Guinness Atkinson
Dividend Builder Fund
Managers Update – April 2017

Quarter in review

Global equity markets had the strongest start to the year since 2012, coinciding with a growing optimism that the new US administration would be beneficial for corporate profitability. Most of Q1 unfolded against a backdrop of low volatility and included an incredible 109-day streak with less than 1% decline in the S&P 500, which ended with the US markets posting their first weekly loss (March 20-24) since the Presidential election, back in November. This came after a setback to President Trump's healthcare policy, which then raised concerns about his ability to successfully push through his tax reform, deregulation and infrastructure spending initiatives. As expected, the rally in the S&P 500 contributed to the YTD underperformance for the fund. Our bottom up investment process starts by identifying good quality companies that we would look to hold over a 3-5 years investment horizon, and hence we would not expect to outperform by riding the rally in equity markets.

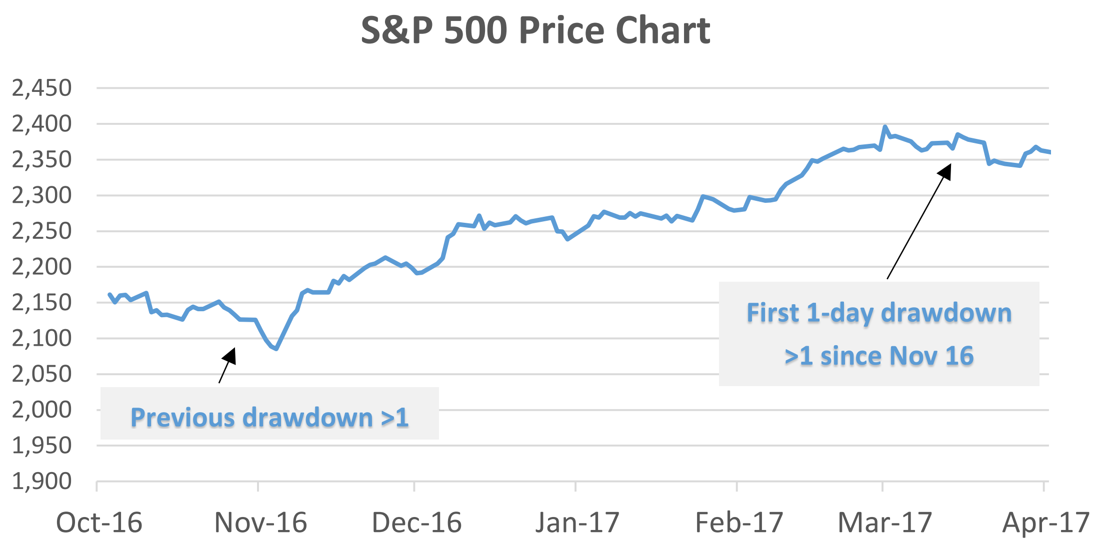

Chart 1: S&P 500 Price chart. Bloomberg

Nonetheless, encouraging economic growth globally, improving employment data and strengthening manufacturing conditions worldwide saw the MSCI World index continue its run of positive monthly returns, which started in October last year. The overall optimism about the health of the US economy was also evident by the Fed's interest rate hike mid-March and a subsequently growing consensus that there are two more hikes to come within the year.

In Europe, equity markets also rose in March, as strong macroeconomic data in the eurozone underpinned gains: unemployment fell to the lowest level in almost eight years (chart 2), while the region's Purchasing Managers' Index (PMI) maintained its upward trend in March, and is at its highest level in nearly 6 years. We also saw signs that the break-up of the Eurozone is not as imminent as many may have thought, after Dutch elections proved underwhelming for Eurosceptic candidate Geert Wilders. Over the coming quarter, all eyes turn to France to see whether Marine Le Pen's anti-euro stance will also be rejected. The polls currently suggest pro-euro Emmanuel Macron would comfortably defeat her in the second round of the presidential election, gathering 60% of the vote.

