Guinness Atkinson
Dividend Builder Fund
Managers Update – July 2016

On the 23rd June the UK voted to leave the European Union. The result was remarkable in terms of both its political significance and the apparent inability of anyone, not least the market, to predict such a result could be possible.

The 'leave' vote triggered a sharp selloff in the UK equity market, but also weighed heavily on European equities, and in particular the European periphery. Currency markets witnessed historic moves as sterling weakened against the dollar to levels not seen for decades, the Euro declined versus a basket of global currencies, and 'safe havens' such as the US dollar and Japanese Yen strengthened considerably. Similarly other assets seen as sanctuaries in uncertain times such as gold and government bonds rose in value as investors flocked to them for their perceived safety.

With Europe having already been on a fairly fragile path, the increased political uncertainty around a UK exit from the European Union sparked fears that the nascent economic recovery could be easily derailed. The exact process for how the UK could extract itself was never clearly articulated by the 'Brexiteers' in the run up to the vote and the infighting we have seen over recent days in the leading political parties in the UK has left that critical question in the air.

Considering the UK stock market specifically for a moment, the sectors most affected in the aftermath of the vote to leave were unsurprisingly those most sensitive to the economic environment; namely the banks, the asset managers and the housebuilders. The sectors which rallied after the vote were stocks linked to a rising gold price such as speciality miners, less economically sensitive consumer staples businesses, and those with significant earnings generated outside the UK.

However, in the days after the vote we have seen equity markets recover most of their losses; the FTSE 100 for example finished the month 4.71% (in GBP) higher than at the start of the month and 2.65% (in GBP) higher than on June 23rd, the night before the results were announced. This is a somewhat rosy, and potentially skewed, analysis however due to the heavy weighting in the index to globally diversified tobacco, pharmaceutical, consumer staples, and oil companies, all of which held up well in the selloff. The FTSE 250 index, which is a better proxy for 'UK plc', was down 6.05% (in GBP) between June 23rd and the end of the month – having been down over 14% two days after the vote.

In local currency terms global equites followed a similar path to the FTSE 100; the MSCI World Index was down 2.23% (in USD) between June 23rd and the end of the month, and down 1.07% (in USD) for the month as a whole. When considered in GBP terms, however, it is a very different picture; the index was up 9.14% (in GBP) between the eve of the vote and month end, and finished up 8.22% (in GBP) for the month as a whole.

This highlights the magnitude and swiftness of the currency moves seen and what a significant effect they had on investor returns over the period in question. It also highlights the potential benefits of taking a more global view when considering your investments as currency movements can be dampened through diversification. Over the past few years we have seen significant and sudden moves in currencies across the globe: the Swiss franc, Australian dollar, and the South African rand to name but three.

Considering the difficult markets we have seen over the past week we have been pleased that the fund has once again shown its defensive qualities and outperformed in an uncertain environment.

Our approach has always been to focus on high quality, globally diversified businesses, with low leverage, that have a demonstrated ability to continue to generate economic profits regardless of the economic environment. We have seen time and again since we launched the strategy back in 2010 the value these companies can provide in difficult markets and thus the powerful compounding effect that can be achieved over long periods.

Positioning

In terms of geographic weighting the fund today has14% of the portfolio in UK-listed companies and 14% in continental European businesses. The remainder of its holdings are 55% in the US, 11% in Asia Pacific (including Japan), and 6% in emerging markets. Of the London-listed companies in the fund all have a majority of their revenues generated outside the UK and in fact most of themgenerateless than 20% of sales from the UK. The five London-listed companies held in the fund today are WPP, Imperial Brands, Unilever, ICAP, and BAE Systems.

The chart below highlights the exposure of the fund by revenues versus by domicile and highlights the importance of considering the economic exposure of companies and not just where they happen to be listed.

