2012	2013	2014	2015
Guinness Atkinson Global Energy Fund P/E	9.1	*9.0*	*9.1*	9.7	10.2	19.2
S&P 500 P/E	24.7	21.4	21.4	19.3	18.3	17.9
Premium (+) / Discount (-)	*-63%*	*-58%*	*-57%*	*-50%*	*-44%*	*7%*
Average oil price (WTI $)	$79.5/bbl	$95/bbl	$94/bbl	$98/bbl	$93/bbl	

Source: Standard and Poor's; Guinness Atkinson Asset Management Ltd

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 June 30 2015 the median P/E ratios of this group were 10.5x/16.0x 2014/2015 earnings. We also have one Canadian integrated holding, Suncor. The company has significant exposure to oil sands in addition to its downstream assets.

Our exploration and production holdings (c.38%) 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 Global Industry Classification Standard 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, Southwestern and QEP Resources), with three more US names (Apache, Occidental and Noble) which have significant international production and two (Enquest and Bankers Petroleum) which are North Sea and European focused respectively. 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 three of the industry leaders (Devon, Southwestern and Chesapeake).

We have exposure to four (pure) emerging market stocks in the main portfolio, though two are half-positions. Two are classified as integrateds by the 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 2015 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 19.5x 2015 earnings. SOCO International is an E&P company with production in Vietnam.

We have useful exposure to oil service stocks, which comprise just under 16% 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. 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 position split equally between two companies: JA Solar and Trina Solar. Both companies are Chinese solar cell and module manufacturers. They were loss making in 2012 and 2013 due to sharp falls in solar prices during the year but returned to profitability during 2014.

