

### **February in Review**

The events of the previous year continue to ripple throughout the economic, financial and political world. Has globalisation peaked? Can we expect to see an ever-increasing multipolar world? The landscape is changing but the markets appear to be taking it in their stride. Record highs were achieved mid-month across various indices, as positive core economic, consumer demand and strengthening manufacturing data all aided the market rally on the hope of faster economic growth. Generally, global markets had a strong month throughout but ended on a more cautious note ahead of Donald Trump's speech to a joint session of the US Congress.

The expectation was a more detailed outline of the key fiscal initiatives of the incoming administration for 2017 and beyond. Surprisingly (or unsurprisingly) Trump did the exact opposite, giving few details. Any disappointment regarding the lack of granularity on policy was swept quickly away as the markets focused instead on the Presidents more measured tone.

In the US, there is an increased prospect of a March interest rate rise as the US Federal Reserve strikes a more hawkish tone amid rising inflationary pressures, partly resulting from the Trump reflationary trade. Early indications from company earnings suggested slower fourth quarter growth but this did not shake market confidence as investors looked instead towards higher expected growth in 2017.

In Europe, markets followed the same trend as the US and advanced, albeit at a slightly slower pace. Corporate earnings were overall more positive than expected and growth estimates were revised upwards for 2017. Political uncertainty was focused toward France in the lead up to the first-round voting and led to volatility within French government bonds and a widening spread versus German bunds. The first-round French presidential elections are April 23rd and the run-off election will be held May 7th. With a Macron – Le Pen run-off expected, Macron is now favourite to win. We also have the Dutch elections next month which may give an indication to populist sentiment in Europe.

In February FX saw the trade weighted USD gain marginally (+0.2%). With GBP (-1.6%) and EUR (-2.1%) both down. MXN gained the most last month with +3.6%. All are price returns per USD for all currencies.

### **Market Movements**

February saw a shift into defensive stocks, with especially strong performance from Health Care, Staples and Utilities. Our current underweight to these defensive sectors meant we therefore didn't partake fully in this rally. Certain cyclical sectors, such as IT (of which we are overweight) also performed well which was a positive for the fund. Only Telecommunications, Materials and Energy posted negative returns over the month. Energy's lacklustre performance can be attributed to natural gas prices declines and investor worries surrounding the perceived ceiling on oil prices due to US oil production growth.

North America outperformed Western Europe and Asia Pacific. Large caps rallied, doing better than small-caps and mid-caps.

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**Portfolio update**

Individual stock performance in the month largely followed the above market movements, however corporate earnings season resulted in some larger idiosyncratic stock movements. VeriFone (+13.8% total return in USD), the US technology electronic payment provider, reflecting increased confidence that the business will perform well this year. Cognizant (+12.7% total return in USD), the US technology consulting and services company, shares were bought on the back of positive earnings and worries abating over the H1B professional services visas. Cisco Systems (+11.3% total return in USD), the US manufacturer of IT networking and communication products, beat Wall Street expectations for its fiscal second-quarter because of strong demand for security products. Boeing (+11.2% total return in USD), the US aircraft manufacturer, with profit rising as build rates increase.

WisdomTree (-10.7%) suffered at the hands of poor Q4 2016 earnings. NVIDIA (-6.9%) handily beat earnings expectations, however the share price declined over the month. Baiting the bears were two analysts downgrades to sell as they questioned the outlook for the company's core gaming market. Schneider Electric (-5.1%) sold-off because of weaker than expected results and H&R Block (-4.19%) declined as the market continues to worry about the upcoming tax season.

The following companies in the portfolio are expected to report earnings in March, starting with H&R Block (March 7th), followed by Verifone (March 9th), Nike (March 21st) and AAC (March 22nd).

We made no changes to the portfolio in February.

We thank for you continued support.

**Portfolio managers**

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**Analysts**

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**Performance**

In February, the Guinness Atkinson Global Innovators Fund produced a total return of 2.35% (investor class) versus the MSCI World Index return of 2.83%. The fund therefore underperformed the index by 0.48%.

as of 2.28.2017 (in USD)	YTD	1 year	3 years annualized	5 years annualized	10 years annualized	Since inception annualized
Global Innovators, Investor Class <sup>1</sup>	5.77%	23.27%	7.12%	14.17%	8.69%	7.20%
Global Innovators, Institutional Class <sup>2</sup>	5.79%	23.58%	7.22%	14.23%	8.72%	7.22%
MSCI World Index	5.34%	21.97%	5.82%	10.06%	4.92%	5.38%

as of 12.31.2016 (in USD)	YTD	1 year	3 years annualized	5 years annualized	10 years annualized	Since inception annualized
Global Innovators, Investor Class <sup>1</sup>	9.51%	9.51%	6.12%	15.80%	8.14%	6.93%
Global Innovators, Institutional Class <sup>2</sup>	9.81%	9.81%	6.22%	15.86%	8.17%	6.95%
MSCI World Index	8.18%	8.18%	4.43%	11.08%	4.46%	5.13%

Investor class (IWIRX) Inception 12.15.1998                      Expense ratio\* 1.24% (net); 1.27% (gross)

Institutional class (GINNX) Inception 12.31.2015              Expense ratio\* 0.99% (net); 1.07% (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/global-innovators-fund/#fund\\_performance](https://www.gafunds.com/our-funds/global-innovators-fund/#fund_performance) or call (800) 915-6566.*

**Performance data shown for Global Innovators, Institutional Class (GINNX), prior to its launch date on 12/31/15, uses performance data from the Global Innovators, Investor Class (IWIRX).**

\*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 .99% for the Institutional class and 1.24% for the Investor class through June 30, 2018. 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

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time within three fiscal years after the fiscal year in which such amounts were waived or absorbed, subject to the 0.99% for the Institutional class and 1.24% for the Investor class expense cap.

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

**Mutual fund investing involves risk and loss of principal is possible. Investments in foreign securities involve greater volatility, political, economic and currency risks and differences in accounting methods. These risks are greater for emerging markets countries. The Fund also invests in medium and smaller companies, which will involve additional risks such as limited liquidity and greater volatility. The Fund may invest in derivatives which involves risks different from, and in certain cases, greater than the risks presented by traditional investments.**

Securities mentioned are not recommendations to buy or sell any security. Current and future portfolio holdings are subject to risk

Top 10 holdings for Global Innovators Fund, as of 2/28/17, are: 1. The Boeing Co 3.81% 2. AAC Technologies Holdings Inc 3.71% 3. Cognizant Technology Solutions Corp - A Shares 3.69% 4. VeriFone Systems Inc 3.66% 5. Applied Materials Inc 3.61% 6. Check Point Software Technologies Ltd 3.58% 7. Samsung Electronics Co Ltd 3.55% 8. QUALCOMM Inc 3.50% 9. SAP SE 3.45% 10. NIKE Inc 3.44%

For a complete list of holdings for the Global Innovators Fund, please visit [https://www.gafunds.com/our-funds/global-innovators-fund/#fund\\_holdings](https://www.gafunds.com/our-funds/global-innovators-fund/#fund_holdings)

Opinions expressed are subject to change at any time, 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 Global Innovators 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. The prospectus may be obtained by calling 800-915-6566 or visiting [https://www.gafunds.com/resource-insight-center/#tab\\_fundinfo](https://www.gafunds.com/resource-insight-center/#tab_fundinfo)*

**Earnings growth is not representative of the Fund's future performance.**

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

One cannot invest directly in an index.

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