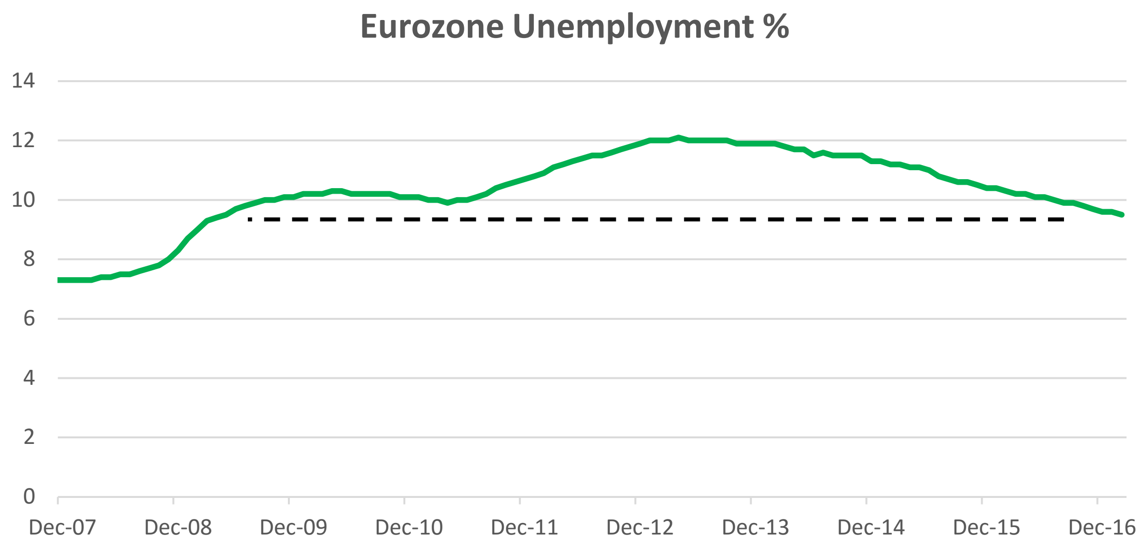

Chart 2: Eurozone Unemployment since 2007. Bloomberg (data as at 31.03.2017)