Portfolio at June 30 2015

Guinness Atkinson Global Energy Fund 30 June 2015													
Stock	ID_ISIN	Curr.	Country	% of NAV	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	2015 B'berg mean PER
Integrated Oil & Gas													
Exxon Mobil Corp	US30231G1022	USD	US	3.29	11.43	9.8	21.4	13.9	9.9	10.6	11.3	11.4	19.4
Royal Dutch Shell PLC	GB00B03MLX29	EUR	NL	3.09	5.6	6.5	12.9	9.1	6.8	6.7	8.8	7.8	13.9
BP PLC	GB0007980591	GBP	GB	3.60	6.0	4.8	8.4	5.8	5.8	7.2	9.0	10.4	16.0
Total SA	FR0000120271	EUR	FR	3.21	5.9	4.8	12.2	9.5	8.5	8.1	9.0	9.2	13.1
ENI SpA	IT0003132476	EUR	IT	3.41	6.2	5.7	11.2	8.5	8.1	7.9	12.7	14.8	25.9
Statoil ASA	NO0010096985	NOK	NO	3.46	10.2	7.6	13.9	10.5	9.0	8.5	9.3	10.6	18.6
Hess Corp	US42809H1077	USD	US	3.26	11.2	9.1	34.9	13.0	11.1	11.3	11.7	16.0	nm
OMV AG	AT0000743059	EUR	AT	3.69	4.7	3.9	9.9	6.2	7.7	5.4	6.7	8.2	12.6
				27.03									
Integrated Oil & Gas - Canada													
Suncor Energy Inc	CA8672241079	CAD	CA	3.12	14.5	10.8	32.6	21.7	9.6	10.7	10.8	10.7	34.6
Canadian Natural Resources Ltd	CA1363851017	CAD	CA	2.90	16.1	10.4	14.1	14.0	14.7	21.3	15.1	9.8	77.4
				6.03									
Integrated Oil & Gas - Emerging market													
PetroChina Co Ltd	CNE1000003W8	HKD	HK	3.52	8.5	11.0	11.6	9.4	9.2	10.6	11.8	11.6	20.8
Gazprom OAO	US3682872078	USD	RU	3.39	nm	nm	5.2	4.0	2.7	2.9	2.7	4.1	2.8
				6.91									
Oil & Gas E&P													
Apache Corp	US0374111054	USD	US	3.29	6.7	5.1	10.4	6.2	4.9	6.0	7.1	10.3	nm
Occidental Petroleum Corp	US6745991058	USD	US	3.55	14.8	8.7	20.9	13.8	9.3	11.2	11.2	13.4	67.5
QEP Resources Inc	US74733V1008	USD	US	1.11	nm	nm	nm	13.4	11.3	14.9	13.3	13.2	nm
Southwestern Energy Co	US8454671095	USD	US	3.02	35.8	14.8	15.2	13.2	12.3	16.5	11.4	10.1	35.5
Devon Energy Corp	US25179M1036	USD	US	3.62	8.5	6.0	16.5	10.0	9.9	18.4	14.0	11.6	30.6
Chesapeake Energy Corp	US1651671075	USD	US	2.52	3.5	3.1	4.5	3.8	4.0	23.0	6.8	7.2	nm
Noble Energy Inc	US6550441058	USD	US	3.23	15.7	12.1	25.2	20.6	16.2	18.7	13.8	18.3	112.3
Newfield Exploration Co	US6512901082	USD	US	3.48	11.2	11.5	7.1	7.8	8.9	14.9	20.1	19.6	46.5
Stone Energy Corp	US8616421066	USD	US	1.32	2.4	2.3	5.5	6.2	3.3	4.5	4.5	26.4	nm
Carrizo Oil & Gas Inc	US1445771033	USD	US	2.40	70.3	27.4	33.4	38.7	47.9	33.8	22.2	22.2	42.8
				27.55									
International E&P													
Bankers Petroleum Ltd	CA0662863038	CAD	CA	1.29	nm	nm	823.4	36.3	13.1	12.5	8.7	7.6	56.1
Dragon Oil PLC	IE0000590798	GBP	GB	2.45	19.1	15.8	23.0	16.6	9.0	9.1	10.3	8.5	19.5
EnQuest PLC	GB00B635TG28	GBP	GB	1.08	nm	nm	nm	7.0	8.0	2.4	2.6	4.9	51.4
Soco International PLC	GB00B572ZV91	GBP	GB	1.12	24.0	25.8	16.1	22.2	14.3	4.0	4.2	6.5	22.4
				5.94									
Drilling													
Unit Corp	US9092181091	USD	US	2.78	4.7	4.0	10.3	8.9	6.6	6.5	7.3	6.4	nm
				2.78									
Equipment & Services													
Halliburton Co	US4062161017	USD	US	3.54	17.0	19.8	32.9	21.4	12.9	14.5	13.9	10.9	31.6
Helix Energy Solutions Group Inc	US42330P1075	USD	US	2.12	3.8	5.2	21.8	23.9	8.4	6.8	11.7	6.5	18.7
ShawCor Ltd	CA8204391079	CAD	CA	3.00	22.9	18.9	20.0	29.3	50.1	16.4	10.0	14.4	19.6
John Wood Group PLC	GB00B5N0P849	GBP	GB	3.81	26.3	18.8	25.0	26.0	17.1	11.9	10.2	10.4	12.3
				12.47									
Solar													
Trina Solar Ltd	US89628E1047	USD	US	2.29	16.1	9.6	7.1	3.5	431.1	nm	nm	14.5	12.1
JA Solar Holdings Co Ltd	US4660902069	USD	US	1.84	10.9	4.5	nm	1.1	nm	nm	nm	9.1	10.4
				4.12									
Oil & Gas Refining & Marketing													
Valero Energy Corp	US91913Y1001	USD	US	4.54	8.0	11.5	nm	39.4	15.7	12.8	15.3	10.3	9.0
				4.54									
Construction & Engineering													
Cluff Natural Resources PLC	GB00B6SYKF01	GBP	GB	0.39	nm	nm	nm	nm	nm	nm	nm	nm	nm
JKX Oil & Gas PLC	GB0004697420	GBP	GB	0.40	0.7	0.9	0.9	1.0	1.2	1.6	3.1	8.6	nm
Ophir Energy PLC	GB00B24CT194	GBP	GB	0.13	nm	nm	nm	nm	nm	nm	nm	2.8	nm
Shandong Molong Petroleum Machinery Co Ltd	CNE1000001N1	HKD	HK	0.17	11.6	7.7	21.4	8.4	11.6	nm	nm	nm	nm
Sino Gas & Energy Holdings Ltd	AU000000SEH2	AUD	AU	0.30	nm	nm	nm	nm	nm	125.0	nm	125.0	nm
Triangle Petroleum Corp	US89600B2016	USD	US	0.20	nm	nm	nm	nm	nm	nm	nm	8.7	9.7
Trinity Exploration & Production PLC	GB00B8JG4R91	GBP	GB	0.04	nm	nm	nm	nm	nm	nm	0.4	nm	nm
WesternZagros Resources Ltd	CA9600081009	CAD	CA	0.08	nm	nm	nm	nm	nm	nm	nm	nm	14.1
				1.71									
			Cash	0.92									
			Total	100									
			PER		9.0	7.8	13.3	8.5	8.7	9.2	9.4	10.1	19.2
			Med. PER		11.0	8.9	14.6	10.2	9.3	10.7	10.2	10.3	19.6
			Ex-gas PER		9.3	8.3	14.6	8.7	9.2	8.7	9.2	9.7	16.3

Research holding

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.

Tim Guinness

Chairman & Chief Investment Officer

Will Riley & Jonathan Waghorn

Fund investment team

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.

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.

The New York Mercantile Exchange is the world's largest physical commodity futures exchange.

Capital expenditure, or CapEx, are funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment.

Enterprise Value, or EV for short, is a measure of a company's total value, often used as a more comprehensive alternative to equity market capitalization

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 Funds. 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.

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