Guinness Atkinson
Global Innovators Fund Update
April 2017

Quarter in Review

World equity markets had a strong quarter, with a pause for breath in late March, finishing the quarter up 6.53% (in USD. Source: MXWO Index, Bloomberg). This was a positive start to 2017.

In January, all eyes were on the U.S. with the inauguration of President Trump on January 20th and the potential for swift action on his campaign promises, trade, tax reform, infrastructure spending, immigration, and healthcare. Overall the markets continued their rally on the back of the "inflation trade" with growth stocks outperforming value stocks. The Federal Reserve struck a more hawkish tone in January. Chairwoman of the United States Federal Reserve, Janet Yellen, had to deal with falling unemployment, rising wages alongside a proposal for a significant fiscal stimulus, and how to effectively manage the prospect of sharply rising inflation. In Europe, the focus was on political uncertainty and the potential rise of populism across the upcoming Dutch, French and German elections.

In February, we saw markets rise to record peaks across various indices, as increased economic consumer demand and strengthening manufacturing data all aided the market rally on the hope of faster economic growth. The global markets ended on a more cautious note ahead of Donald Trump's speech to a joint session of the U.S. Congress. In Europe, markets followed the same advancing trend as the U.S., albeit at a slightly slower pace. Corporate earnings were overall more positive than expected and growth estimates were revised upwards in Europe for 2017. Focus on European political uncertainty increased as election candidate, Francois Fillon, continued to soldier on despite the 'fake job' scandal and his continuing decline in the polls. In a matter of weeks, he went from clear favorite to battling it out with Emmanuel Macron and Marine Le Pen to get through the first round of elections.

March followed in a similar manner to the strength seen in January and February, with a slight pause in the markets towards the end of the month. At the beginning of the month Trump gave his speech to the U.S. congress, highly anticipated to outline key fiscal initiatives for 2017, he gave few details, but still his more measured tone caused markets to react positively. The latter half of March saw Trump's key healthcare bill failed to be passed in U.S. congress, due to both displeased Republican moderates and Republican conservatives. This caused doubts over other potential policies Trump has spoken about. Primarily, tax reform and where the funding for such a policy will now come from. We saw the Federal Reserve raise short-term interest rates for the third time since the financial crises. There was slight relief from moderates and pro-EU politicians across Europe as Dutch voters crushed the hopes of far-right populist Geert Wilders, which helped to calm fears of political uncertainty across the continent.

Market Movements

March ended a strong quarter for Global markets with Europe rallying towards the end. Developed market equities all performed well (S&P500 +6.06%, FTSE100 +5.33%, Euro STOXX +8.48%, all in USD Source: Bloomberg) but still lagged emerging market equities (MSCI EM +11.45%, in USD) and Asian equities (MSCI Asia-Pac ex Japan +13.36%, in USD) which both recovered after weaker performance in late 2016 following the U.S. election. And the sectors that did well (Information Technology, Utilities and Consumer Staples and Consumer Discretionary) and lagged (Energy) the markets in February broadly continued to do so in March, the exception being Health Care and Financials.

The performance of Health Care and Financials, both having weaker performance in March than in February, coincided with doubts over whether Trump will be able to implement his policies as quickly as previously expected and to what extent. The market appears to be taking a wait and hold approach before making any large calls on the "inflation trade" that has dominated sentiment since shortly after election day. There is also a growing assumption that the Fed is appearing more dovish in the medium term, than had been priced in post the US election.

Of note is the continuing strong performance of the Information Technology sector, spurred on by the anticipation of high demand for smartphones, amongst other technology themes that are coming of age. The Information Technology sector has been perceived to be less vulnerable to the sea of political uncertainties and potential changes in government policy, in both the U.S. and abroad. The sector has also posted good earnings growth and appears set to continue this trend in the future, which is somewhat of an outlier in today's market.

Portfolio update

In terms of sector positioning our overweight relative to the MSCI World benchmark in Information Technology (c. 33% overweight on average over the period) and our underweight positioning in energy (c.4% underweight) and financials (c.12% underweight) were the largest positives, in absolute terms representing c.+2.7% to total fund returns. The largest sector underperformance was in Consumer Staples (representing a c. 10% underweight versus the benchmark on average) and Health Care (c. 3% underweight). Source: Bloomberg.

