Guinness Atkinson
Dividend Builder Fund
Managers Update – February 2017

January's most notable event was of course the inauguration of President Trump. When we think back to the morning of November 9th when we woke up to hear the election result our immediate thought was: is President Trump going to be the same as candidate Trump?

Trump's inauguration speech gave an early indication that President Trump was going to follow through on candidate Trump's pledge to "put America first". In the speech he said:

"For many decades, we've enriched foreign industry at the expense of American industry; subsidized the armies of other countries while allowing for the very sad depletion of our military; we've defended other nation's borders while refusing to defend our own; and spent trillions of dollars overseas while America's infrastructure has fallen into disrepair and decay.

We've made other countries rich while the wealth, strength, and confidence of our country has disappeared over the horizon.

…

From this moment on, it's going to be America First.

Every decision on trade, on taxes, on immigration, on foreign affairs, will be made to benefit American workers and American families. We must protect our borders from the ravages of other countries making our products, stealing our companies, and destroying our jobs. Protection will lead to great prosperity and strength."

Over the next ten days President Trump started to sign a series of executive orders that resonated with a number of the elements of what he had promised in his Contract with the American Voter.

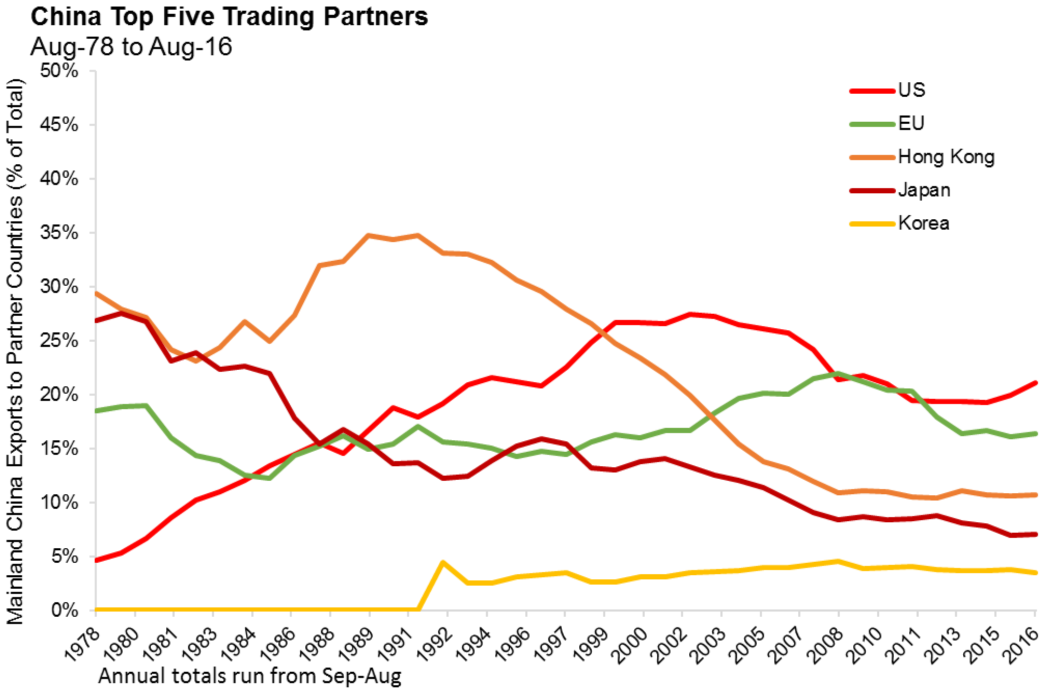
In this document in the section titled: Seven actions to protect American workers, and the first two points were:

1. I will announce my intention to renegotiate NAFTA or withdraw from the deal under Article 2205

2. I will announce our withdrawal from the Trans-Pacific Partnership

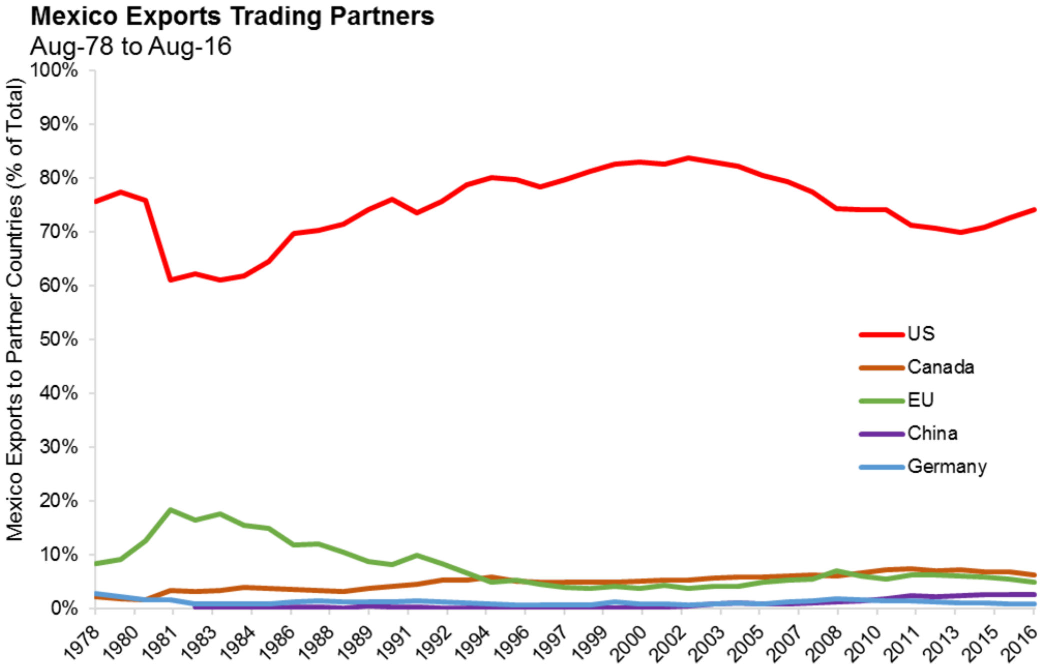
In terms of trade perhaps the most significant announcement Trump has made as president was to follow through with point 2. Trump signed an executive order withdrawing the US from the Trans-Pacific Partnership (TPP), a trade deal negotiated by Obama but never ratified by a Republican-controlled Congress. It was a trade deal that was meant to strengthen trading cooperation between the US and some of the main trading nations in the Asia-Pacific region. TPP did not include China and was therefore going to act as a counter balance to Chinese influence in the region. The US withdrawal therefore could actually benefit China and some countries have even suggested including China in a renegotiated version of TPP.

