Guinness Atkinson
Dividend Builder Fund
Managers Update – October 2016

Quarter in review

Despite world equity markets finishing almost flat over the period we witnessed significant volatility in share prices over the third quarter of 2016.

In July the market had to digest the surprise vote for Brexit in the UK post the referendum on EU membership at the end of June. After an initial sell off equity markets rallied significantly through the end of the month, with the MSCI World Index closing up over 4% in July.

In August equity markets appeared somewhat subdued with the MSCI World Index up only 0.14% (in USD) over the month. The VIX (or so called 'fear index') also remained at low levels suggesting market participants were less concerned with the potential for a big sell off in US equities. However, as we noted in previous updates the overall market performance belied quite large divergences in individual sector performances; financials, IT, materials, and industrials led the market and utilities, healthcare, telcos, and consumer staples lagged. This was in stark contrast to the start of the year when the more 'defensive' sectors outperformed as markets worried about the prospects for Chinese growth. In a similar vein developed markets underperformed emerging markets in August, continuing a trend that had begun to evolve since the end of May.

September followed a similar pattern to that seen in August. Developed market equities lagged emerging market equities and Asian equities. And the sectors that led and lagged the markets in August broadly continued to do so in September.

The performance of the energy and materials sectors, and energy in particular, coincided with better prospects for commodity prices in general and specifically for oil following perceived collaborative action on supply curtailments by OPEC members. The relative underperformance of Reits, telcos, healthcare, and staples also coincided with a growing assumption that more accommodative monetary policy from central banks, most notably the Fed and the European Central Bank (ECB), may not come to pass which may make the high dividends from these types of business less attractive/necessary to investors in the medium to long term.

The notable exception of the sector leaders from August continuing to outperform in September was the financials sector. Fears surrounding Deutsche Bank following the record Department of Justice settlement claim for mis-selling residential mortgage backed securities in the US combined with the emergence of a Wells Fargo probe into fake customer account openings to rattle the sector.

Performance drivers

In terms of sector positioning our underweight relative to the benchmark in materials (c.5% underweight on average over the period) and information technology (c.3% underweight) were the largest drags, albeit still small in absolute terms representing only c.-0.20% to total fund returns for each. Our overweight to consumer staples (c.8.5%) led to a c.-0.40% drag to fund performance.

Positive performance from sector allocation came from our continued zero weight to the utilities sector (representing a c.3.4% underweight versus the benchmark on average).

In terms of geographic exposure the largest difference between the fund and the benchmark is our exposure to the US (as measured by country of domicile). The fund over the quarter had on average a c.50% weighting to North America which compares to the index at c.61% - so an 11% underweight position. This made no discernible difference from a performance perspective.

The largest geographic overweight remains Western Europe (including the UK) which was a c.6% larger position than the benchmark over the quarter and added c.+0.30% to the overall performance of the fund.

Small caps outperformed large caps which would generally not be beneficial to the fund, as the fund only invests in mid- to large-cap companies. There was a (small) bias towards value stocks versus growth stocks which helped fund performance, but likely not in any significant way.

Individual companies that performed well over Q3 were Largan Precision (up 34.4% in USD), Schneider Electric (up 18.6%), Illinois Toolworks (up 15.7%), WPP (up 14.3%), and Microsoft (up 13.3%).

Companies that had weaker performance over Q3 were Teva Pharmaceutical (down 7.8% in USD), Royal Dutch Shell (down 7.2%), Coca-Cola (down 5.9%), Deutsche Boerse (down 4.8%), and Imperial Brands (down 3.6%).

Changes to portfolio

In the quarter we made no changes to the portfolio. We did take the opportunity to rebalance the portfolio, however, as market volatility lead to some significant divergences between individual holdings.

Positioning

The below chart highlights the geographic weighting of the portfolio both in terms of where the companies held in the portfolio are domiciled (as you will see listed in our Factsheets, for example) and where their revenues come from – which can often be more illuminating.