In terms of geographic exposure, the largest difference between the fund and the MSCI World benchmark is our exposure to the U.S. (as measured by country of domicile). The fund over the quarter had on average a c.68% weighting to the U.S. which compares to the index at c.60% - so a 8% overweight position. This made no discernible difference from a performance perspective.

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

Individual companies that performed well over Q1 were New Oriental Education (up 43.42% in USD), AAC Technologies (up 28.81%), Samsung (up 22.82%), Check Point Software (up 21.55%), Applied Materials (up 20.88%) and Fanuc (up 20.49%).

Companies that had weaker performance over Q1 were WisdomTree (down 17.74% in USD), Qualcomm (down 11.23%), Schlumberger (down 6.40%) and Gilead Sciences (down 4.43%).

Changes to portfolio

In the first quarter of 2017, we made one change to the portfolio. We sold our position in H&R Block and bought a new position in Catcher Technology.

H&R Block, the US-based tax preparation company, was first purchased for the fund in October 2012 so has been a long-term holding. Over our holding period the company went through quite significant changes and in particular 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, throughout 2016 the company posted a series of weak quarterly results as it appeared competition in the market place and from 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 2017 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 found it hard to see where the growth we are looking for could come from and it appears that, for now at least, the company has lost is competitive edge. The second quarter 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.

Catcher is a Taiwanese listed technology company that specialises in the manufacture of metallic casing for devices. Historically sales were dominated by computer notebooks but this has shifted to smartphones as more high end phone suppliers moved to metallic casings following Apple's iPhone 5. This does mean the company has a handful of clients dominating its revenue stream (Apple, Samsung, for example) but also provides opportunity as these companies search for the most innovative casings for their newest phones. The latest cases will be a combination of both metal and glass (or laminate) and be more technically difficult to produce. This is reflected in the high operating margins the company has managed to achieve (around 30%) and that we believe they can defend in the future. From a quality perspective, the company has maintained a high return on capital for a significant period. As they have been growing this year-on-year, we believe this suggests that management has been allocating capital successfully. The company is exposed to the business cycle and is cyclical by nature but the recent uptick in earnings estimates and cheap valuation (just over 10X 2017 expected earnings) gives reasonable margins of safety, in our opinion.

Positioning

The below chart highlights the geographic weighting of the portfolio both in terms of where the companies held in the portfolio are domiciled and where their revenues are generated.

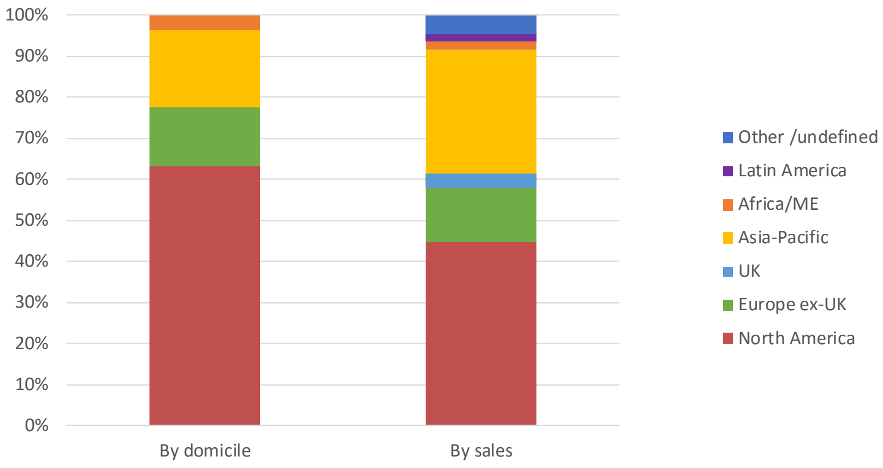
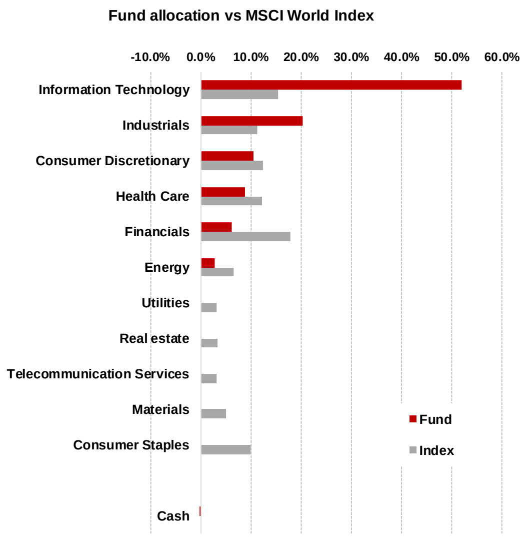