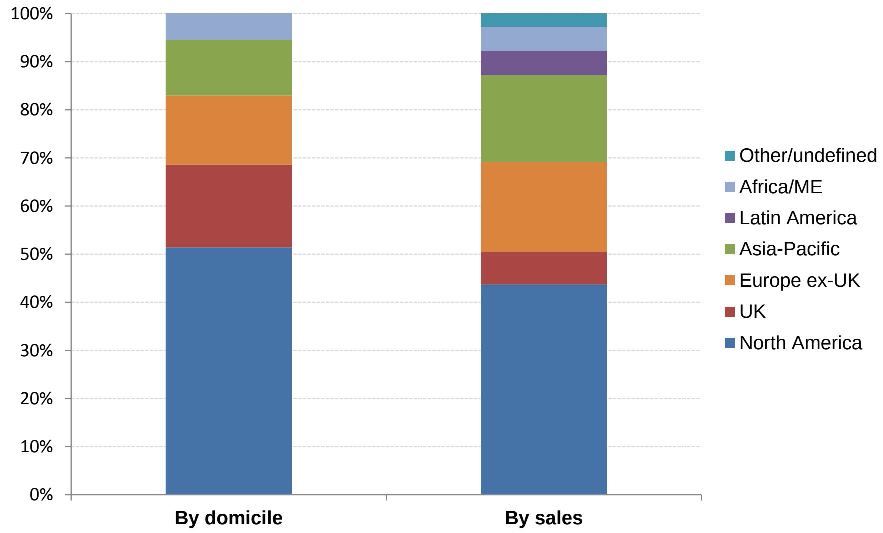

Chart 1: Geographic breakdown of the fund. Guinness Atkinson Asset Management, Bloomberg (data as at 6.30.2016)

In terms of sector weightings the fund continues to have a zero weighting to banks, asset managers or indeed the UK housebuilders. Banks tend to not pass our initial screening process due to their inherent leverage and housebuilders because of their highly cyclical nature. We have owned asset managers in the past and can see the attraction of these asset light and potentially highly cash generative businesses. However, we sold our only company in this sector – Aberdeen Asset Management – in January to purchase a position in Walmart. We will monitor closely these types of business in the coming weeks and months as the general market selloff and uncertain regulatory environment may present some interesting opportunities from a valuation perspective.

The chart below shows the sector breakdown of the fund in absolute terms and also relative to the benchmark to highlight any over/underweights.

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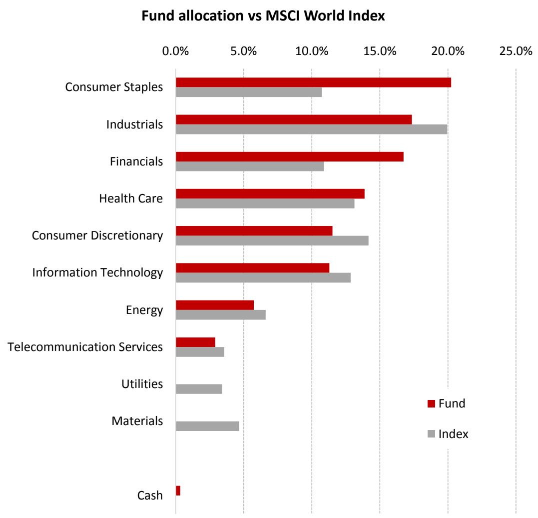

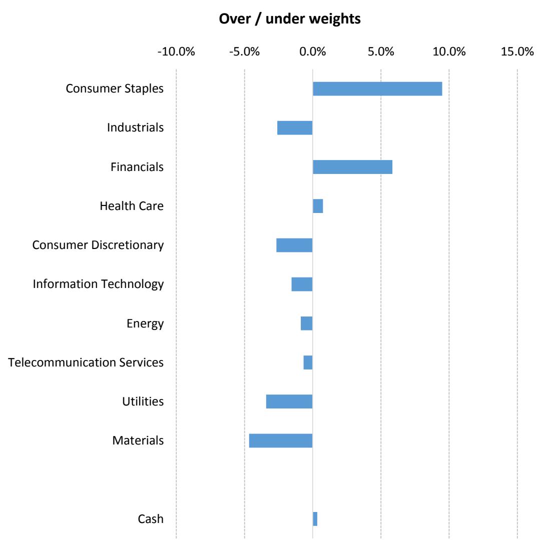

Chart 2: Sector breakdown of the fund. Guinness Atkinson Asset Management, Bloomberg (data as at 6.30.2016)

