

# Global Innovators Fund

Review of the 2nd Quarter 2017



For registered investment professional use only

- Introduction to fund
- Market performance
- Summary fund performance
- Performance drivers and attribution
- Changes to portfolio
- Sector allocation
- Geographic allocation
- Portfolio today and outlook
- Portfolio characteristics
- Market commentary



**Matthew Page, CFA**  
**Portfolio Manager**

- Joined Guinness Atkinson Asset Management in 2005
- Previously worked for Goldman Sachs as an analyst in Fixed Income Currencies and Commodities (FICC)
- Graduated from University of Oxford, with a Masters degree in Physics in 2004
- Manager of Dividend Builder since launch in 2012



**Dr Ian Mortimer, CFA**  
**Portfolio Manager**

- Joined Guinness Atkinson Asset Management in 2006
- Graduated from University of Oxford, with a D.Phil. in Physics in 2006
- Graduated from University College London, University of London, with a Masters degree in Physics in 2003
- Manager Dividend Builder since launch in 2012



Global Innovators

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
<b>Tim Guinness</b>	Manager															
<b>Matthew Page</b>	-	-	Analyst					Manager								
<b>Ian Mortimer</b>	-	-	-	-	-	-	Analyst		Manager							
<b>Joshua Cole</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Analyst	
<b>Sagar Thanki</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Analyst	



**Joshua Cole**  
**Analyst**

- Joined Guinness Atkinson Asset Management in 2017
- Previously worked at Castle Trust, a specialist finance firm in the City of London as a quantitative analyst
- Graduated from University of Bristol in 2013 with a Master's degree in Mechanical Engineering. In 2016, Joshua passed Level II of the CFA Program.



**Sagar Thanki**  
**Analyst**

- Joined Guinness Atkinson Asset Management in 2017
- Previously worked for Bloomberg as an equity specialist, within Financial Analytics and Sales
- Graduated from University of Cambridge, with a Master's degree in Economics, and has since completed Level I of the CFA Program.

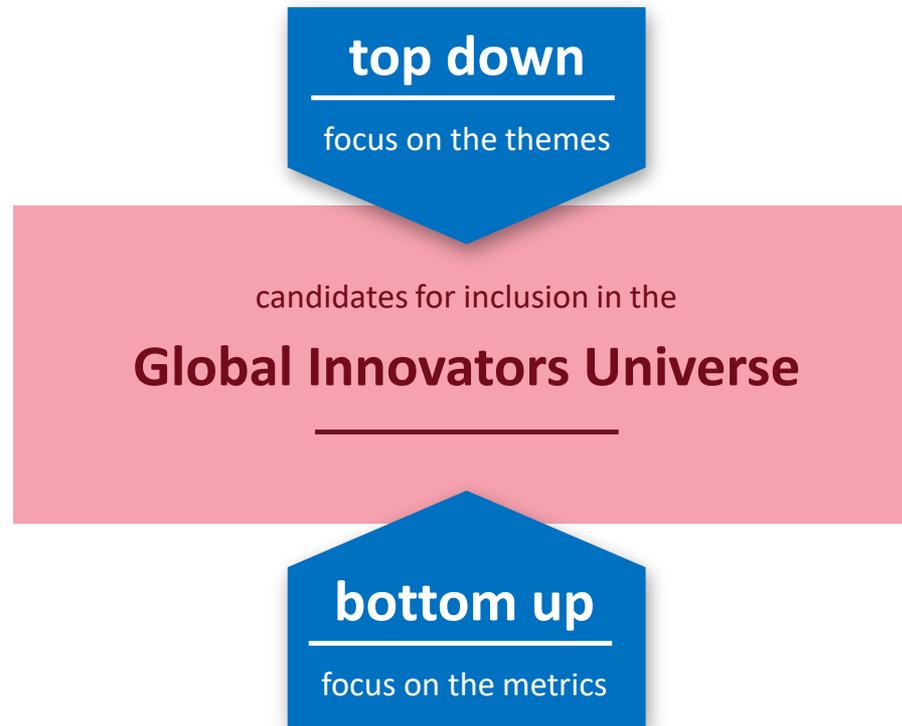
- We believe it is a superior way to identify good growth companies
- Based on our experience, traditional methodologies do not work
  - Historic growth is a poor predictor of future growth
  - Analyst forecasts of growth rates are unreliable at best
- Instead try to find companies doing something **innovative...** which we believe, if successful, should lead to higher return on capital and higher probability of future growth