Chart 1: Geographic breakdown of the fund. Guinness Atkinson Asset Management, Bloomberg (data as at 03.31.2017)

We would note two main points; (i) the lower exposure to the U.S. the fund has when considered in revenues (c.44%) versus by domicile (c.63%). This is because some companies are domiciled in the U.S. but have large global exposure (such as Schlumberger and Qualcomm); and (ii) the larger exposure to Asia by revenues (c.29%) than the equivalent statistic as measured by domicile (c.19%).

In terms of sector weightings, the fund has zero weighting to Utilities, Materials, Telecoms, Consumer Staples 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 Information Technology and to Industrials.

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



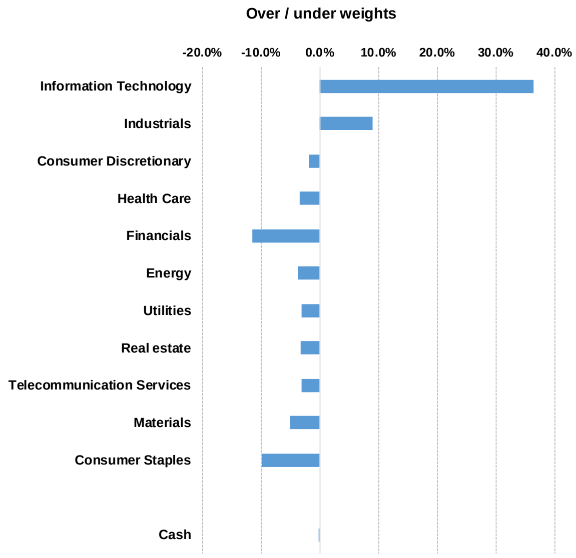


Chart 2: Sector breakdown of the fund versus MSCI World Index. Guinness Atkinson Asset Management, Bloomberg (data as at 3.31.2017)

With regard the large overweight position to Information Technology it is worth noting that this is split between the three different subsectors of semiconductors (c.17% of portfolio today), software and services (c.16%), and technology hardware (c.17%).

To put this data into a historical context (for the Global Innovators Fund at least) the below two charts show how the exposure of the fund has evolved since we launched the strategy back in 2003.

From a sector perspective, the change we made over the last quarter has been to increase the exposure of the fund to IT stocks by 3.3%, and decrease exposure to Consumer Discretionary by an equivalent amount.