Performance

In the second quarter of 2016 financial markets have been dominated by events surrounding the UK vote to leave the European Union. This led to increased volatility and a move away from risk assets as political uncertainty clouded future economic prospects. It is therefore pleasing that the fund held up well during such a difficult and volatile time. In the month of June the fund was up 0.47% (in USD) versus the MSCI World Index down 1.07%, an outperformance of 1.54%.

This continues the good performance of the fund for the year, having outperformed the index by 3.23% in the first quarter. Year to date the fund is now up 4.84% (in USD) versus the MSCI World Index which is up 1.02%, an outperformance of 3.82%.

as of 6/30/16	YTD	1 YR	3 YR	5 YR	10 YR	Since inception (3/30/12)
Dividend Builder Fund	4.84%	1.06%	6.78%	N/A	N/A	9.05%
MSCI World Index	1.02%	-2.16%	7.59%	N/A	N/A	8.48%

All returns over 1 year annualized. *Source: Bloomberg, Guinness Atkinson Asset Management*
Expense Ratio: 0.68% (net); 1.77% (gross)

Performance data quoted represents 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/GIF_performance 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. 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 June 30, 2017. To the extent that the Advisor waives its fees and/or absorbs expenses to satisfy this cap, it may seek repayment of a portion or all of such amounts at any time within three fiscal years after the fiscal year in which such amounts were waives or absorbed, subject to the 0.68% expense cap.

Conclusion

The political process for a UK exit from the EU is far from certain and the economic consequences for such an exit are equally unknown. We have seen further indication from central banks across the globe that this additional uncertainty, when placed in context of the stuttering global economy more generally, could require further easing – or at least a pause in any tightening measures. The market is therefore starting to price in interest rate decreases in the UK, the US not raising rates until at least 2017, and further stimulus from the Bank of Japan in light of the strengthening yen. All of which suggests bond yields will continue to stay low for a prolonged period, meaning the dividend yields on offer from high quality equities will likely be all the more desirable.

In light of the above we believe the Guinness Atkinson Dividend Builder Fund is particularly well placed to navigate the uncertain waters that may lie ahead whilst still providing a healthy, and growing, dividend payment in the meantime.

We thank you for your continued support.

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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 Guiness Atkinson Dividend Build 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. The Fund's strategy of investing in dividend-paying stocks involves the risk that such stocks may fall out of favor with investors and could reduce or eliminate the payment of dividends in the future or the anticipated acceleration of dividends could not occur. The Fund invests in foreign securities which will involve greater volatility and polticial, economic and currency risks and differences in accounting methods. This risk is greater in emerging markets. Medium- and small-capitalization companies tend to have limited liquidity and greater price volatility than large-capitalization companies.

Top Fund Holdings as of 6/30/16

1	Japan Tobacco Inc	3.30%
2	BAE Systems PLC	3.23%
3	Mattel Inc	3.07%
4	Schneider Electric SE	3.06%
5	Largan Precision Co Ltd	3.02%
6	Imperial Brands PLC	2.96%
7	Unilever PLC	2.94%
8	Vodacom Group Ltd	2.90%
9	TOTAL SA	2.87%
10	Royal Dutch Shell PLC – A Shares	2.86%

Current and future fund holdings and sector allocations are subject to change and risk, and are not recommendations to buy or sell any security.

Growth stocks typically are more volatile than value stocks; however, value stocks have a lower expected growth rate in earnings and sales.

Dividend yield is calculated by annualizing the last quarterly dividend paid and dividing it by the current share price.

The FTSE 100 Index is a stock index of the 100 companies listed on the London Stock Exchange with the highest market capitalization.

The FTSE 250 Index is a stock index of the 250 companies listed on the London Stock Exchange with the highest market capitalization.

MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed countries.

One cannot invest directly in an index.

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