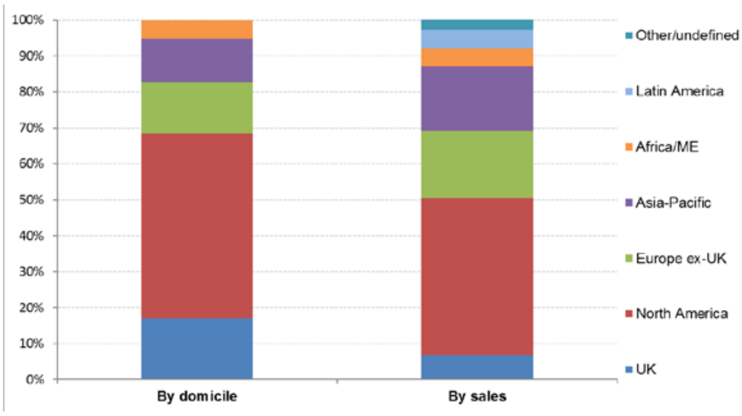


Chart 1: Geographic breakdown of the fund. Guinness Atkinson Asset Management, Bloomberg (data as at 9.30.2016)

We would note two main points; (i) the lower exposure to the UK the fund has when considered in revenues (c.6%) versus by domicile (c.17%). This is because we have favoured UK domiciled companies with a more global exposure (such as Unilever and Imperial Brands); and (ii) the larger exposure to Asia and emerging markets by revenues (c.28%) than the equivalent statistic as measured by domicile (c.17%).

In terms of sector weightings the fund continues to have a zero weighting to utilities, materials, and the newly created real estate sector (which previously was included in financials but is now split out as a standalone sector by MSCI). The largest overweight positions are to consumer staples and to industrials.

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

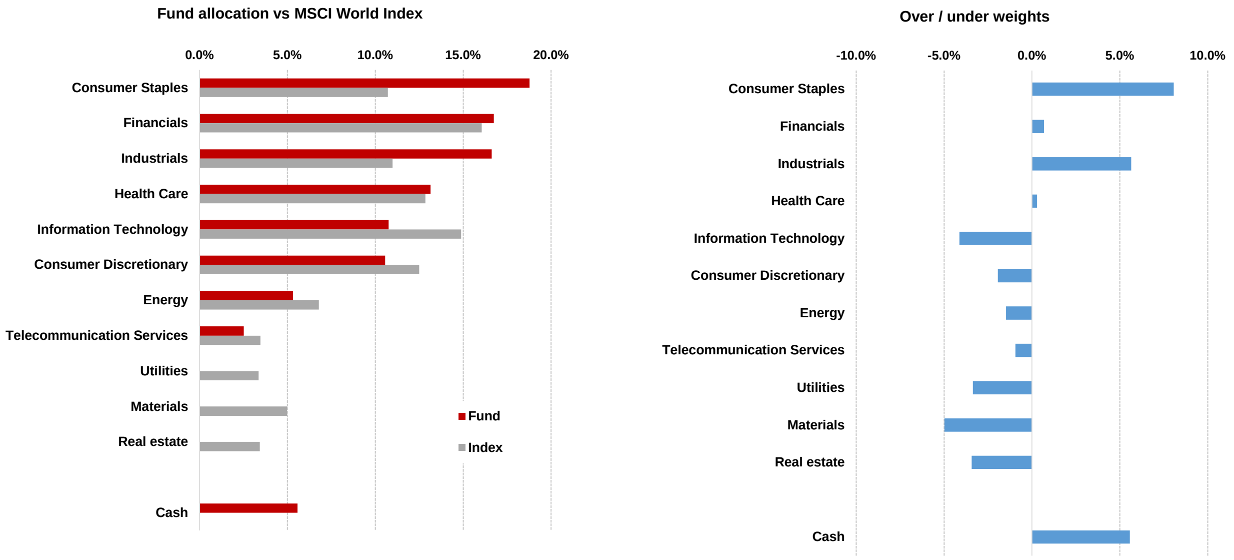
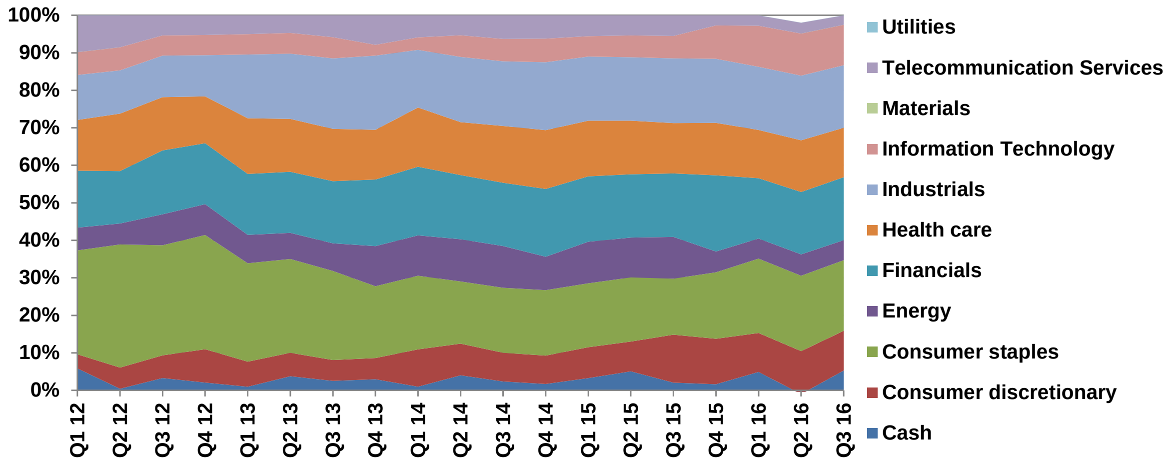