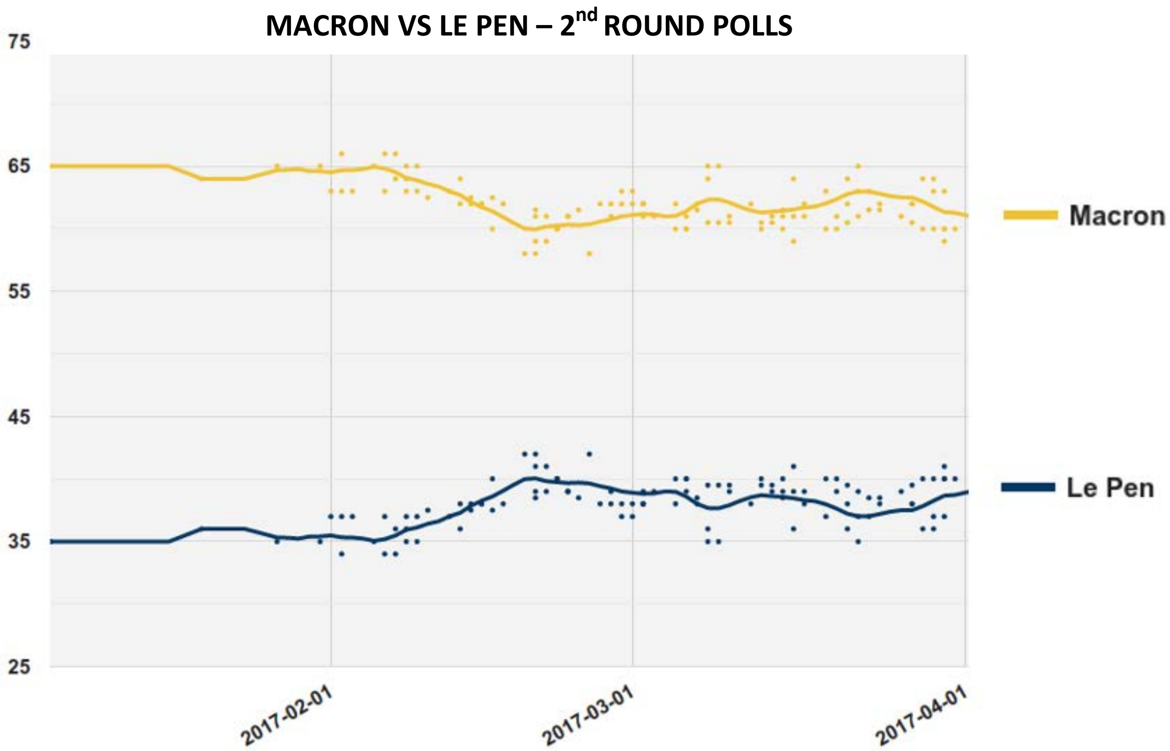

Chart 3: French Election second round polls. polls data from surveys including OpinionWay, IFOP , Elabe, Ipsos, Harris, Kantar, Odoxa and BVA.

We also saw, towards the end of the quarter, that UK Prime Minister, Theresa May, triggered Article 50 initiating the nation's formal exit from the EU. This marks the beginning of at least two years of uncertainty as the future relationship between the UK and the EU is negotiated. Continued cooperation on national security and free trade in goods would seem to be in the interest of both the UK and the EU, but it is in the possible interest of the EU for some of the financial (and other) services to move out from London into a European financial centre. Furthermore, it may not be in the interest of the EU for Britain to make a resounding success out of Brexit, especially considering the real risk that many other member states may look to follow suit.

Performance drivers

At the sector level, the prospect of faster growth in US oil production and rising US stockpiles capped global oil prices, leading to underperformance in the energy sector. Our underweight position (c. 1%) here benefitted the portfolio. Additionally, the so-called "Trump trades" saw the biggest swings in the quarter, with financials being most affected. The sector started the year strongly, continuing a positive streak post US elections, however come March, investors seemed more sceptical and the sector performance dropped, benefiting our portfolio due to our underweight overall position (c.4%). Good selection here compounded the effect with NEX Group, Arthur J Gallagher and TP ICAP leading the way (up 24.34%, 9.55%, 8.91% in USD, respectively). Further positive performance came from our largest overweight positions, in consumer staples and industrials.