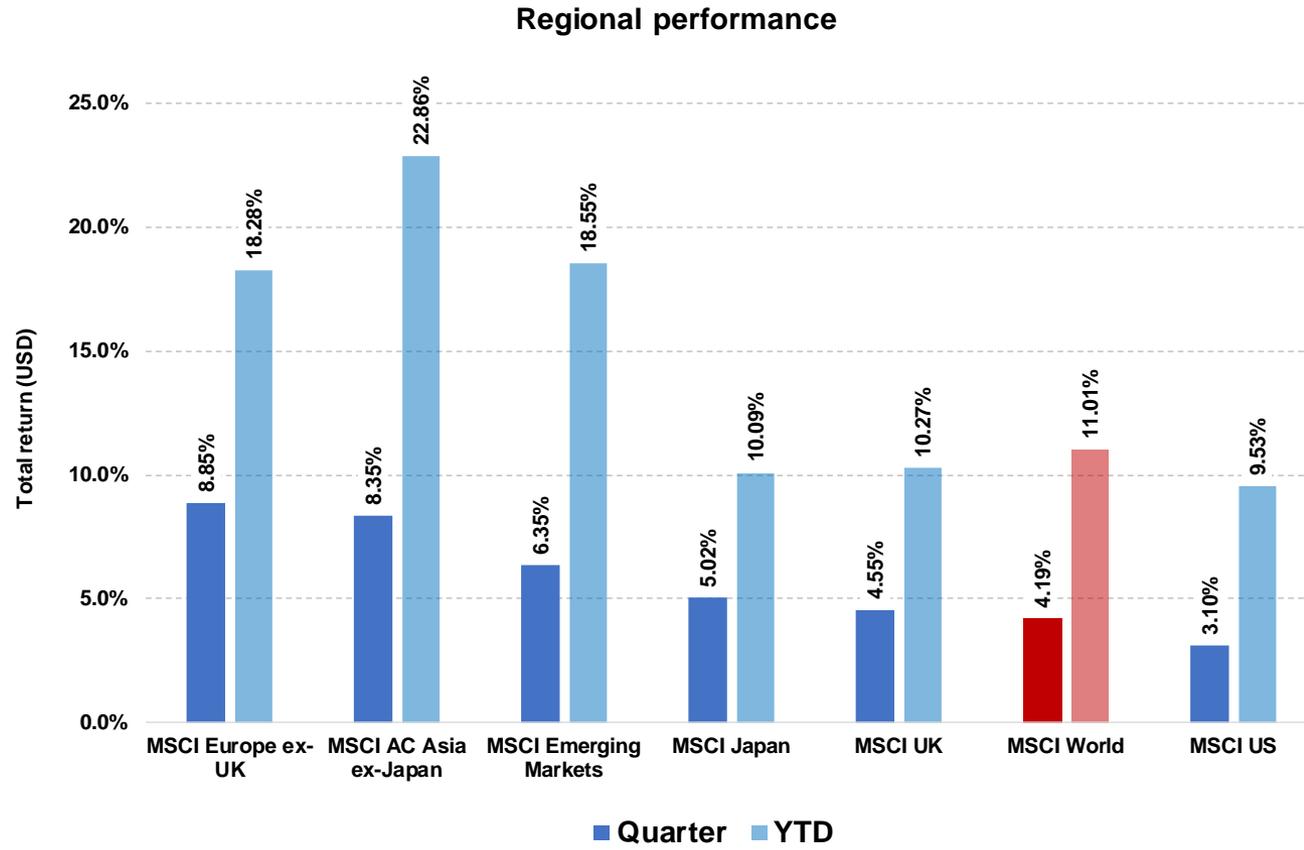


**The fund seeks a concentrated portfolio of high quality, innovative, growth companies**

← Level of innovation →

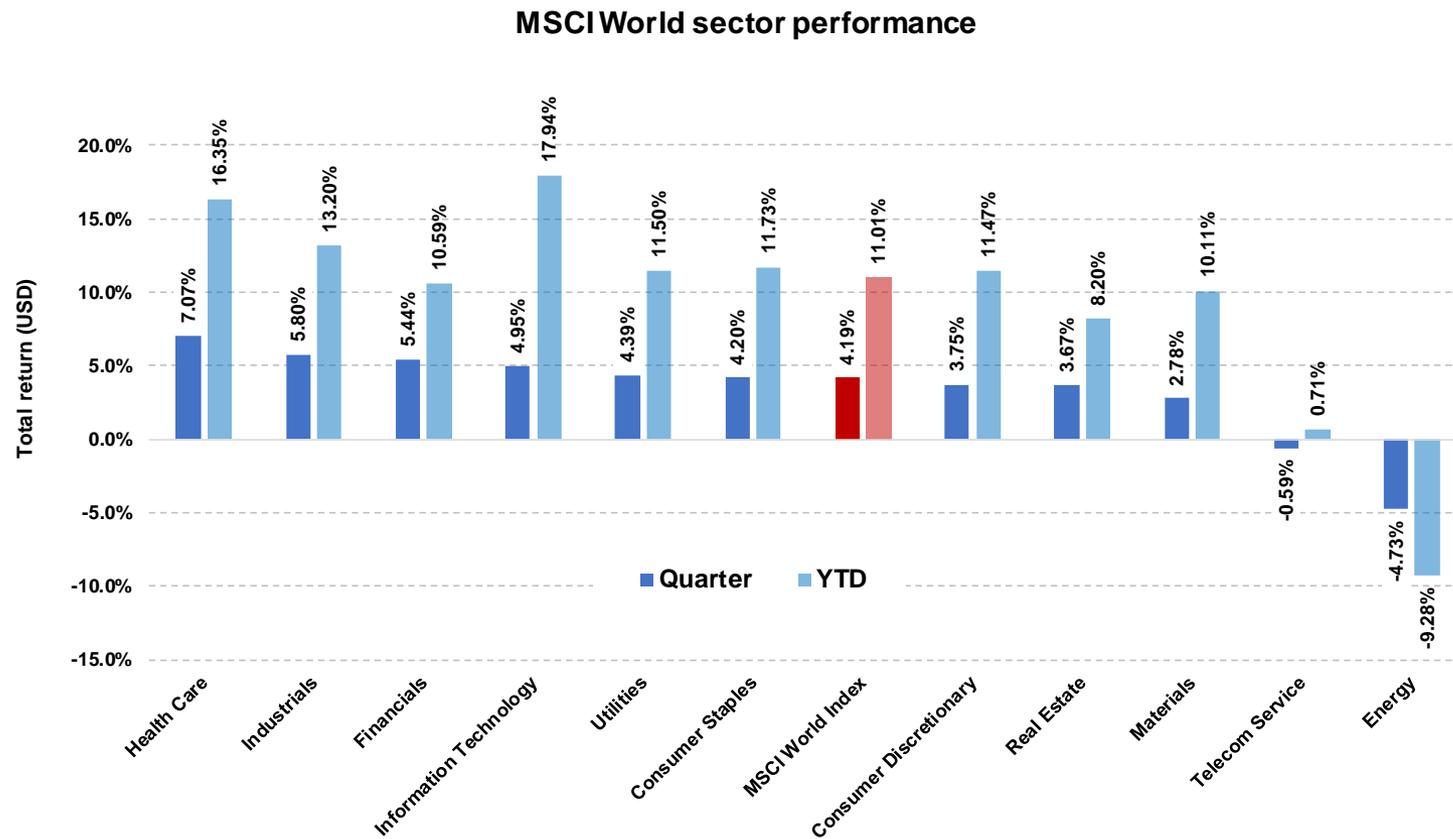
		Disruptive	Accelerating	Continuous
↑ Key drivers of innovation ↓	Science/Technology	Scientific breakthrough leading to new technology with significant potential impact	Rapid improvements in young technology	Small continuous advances in an established technology that will provide incremental benefits to end user
	Product/Service	A new product/service that has the potential to quickly take market share and change the dynamics of an industry	Rapid advances in adoption of product/service	Small advances in product/service or end user experience that maintains or grows market share or competitive positioning
	Business Model	A new revenue/cost model or the confluence of technologies that has significant impact on incumbents	Rapid adoption of business model leads to rapid growth in market share	Continuous evolution of business model to maintain competitive strength