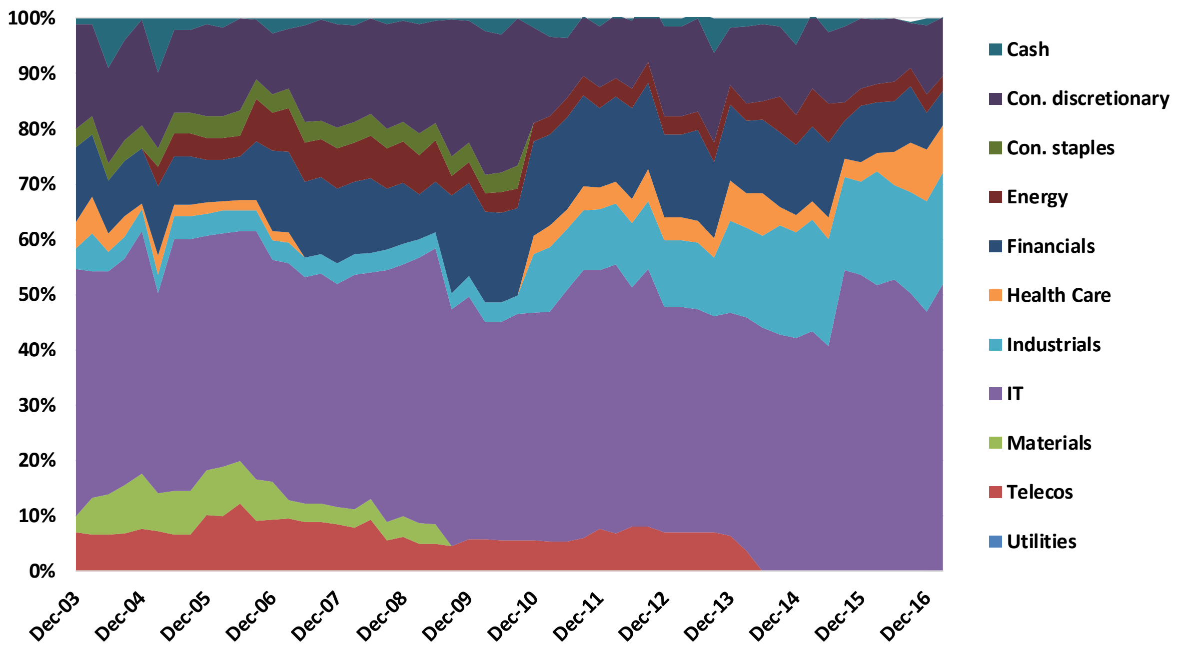


Chart 3: Sector breakdown of the fund since launch. Guinness Atkinson Asset Management, Bloomberg (data as at 3.31.2017)

From a geographic point of view we have reduced our U.S. exposure, with the sale of H&R Block in March. The purchase of Catcher Technologies in its place increased our Asia exposure.

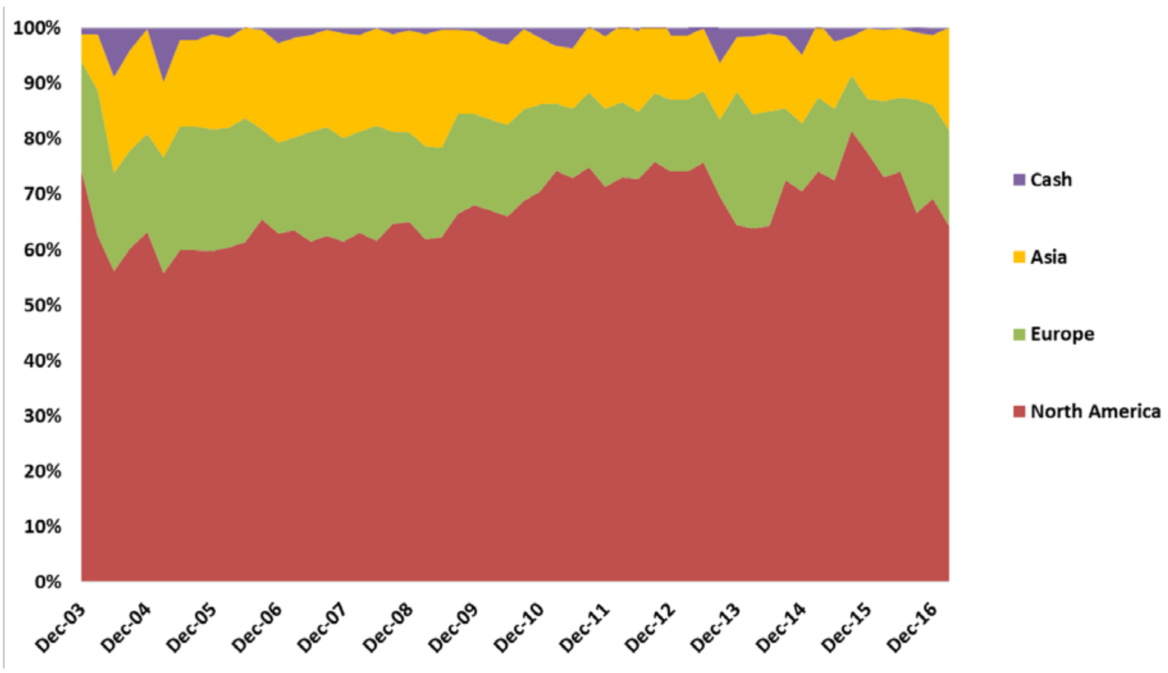


Chart 4: Geographic breakdown of the fund since launch. Guinness Atkinson Asset Management, Bloomberg (data as at 3.31.2017)

Key fund metrics today

The four key tenets to our approach are; innovation, quality, growth, and conviction.