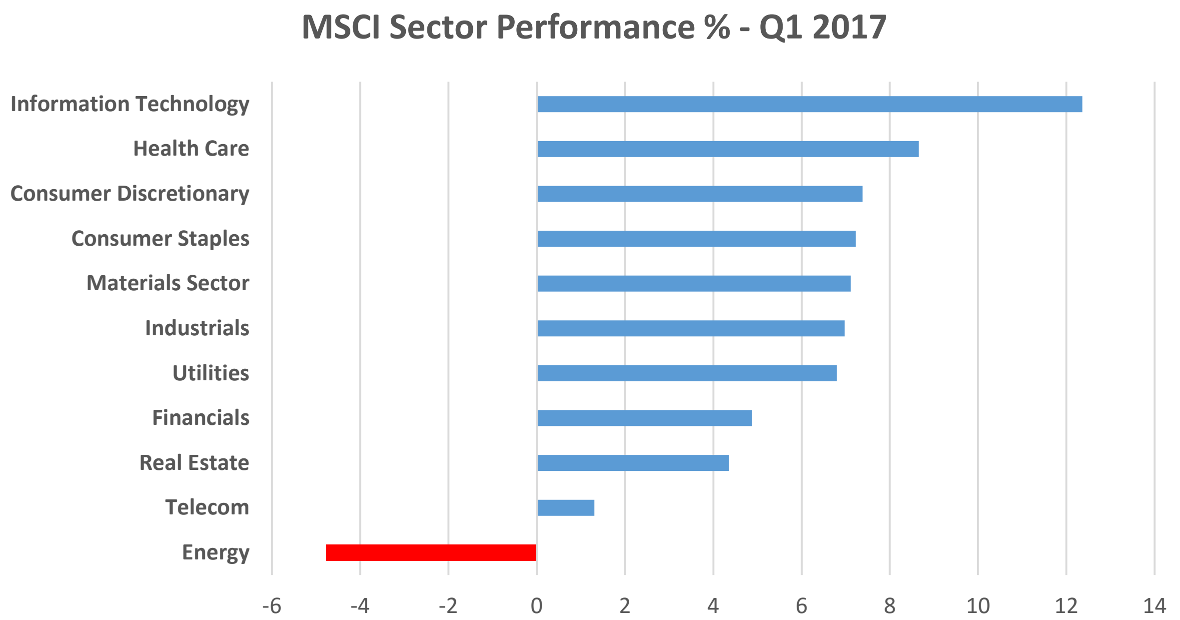

Chart 4: MSCI World Index sector performance breakdown for Q1 2017. Bloomberg

The largest drags came from our underweight position in information technology (c. 6.5%) and consumer discretionary (c. 1.6%) which performed well in the benchmark. Materials, utilities and real estate all also saw positive performance in the benchmark, and our zero weight in these sectors did not bode well this quarter.

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.53% weighting to North America which compares to the index at c.60% - so a 7% underweight position. This was a drag on the portfolio’s performance considering the US post-election rally. Nonetheless, this seems to be slowing as we enter the second quarter.

The largest geographic overweight remains Western Europe (including the UK) which was a c.10% larger position than the benchmark over the quarter and added c.+2.83% to the overall active performance of the fund.

Large caps outperformed small caps which was beneficial for the fund, as the fund only invests in mid to large-cap companies. There was a bias towards growth stocks versus value stocks which deterred fund performance, but likely not in any significant way.

Individual companies that performed well over Q1 were NEX Group (up 24.34% in USD), Unilever (up 20.04%), Roche Holding (up 15.52%), Cisco (up 12.81%), and Imperial Brands (up 12.54%).

Companies that had weaker performance over Q1 were Teva Pharmaceutical (down 10.62% in USD), Mattel (down 5.67%), Royal Dutch Shell (down 2.22%), WPP (down 1.98%), and Japan Tobacco (down 1.37%).