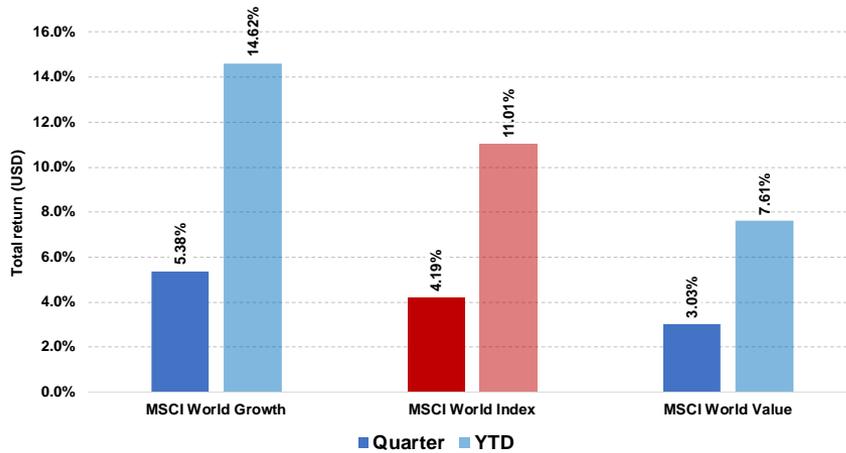
- Generally a strong quarter – MSCI World up 4.19% (total return in USD)
- Regional quarterly performance followed YTD trends; strong markets in Europe, Asia ex-Japan, and EM; US lagging in comparison
- Weaker US dollar boosted local currency returns of non-US markets

Source: Guinness Atkinson Asset Management, Bloomberg (data as of 6.30.2017)

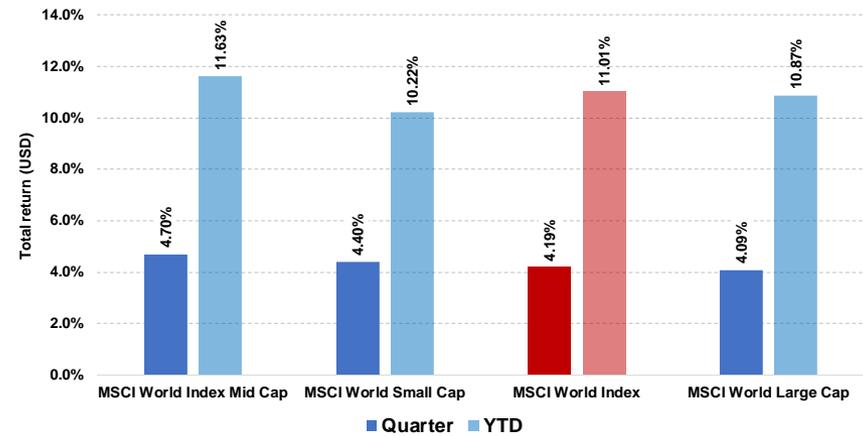


- Strong performance from health care, industrials, and financials in Q2
- Energy and Telecoms weakest in Q2
- Year to date: IT and healthcare very strong; energy the notable laggard; generally good performance across most sectors

MSCI World style performance



MSCI World market cap performance



- Growth outperformed value in the quarter
- Value significantly underperforming growth YTD

- Market cap. not a significant factor in performance over the quarter, or YTD

As at 6.30.2017 (in USD)	Q2 2017	YTD	1 year	3 years annualized	5 years annualized	10 years annualized	Since inception annualized
<b>Global Innovators, Investor Class<sup>1</sup></b>	6.70%	16.60%	30.77%	8.08%	17.13%	8.15%	7.63%
<b>Global Innovators, Institutional Class<sup>2</sup></b>	6.76%	16.72%	31.08%	8.22%	17.22%	8.19%	7.65%
<b>MSCI World Index</b>	4.19%	11.01%	18.89%	5.87%	12.05%	4.60%	5.58%