		Fund	MSCI World Index
Innovation	R&D / Sales	8%	6%
	CAPEX / Sales	6%	10%
Quality	CFROI (2016)	18%	11%
	Weighted average net debt / equity	-9%	121%
Growth (& valuation)	Last 3 year sales growth (annualised)	11%	4%
	Estimated earnings growth (2018 vs 2017)	11%	11%
	PE (2017e)	17.5	17.0
Conviction	Number of stocks	30	1650
	Active share	95%	-

Chart 5: Portfolio metrics versus index. Guinness Atkinson Asset Management, Credit Suisse HOLT, Bloomberg (data as at 3.31.2017)

Innovation is hard to define and ultimately is quite subjective, but we attempt to quantify this metric at the portfolio level by considering the metric of research and development spend as a proportion of sales. This shows at least what level, relative to total sales, a business is investing in its research and development and thus ultimately its intellectual property. We also look at capital expenditure as a percentage of sales to gauge how capital intensive a company is. We ideally are looking for companies that have lower capital requirements and are thus potentially better placed to grow and grow profitably. And as the table above shows at the portfolio level the fund owns companies that invest a higher proportion of their sales into R&D than the market and that have significantly lower ongoing capital requirements.

When we use the term “quality” we are essentially assessing two main financial characteristics that we want to see in any company we might invest in – regardless of how innovative it is or how fast it is growing. These two simple characteristics are a high return on capital (and specifically above the cost of capital) and a good balance sheet. It is pleasing to see that the portfolio significantly outpaces the MSCI World Index on both these fronts. The cash flow return on investment is over 60% higher (18% versus 11%) and in aggregate the portfolio is trading with a net cash position of 9%, versus a net debt of 121% for the benchmark.

In terms of growth we aim to provide a “good” or “reasonable” level of earnings growth from the portfolio. We try to avoid chasing companies with very high growth expectations as they are more than likely to disappoint and can often be accompanied by high valuations. Today the expected year-on-year earnings growth of the portfolio is around 11%, which is in-line with the market. However, because of the high growth companies we are investing in, we believe we stand a better chance of achieving this expected growth. We also note the historic revenue growth achieved by companies held in the portfolio today is almost three times higher than that achieved by the MSCI World Index.

We have always attempted to employ a valuation discipline to stock selection as we do not want to pay up for future growth because of its illusive nature. We therefore include a simple forward PE metric in the above table to highlight that the fund is trading only at a small premium to the broad market today.

We continue to hold 30 stocks, all equally weighted. This means the fund is genuinely index agnostic, as the 95% active share illustrates.

Outlook

Generally speaking, the fund has outperformed in periods of rising markets, and underperformed slightly in periods of falling markets. The fund is orientated towards growth but not at any price. Therefore, the recent outperformance is what we might have expected as the more cyclical parts of the market, and in particular Information Technology, have performed well.

As we noted above, and as a result of the outperformance in the first quarter the fund is now trading at a small 2.8% premium to the broad market on a PE ratio basis (fund 17.5x 2017 expected earnings vs MSCI World Index 17.0x) having been trading at a discount for much of 2016. The longer-term premium of the fund versus the broader market has been in the 10-20% range therefore we still see the portfolio as offering good value relative to the market today.

We thank you for your continued support.

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Guinness Atkinson

Global Innovators Fund Update

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Performance

In March, the Guinness Atkinson Global Innovators Fund produced a total return of 3.32% (investor class) versus the MSCI World Index return of 1.13%. The fund therefore outperformed the index by 2.19%.

as of 03.31.2017 (in USD)	YTD	1 year	3 years annualized	5 years annualized	10 years annualized	Since inception annualized
Global Innovators, Investor Class[1]	9.28	20.25	8.33	14.04	9.01	7.36
Global Innovators, Institutional Class[2]	9.32	20.54	8.44	14.12	9.04	7.37
MSCI World Index[3]	6.53	15.45	6.15	10.03	4.85	5.42

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[1]	9.51%	9.51%	6.12%	15.80%	8.14%	6.93%
Global Innovators, Institutional Class[2]	9.81%	9.81%	6.22%	15.86%	8.17%	6.95%
MSCI World Index[3]	8.18%	8.18%	4.43%	11.08%	4.46%	5.13%

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

[2]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 www.gafunds.com/our-funds/ 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 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 03/31/17, are: 1. AAC Technologies Holdings Inc 4.04%, 2. New Oriental Education 4.04%, 3. Applied Materials Inc 3.79%, 4. Samsung Electronics Co Ltd 3.76%, 5. Boeing Co/The 3.66%, 6. Check Point Software 3.64%, 7. Cognizant Technology Solutions 3.63%, 8. SAP SE 3.56%, 9. QUALCOMM Inc 3.48%, 10. Infineon Technologies AG 3.47%

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

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

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

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

One cannot invest directly in an index.

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