Guinness Atkinson
Dividend Builder Fund
Managers Update – June 2017

May in review

Year to date, markets have been influenced almost as much, if not more, by political events as by financial development, and May was no different. Global equities ended May just shy of a record high as strong company earnings growth reflected the optimism in the market.

In the U.S., 75% of the S&P 500 companies beat the mean EPS estimate for Q1 2017 and 64% of companies beat mean sales estimates. The blended year-on-year earnings growth for Q1 2017 was 14.0% - the highest growth rate since Q3 2011 (16.7%). However, there remain potential headwinds to global growth and the latest controversy in Washington reiterated the sensitivity of markets to political events. The S&P 500 index retreated mid-month after President Trump dismissed former FBI director, James Comey, amid speculation that Comey was probing into Trump's electoral campaign ties to Russia. The concern was that controversies surrounding the U.S. President would affect efforts to push ahead with plans for tax cuts, infrastructure spending and deregulation, all of which are seen as boosts for economic growth and corporate earnings.

In Europe, equity markets continued to advance in May in the aftermath of the French Presidential Election. Victory for pro-Europe centrist, Emmanuel Macron, resolved uncertainty about "Frexit" and the overall outlook of the EU, whilst favourable macroeconomic data added to the rally. Improvements in Eurozone manufacturing output and falling unemployment across the region – which is now at its lowest level in eight years (9.3% in May) – contributed to the rise in the consensus Eurozone annual GDP growth forecast from 1.6% to 1.7%. Overall, the MSCI Europe ex-UK Index ended the month up +1.78% (in EUR), though there is still a backdrop of headwinds with elections in the UK, Germany and Italy looming. On a sector level, utilities and telecommunications were the best performers in May. The domestic and low-risk nature of these sectors proved appealing to investors amid a strengthening of the Euro against the U.S. Dollar.

Looking at emerging markets, equities here continued to outperform their peers in the developed world for the fifth month in a row. Emerging Asia was the strongest performing region with all the equity markets in the area gaining ground. South Korea led the gains, driven higher by robust first quarter earnings and receding leadership and political concerns. China also performed well – seemingly unfazed by its first sovereign ratings downgrade by Moody's, from A1 to Aa3, since 1989.

Finally, turning to the UK, all attention was on the upcoming General Election, that Theresa May called in the latter part of April. This led to an initial strengthening of the GBP/USD rate, however the gain retracted slightly after polling data across May showed a narrowing of the Conservative majority. Despite the stronger domestic currency, the FSTE 100 gained 4.9% (in GBP) as nearly 70% of revenue is sourced from abroad.

From a global sectoral point of view, the share prices of energy stocks received a boost at the start of May after oil prices rallied strongly on news from Saudi Arabia that Russia was ready to join OPEC in extending supply cuts. However, the rise was short-lived amid disappointment from the market that OPEC members eventually agreed to merely extend the production cut deal – to reduce output by 1.8m barrels a day - rather than deepen the cuts. Rising supplies have negatively impacted oil prices for much of the year and this continued, making energy the worst performing sector in May.

Conversely, the technology sector continued its strong 2017 performance and was one of the best performing sectors once again. This was driven by the strong earnings results, particularly by the "FAANGtastic five" tech giants: Facebook, Apple, Amazon, Netflix and Google. In fact, Amazon and Google saw EPS growth of over 20% and joined a small group of U.S. companies with shares worth more than $1,000 each.

With regards to style, large cap stocks outperformed small and mid-caps, benefitting the portfolio, however the continuation of growth outperforming value was a drag. This was mainly driven by the technology sector rather than being characteristic of a risk-off environment, considering that defensive sectors – consumer staples, industrials and healthcare – performed well in the month. Our overweight positions in these sectors boded well for the fund, however the slight underweight IT was a drag.

In terms of individual holdings, the strongest performer in the fund was Japan Tobacco. The cigarette manufacturer rallied 13% (in USD) after it became unlikely that it would pursue the acquisition of Imperial Tobacco. This was seen as beneficial as it eased concerns regarding the company's long-term debt. Vodacom also performed very well (+11% in USD); the cellular telephone network operator announced mid-month that it has agreed to acquire a 35% stake in Safaricom, Kenya's biggest mobile operator. Simultaneously management also revealed a clear plan on cost minimization and margin maximization, which was well received by investors. The worst performing stock in May was Teva Pharmaceutical (-12% in USD). The company is a world leader in generic drug manufacturing, and declined after sales of core products declined in the first quarter of 2017.

We made no changes to the portfolio in May.

Thank you for your continued support

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Performance

In May, the Dividend Builder Fund produced a total return of 3.10% versus the MSCI World Index return of 2.19%. The fund therefore outperformed the index in the month by 0.91%.

as of 5.31.2017	YTD	1 YR	3 YR (ann.)	5 YR (ann.)	10 YR (ann.)	Since inception (3.30.2012) (ann.)
Dividend Builder Fund	11.41%	14.07%	4.50%	12.00%	N/A	10.05%
MSCI World Index	10.55%	17.12%	6.36%	13.09%	4.48%	10.47%

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%	9.31%	N/A	9.30%
MSCI World Index	6.53%	15.45%	6.15%	10.03%	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 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.

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Investors should consider the investment objectives, risks, charges and expenses carefully before investing. For a prospectus with this and other information about the Fund, please call 800-915-6566 or visiting https://www.gafunds.com/resource-insight-center/#tab_fundinfo. 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 5/31/17

1	Vodacom Group Ltd	3.15%
2	BAE Systems PLC	3.12%
3	Illinois Tool Works Inc	3.08%
4	Eaton Corp PLC	3.07%
5	Danone SA	3.06%
6	General Dynamics Corp	3.04%
7	Merck & Co Inc	2.94%
8	Wal-Mart Stores Inc	2.93%
9	Schneider Electric SE	2.91%
10	Unilever PLC	2.90%

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.

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