Guinness Atkinson
Dividend Builder Fund
Managers Update – May 2017

GUINNESS ATKINSON FUNDS

April in review

Saturday 29th April was the 100th day in office for President Trump, and figuratively marked the end of the Presidential "honeymoon" period. This milestone dates back to 1933 when Franklin D. Roosevelt took office midst the Great Depression and vowed to implement immediate reform. The President's first 100 days have since become a measure of how successful the new administration is in its initial stages, focusing particularly on whether campaign policies have translated into new legislation.

As we wrote in our Q1 2017 update, the initial optimism that the new US Government would be beneficial for corporate profitability led to a surge in global equity markets. This began to falter towards the end of March and continued in that manner at the start of April, before rallying strongly towards the second half of the month. Overall the S&P 500 was up in April, posting gains of 1.53% (in USD). This was aided by a strong first-quarter corporate earnings season. Of the 54% of S&P500 companies which reported before 28th April, 81% beat their mean earnings per share estimate and 65% beat their mean sales estimate. Further positivity for corporations came as President Trump continued to campaign for drastic tax reform and consequently proposed to cut US corporation tax from 35% down to 15%. There were also further promises of a 'haircut' for US banking laws, with speculation that this may involve a separation of commercial and investment banking. Furthermore, the administration announced that there will be a renegotiation – rather than termination – of the North American Free Trade Agreement.

It emerged in April that the US added only 98,000 jobs in March, which was far fewer than economists expected and only half the number for January and February. At the same time, the US economy grew by only 0.7% in the first quarter of the year – the slowest rate of growth since the first quarter of 2014, leaving the President some way to go to meet his election pledge of raising growth to 4%.

In Europe, the first round of the French election dominated headlines. Markets rallied in relief as centrist and pro-EU candidate Emmanuel Macron made it through to the second round of polling with 23.9% of the vote, followed by the right-wing Marine Le Pen (21.4%). Coupled with poll data that strongly indicated a comfortable Macron victory in the run-off election on 7th May, this led to a significant jump in global equity markets. The biggest challenges for the new President will undoubtedly be unemployment, which at around 10% is roughly double the rate in France's European neighbours (Austria, Netherlands, Germany, UK), and social division based on concerns over immigration and terrorism.

Meanwhile, the Purchasing Manager's Index in Germany hit its highest level since May 2011. The measure is at a six-year high for the Eurozone as a whole. In general, it seems that Europe may now be moving past some of its biggest risk flashpoints, and in April, European markets outperformed the US with the MSCI Europe ex UK showing gains of +4.36% (in USD) versus +1.08% for the MSCI USA.

Elsewhere in equities, emerging market indices outperformed developed markets – a trend that has now lasted more than a year. In an environment of weakened commodity prices, this outperformance suggests that, at least in the short term, there is a lessening dependence on commodities in these markets; growth has instead come domestically and through relative political stability.

In terms of investment style, April was mixed, with defensive stocks benefitting the most at the start of the month, before a swing towards cyclicals. Industrials was the strongest performing sector and being our largest overweight benefited the Fund. Energy continues to be the worst performing and an underweight stance here was also beneficial. The Fund's underweight in Consumer Discretionary and IT were drags relative to the MSCI World, as these sectors also performed well. Small and mid-caps rallied more strongly than large-caps, and growth outperformed value stocks in April – both of these were drags on the Fund due to its large-cap, quality focus.

The portfolio's strongest performer in April was Novo Nordisk. The Danish pharmaceutical company is a leader in the global insulin market and has been a relatively recent addition to the portfolio. We discussed our conviction for the company in our Q1 2017 update, and we were pleased to see the stock rally +13.0% in USD after beating earnings and sales expectations by benefitting from better cost control. NEX Group also performed very well (+12.0%); the electronic dealer, formerly ICAP, saw a rise in transaction volumes and continued a very strong run since the start of the year. The worst performing stock in April was Mattel. The world's largest toymaker posted first-quarter results that fell short of estimates, predominantly as its flagship brands, such as Barbie, saw sales fall around 13% in the quarter.

We made no changes to the portfolio in April.

Thank you for your continued support.

Portfolio Managers
Matthew Page, CFA
Dr Ian Mortimer, CFA

Analysts
Joshua Cole
Sagar Thanki

Guinness Atkinson
Dividend Builder Fund
Managers Update – May 2017

GUINNESS ATKINSON FUNDS

Performance

In April, the Dividend Builder Fund produced a total return of 1.99% versus the MSCI World Index return of 1.53%. The fund therefore outperformed the index in the month.

as of 4.30.2017	YTD	1 YR	3 YR (ann.)	5 YR (ann.)	10 YR (ann.)	Since inception (3.30.2012) (ann.)
Dividend Builder Fund	8.06%	11.98%	4.20%	9.78%	N/A	9.57%
MSCI World Index	8.17%	15.39%	6.33%	10.62%	4.56%	10.19%

as of 3.31.2017	YTD	1 YR	3 YR (ann.)	5 YR (ann.)	10 YR (ann.)	Since inception (3.30.2012) (ann.)
Dividend Builder Fund	5.95%	9.84%	4.10%	9.30%	N/A	9.30%
MSCI World Index	6.54%	15.47%	6.15%	10.02%	4.85%	10.02%

All returns over 1 year annualized. Source: Bloomberg, Guinness Atkinson Asset Management

Expense Ratio: 0.70% (net); 2.11% (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, 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 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 4/30/17

1	Unilever PLC	3.26%
2	Novo Nordisk A/S	3.16%
3	Deutsche Boerse AG	3.14%
4	Roche Holding AG	3.12%
5	Illinois Tool Works Inc	3.03%
6	Eaton Corp PLC	3.02%
7	Schneider Electric SE	3.01%
8	BAE Systems PLC	2.98%
9	Imperial Brands PLC	2.95%
10	General Dynamics Corp	2.91%

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.

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.

One cannot invest directly in an index.

Distributed by Foreside Fund Services, LLC.