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

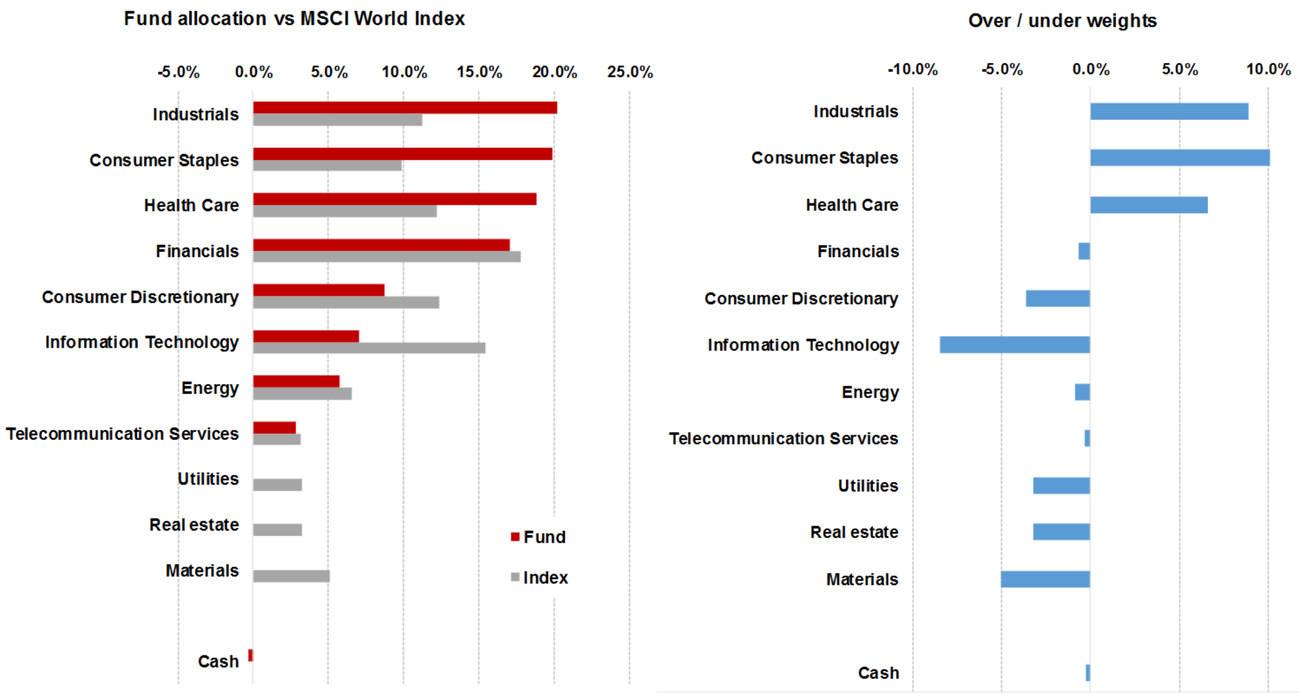

Chart 5: Sector breakdown of the fund versus MSCI World Index. Guinness Asset Management, Bloomberg (data as at 03.31.2017)

Changes to portfolio

In the quarter we made one change to the portfolio, whereby we bought Novo Nordisk and sold HR Block.

H&R Block, the US-based tax preparation company, has seen some significant changes during our long term holding of the company. Of particular note was the spinning off of its banking arm in 2014, which released the company from the associated regulatory burden and capital requirements associated with that business. This was well received by the market and the company added significantly to the performance of the fund from our first purchase in 2012 to the end of 2015. However, through 2016 the company posted a series of weak quarterly results as it appeared competition in the market place and particularly the 'do-it-yourself' online tax returns model had begun to erode their dominant position. This was reflected by sharp declines in the share price over this period. The latest quarterly results released in early March surprised to upside, however, mainly as the market had become too pessimistic rather than results being obviously positive. The subsequent spike upwards in the share price provided us an opportune moment to exit our position. The valuation of the company is undemanding (around 13.5x 2017 expected earnings) but we felt the quality element deteriorated as debt to equity levels began to soar. The next quarterly results (for the year ending April and released in June) will be the acid test as the company's earnings are so seasonally skewed due to the tax year. We felt our conviction was not high enough to justify holding the stock through this period.

We bought Novo Nordisk to replace H&R Block, sticking to our one-in, one-out policy. The Danish pharmaceutical company is a leader in the global insulin market and has maintained a concentrated, yet market leading, portfolio of drugs targeting diabetes – a growing disease especially in less developed countries. We like the fact that CFROI has been consistently growing over the last 10 years and currently stands at 25% with a small growth projection for 2017. Dividends per share have also been growing very quickly with a five year dividend growth rate of over 20% per annum. The company has a very strong balance sheet with very little debt compared to its peers and has considerably more cash than debt. The company's shares have sold off since mid-2016 after an increase in competitive threats, pricing pressures and uncertainty in the US healthcare reform. However, we believe that the market has been overly pessimistic given Novo Nordisk's growing drugs pipeline, strong balance sheet and significant cash generation and this gave us an attractive entry point.

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.

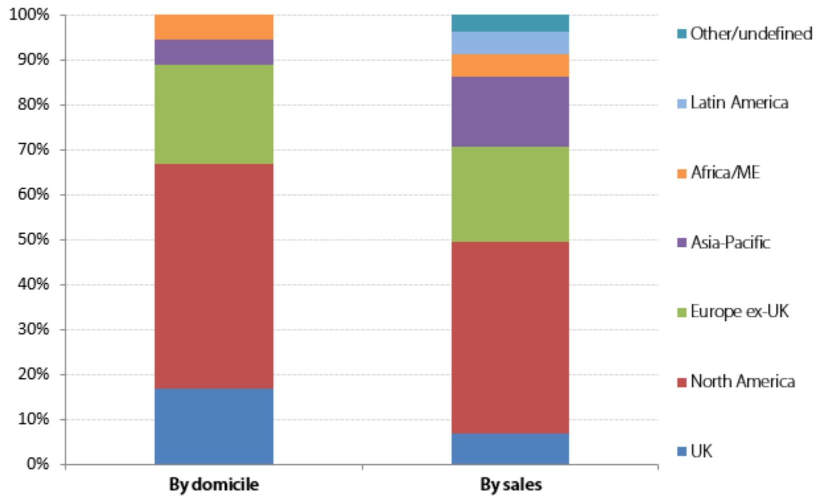

Chart 6: Geographic breakdown of the fund. Guinness Asset Management, Bloomberg (data as at 03.31.2017)

We would note two main points; (i) the fund has a lower exposure to the UK 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) there is a larger exposure to Asia and emerging markets by revenues (c.28%) than the equivalent statistic as measured by domicile (c.10%).