Chart 2: Sector breakdown of the fund versus MSCI World Index. Guinness Atkinson Asset Management, Bloomberg (data as at 9.30.2016)

To put this data into a historical context (for the fund at least) the below two charts show how the exposure of the fund has evolved since we launched the fund.

From a sector perspective the largest changes made over the past twelve months has been to increase the exposure of the fund to IT stocks – where we have found some good opportunities for high dividend growth businesses at relatively low valuations, something that is becoming increasingly hard to find. This increased exposure to IT came at the expense of energy, where we began to reduce our exposure through the end of 2015.

Over the longer term we have been steadily reducing our consumer staples exposure, mainly on valuation grounds – with the exception of our purchase of Walmart earlier this year – and have been increasing our exposure to industrial companies. We think this mix (more 'defensive' staples versus more economically sensitive industrials) is the right balance today, and the fact the portfolio has a reasonably well diverse sector exposure, alongside our bottom-up approach, shows we are not necessarily finding obvious pockets of value in any one sector today.



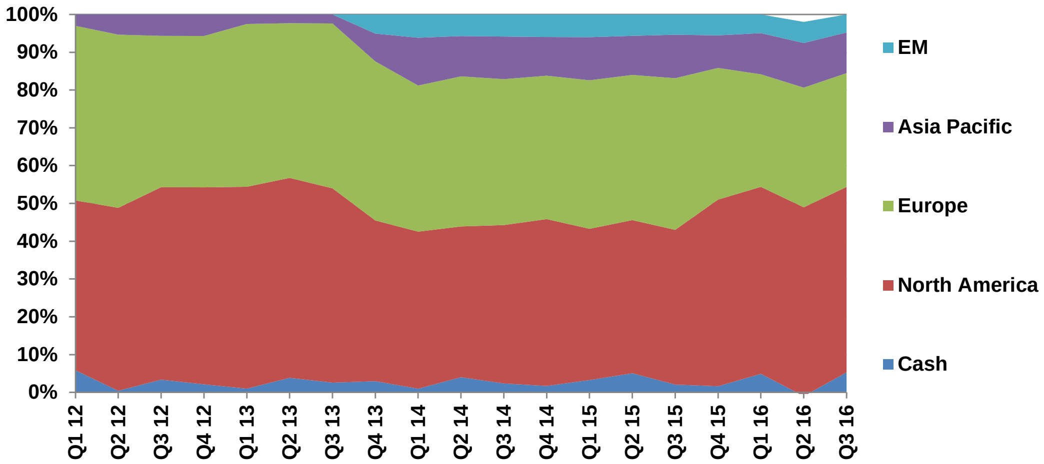


Chart 3: Sector and geographic breakdown of the fund since launch. Guinness Atkinson Asset Management, Bloomberg (data as at 9.30.2016)

From a geographic point of view we have reduced our UK exposure slightly, with the sale of Aberdeen Asset Management in January. The purchase of Walmart in its place reversed the longer term trend of reducing US exposure – but as noted above this still leaves the portfolio c.11% underweight versus the benchmark.