While the US is China's largest export market a new TPP which included China and created lower barriers for trade in the region could potentially be a missed opportunity for the US.



Source: Guinness Atkinson Asset Management, Bloomberg, IMF, at 2/14/17

While we have not yet seen anything formal, Trump's intention to renegotiate the North American Free Trade Agreement (NAFTA) will be a huge project and will require the cooperation of both Canada and Mexico. While Mexico is highly dependent on exports to the US (80% of Mexican exports go to the US – see chart below) it is unlikely Mexico will agree to any deal that makes them worse off. It would likely be political suicide for Mexico's already deeply unpopular president to be seen to conceding anything to Trump given the rhetoric Trump has used against Mexican people and his intention to make Mexico pay for a border wall.



Source: Guinness Atkinson Asset Management, Bloomberg, IMF at 2/14/17

Will Trump therefore simply seek to withdraw the US from NAFTA if he does not get the concessions that he desires? Under the terms of NAFTA any party to the agreement can withdraw six months after written notice has been submitted. Our initial reaction to this was to assume it was unlikely to occur as Congress would be unlikely to approve it. However, by exercising authority over foreign affairs, the president does have the right to serve notice of cancellation of the agreement.

If this did occur, then the president also has the powers to impose trade tariffs to the levels specified by the World Trade Organization (WTO) for "most favoured nations" without congressional approval. The President could go even further and pull out of the WTO and impose even higher tariffs.

While any imposition of trade tariffs by Trump would be met very quickly by affected companies seeking court injunctions citing "irreparable harm" due to the disruption of supply chains and large financials losses on contracted imports, these injunctions are unlikely to be granted given that these powers have been conferred on the president by Congress. Affected countries would be unlikely to wait for courts to respond but would more likely retaliate by imposing their own tariffs, kicking off a trade war.

It is comforting to argue that Trump would not follow through with these threats, despite the fact he has highlighted them in his Contract to the American Worker. Certainly, that appears to have been the way that equity markets have interpreted his trade policy intentions given the rally we have seen globally since the election. The market appears to have been more focussed on the potential boon to corporate America from significant tax cuts and significant spending on aging US infrastructure.

However, the early indications are that President Trump is no different to candidate Trump. We have certainly not seen a scaling back of his rhetoric, and in certain elements we have seen an escalation of it, particularly with regards to the press.

The risk of Trump's trade policy is therefore potentially more real than the market is currently pricing in.

The companies in our portfolio have been in existence for 89 years on average, so have weathered their fair share of shocks and changes to trade policy and have adapted to the threats and risks of the time. Indeed, there have been 16 US presidents over the last 89 years from Calvin Coolidge to Donald Trump. They are likely to be able to weather whatever happens in the next four years as well, but it may turn out to be a choppy journey.

Thanks for your continued support.

Matthew Page, CFA and Dr Ian Mortimer, CFA

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GUINNESS ATKINSON FUNDS

Performance

In January the Guinness Atkinson Dividend Builder Fund produced a total return of 1.70% vs the MSCI World Index of 2.44%. The fund therefore underperformed the index by 0.74%.

Cyclical sectors again led the market which was the main drag on performance with materials, IT and consumer discretionary the strongest areas of the market while the defensive and higher yielding sectors of telecoms, utilities and real estate lagged. Somewhat against this general theme however, it was energy that was the worst performing sector.

Asia and emerging markets outperformed while the UK and Europe lagged.

Looking at the portfolio our best performing positions in January were in European financials in the form of NEX, Deutsche Boerse and TP ICAP while three US holdings Teva, H&R Block and Mattel were the laggards.

as of 1.31.2017	YTD	1 YR	3 YR (ann.)	5 YR (ann.)	10 YR (ann.)	Since inception (3.30.2012) (ann.)
Dividend Builder Fund	1.70%	11.83 %	4.97%	N/A	N/A	8.70%
MSCI World Index	2.44%	17.84%	6.59%	10.52%	4.58%	9.47%

as of 12.31.2016	1 YR	3 YR (ann.)	5 YR (ann.)	10 YR (ann.)	Since inception (3.30.2012) annualized
Dividend Builder Fund	6.83%	2.63%	N/A	N/A	8.48%
MSCI World Index	8.18%	4.43%	11.08%	4.46%	9.11%

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 https://www.gafunds.com/our-funds/dividend-builder-fund/#fund_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 1/31/17

1	Deutsche Boerse AG	3.16%
2	Eaton Corp PLC	3.03%
3	Vodacom Group Ltd	3.02%
4	Merck & Co Inc	3.02%
5	Roche Holding AG	3.01%
6	Randstad Holding NV	2.99%
7	Illinois Tool Works Inc	2.99%
8	Imperial Brands PLC	2.98%
9	CME Group Inc	2.94%
10	WPP PLC	2.93%

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.

One cannot invest directly in an index.

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