In terms of sector weightings, the fund continues to have a zero weighting to utilities, materials, and real estate. The largest overweight positions are to consumer staples and to industrials.

The below two charts show how the exposure of the fund has evolved since we launched the strategy back in 2010.

From a sector perspective, the largest changes made over the past twelve months has been to increase the exposure of the fund to healthcare and industrial 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 has come at the expense of telecoms and financials, where we began to reduce our exposure through the end of 2015.

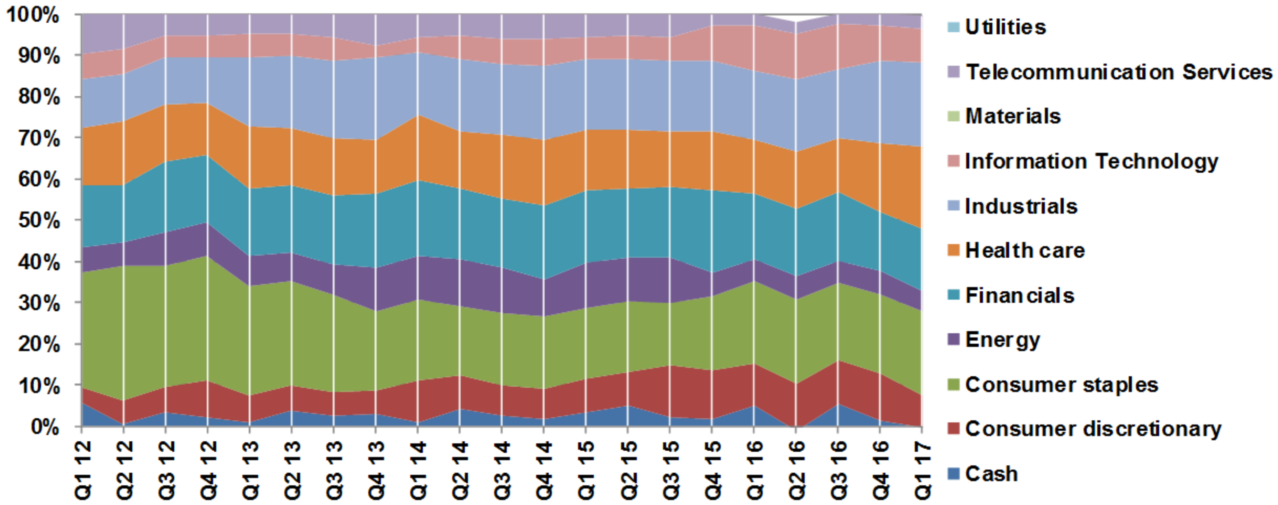

Chart 7: Sector breakdown of the fund since launch. Guinness Asset Management, Bloomberg (data as at 03.31.2017)

From a geographic point of view we have reduced our US exposure slightly, with the sale of HR Block in March, and added to our European exposure with the purchase of Novo Nordisk. Overall, our US exposure still remains the largest, albeit we are still c.7% underweight versus the benchmark.