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Key fund metrics today

The four key tenets to our approach are; quality, value, dividend, and conviction. We follow these metrics at the portfolio level to make sure we are providing what we say we will.

At the quarter end we are pleased to report that the portfolio still provides a reasonable measure on all four of these relative to the benchmark MSCI Word Index.

		Fund	MSCI World Index
Quality	Average 10 year CFROI	21%	10%
	Weighted average debt / equity	62%	152%
Value	PE (2016e)	16.6	17.4
Dividend	Yield (Last Twelve Months)	2.90%	2.70%
	Weighted average payout ratio	59%	64%
Conviction	Number of stocks	35	1602
	Active share	95%	-

Chart 4: Portfolio metrics versus index. Guinness Atkinson Asset Management, Credit Suisse HOLT, Bloomberg (data as at 30.09.2016). CFROI is Cash Flow Return on Investment. PE is price earnings multiple. 30 Day SEC Yield as of September 30, 2016 is 2.65% after fee waivers (subsidized); 1.68% before fee waivers (unsubsidized).

Outlook

Our conclusion of last month still very much holds;

"We do not pretend to know what the future holds and we are well aware of the risks in the market - particularly the overall lack earnings growth seen over the past few years. But we still believe our approach gives us a good chance of avoiding some of those risks while still generating a stable dividend and potentially some respectable earnings growth as well."

In today's uncertain times we think this remains a good way to gain exposure to the equity market without having to try and second guess what is coming round the corner.

We thank you for your continued support.

Ian Mortimer & Matthew Page

Portfolio Managers

Performance

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In the month of September the fund was up 0.26% versus the benchmark MSCI World Index up 0.57%. The fund therefore underperformed the index by 0.31% over the month.

Over the third quarter as a whole the fund was up 4.33% versus the benchmark MSCI World Index up 4.99%. The fund therefore underperformed the index over the quarter by 0.66%.

Looking over the year-to-date the fund is now up 9.38% versus the MSCI World Index up 6.06%. The fund is therefore ahead of the index by 3.32% for the year.

as of 9.30.2016	YTD	1 YR	3 YR	Since inception (3.30.2012)
Dividend Builder Fund	9.38%	14.05%	5.95%	9.55%
MSCI World Index	6.06%	12.01%	6.46%	9.15%

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.

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 Dividend Builder 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 political, 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 30 September 2016

1	General Dynamics Corp	3.01%
2	Schneider Electric SE	3.00%
3	Willis Towers Watson	2.99%
4	Merch & Co Inc.	2.95%
5	The Procter & Gamble Co	2.88
6	CME Group	2.85%
7	Illinois Tool Works	2.81%
8	WPP PLC	2.80%
9	AbbieVie Inc	2.78%
10	Arthur J Gallagher & Company	2.78%

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.

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

Cash Flow Return on Investment (CFROI) is a valuation model that assumes the stock market sets prices on cash flow, not on corporate earnings. It is determined by dividing a company's gross cash flow by its gross investment. 'Return On Investment - ROI' is a performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments. To calculate ROI, the benefit (return) of an investment is divided by the cost of the investment; the result is expressed as a percentage or a ratio.

CFROI is a proprietary metric prepared by HOLT, a division of Credit Suisse. CFROI is a registered trademark of Credit Suisse AG or its affiliates in the United States and other countries.

The price-earnings ratio (P/E Ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings. It is calculated by dividing the share price by the per share earnings.

Debt to Equity Ratio is a measure of a company's financial leverage calculated by dividing its total liabilities by stockholders' equity. It indicates what proportion of equity and debt the company is using to finance its assets.

Weighted Average Payout Ratio is defined as the amount of earnings paid out in dividends to shareholders. Investors can use the payout ratio to determine what companies are doing with their earnings.

The VIX, or volatility Index, shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options. This volatility is meant to be forward looking, is calculated from both calls and puts, and is a widely used measure of market risk, often referred to as the "investor fear gauge."

SEC Yield - A standard yield calculation developed by the Securities and Exchange Commission (SEC). It is based on the most recent 30-day period covered by the fund's filings with the SEC. The yield figure reflects the dividends and interest earned during the period.

One cannot invest directly in an index.