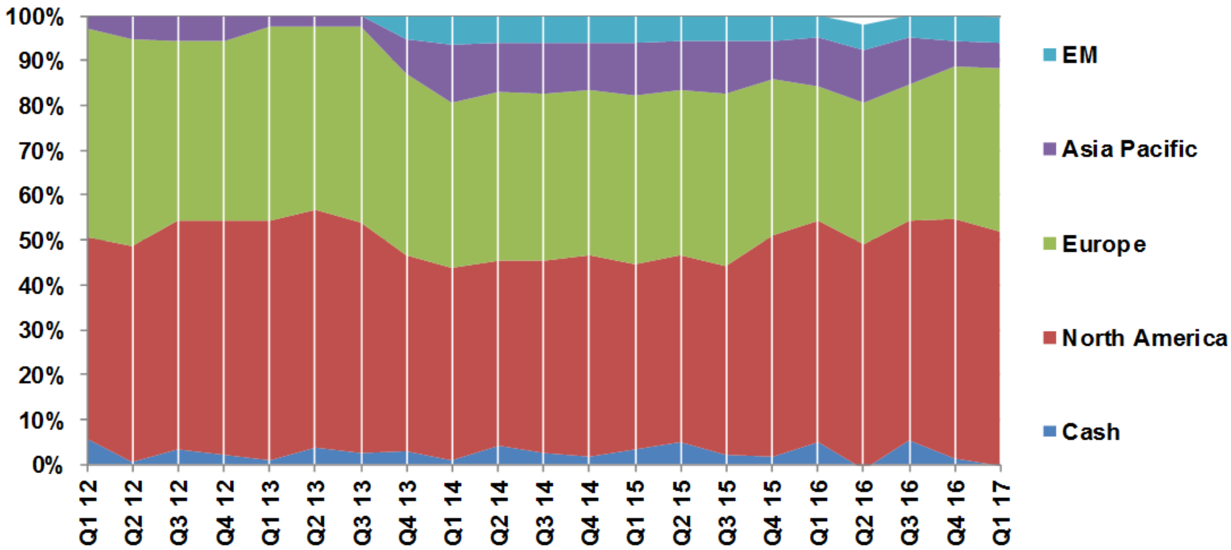

Chart 8: Geographic breakdown of the fund since launch. Guinness Asset Management, Bloomberg (data as at 03.31.2017)

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 World Index.

		Fund	MSCI World Index
Quality	Average 10 year CFROI	18%	11%
	Weighted average debt / equity	68%	147%
Value	PE (2017e)	16.6	17.0
Value	PE (2018e)	15.2	15.3
Dividend	Yield (LTM)	2.9%	2.4%
	Weighted average payout ratio	70%	59%
Conviction	Number of stocks	36	1650
	Active share	95%	-

Chart 9: Portfolio metrics versus index. Guinness Asset Management, Credit Suisse HOLT, Bloomberg (data as at 03.31.2017)

Outlook

The fund at the end of the quarter was trading on 16.6X 2017 expected price to earnings, and 15.2X 2018 expected price to earnings; a discount of 2.6% and 0.5%, respectively to the broad market. We therefore see the portfolio as still providing good value to our investors on these simple metrics. With interest rates set to rise and heighted geopolitical uncertainty expected around the globe, our perpetual approach of focusing on the quality of the underlying companies we own should stand us in good stead in our search for rising income streams and long term capital growth.

We thank you for your continued support.

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GUINNESS ATKINSON FUNDS

Performance

as of 3.31.2017	YTD	1 YR	3 YR (ann.)	5 YR (ann.)	Since inception (3.30.2012) (ann.)
Dividend Builder Fund	5.95%	9.84%	4.10%	9.31%	9.30%
MSCI World Index	6.53%	15.45%	6.15%	10.03%	10.02%

as of 12.31.2016	1 YR	3 YR (ann.)	5 YR (ann.)	10 YR (ann.)	Since inception (3.30.2012) (ann.)
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 3/31/17

1	Unilever PLC	3.23%	6	Imperial Brands PLC	3.01%
2	Roche Holding AG	3.15%	7	Illinois Tool Works Inc	3.00%
3	Eaton Corp PLC	3.06%	8	Merck & Co Inc	2.98%
4	BAE Systems PLC	3.05%	9	Cisco Systems Inc	2.98%
5	Deutsche Boerse AG	3.05%	10	Vodacom Group Ltd	2.95%

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.

VIX is the ticker symbol for the CBOE Volatility Index, a measure of the implied volatility of S&P 500 index options, calculated and published by the Chicago Board Options Exchange (CBOE).

VSTOXX is the Euro Stoxx 50 Volatility Index, a measure of the implied volatility of near term options on the EuroStoxx 50 index (Eurozone blue chip stock index).

S&P 500, the abbreviation for the Standard & Poor's 500, is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE (New York Stock Exchange) or the NASDAQ (National Association of Securities Dealers Automated Quotations System). It is designed to measure the equity market performance of the U.S. stock market.

Ex-dividend is a classification of trading shares when a declared dividend belongs to the seller rather than the buyer.

Drawdown is a peak-to-trough decline during a specified period for an investment or index.

One cannot invest directly in an index.

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