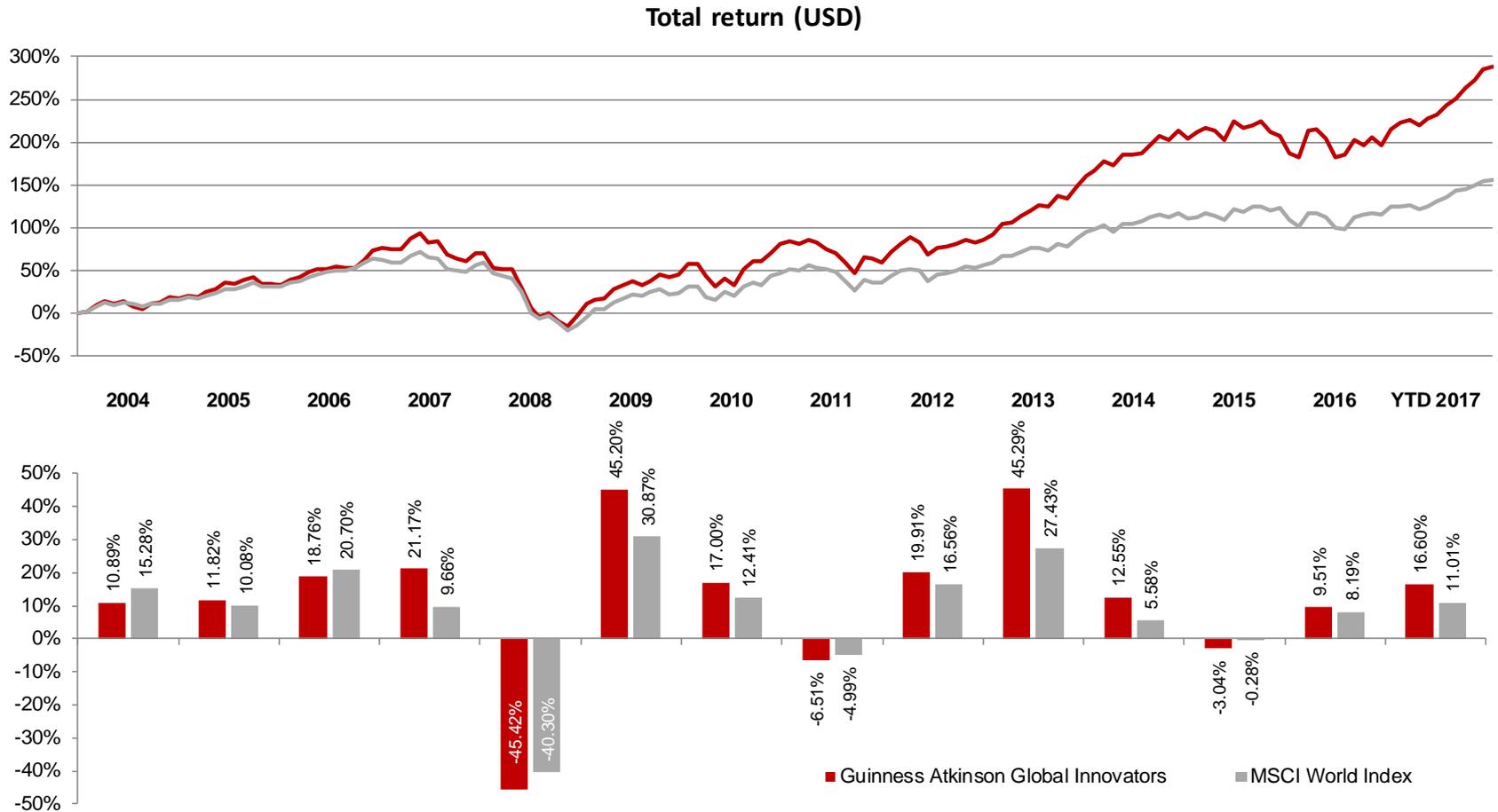
<sup>1</sup>**Investor class**                      Ticker: IWIRX                      Inception 12.15.1998                      Expense ratio\* 1.24% (net); 1.35% (gross)

<sup>2</sup>**Institutional class**                      Ticker: GINNX                      Inception 12.31.2015                      Expense ratio\* 0.99% (net); 1.38% (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 Funds may be lower or higher than the performance quoted. Total returns reflect a fee waiver in effect and in the absence of this waiver, the total returns would be lower. Performance data through the most recent month-end may be obtained by visiting [www.gafunds.com](http://www.gafunds.com) or calling 800-915-6565.*

The Adviser has contractually agreed to reimburse expenses (excluding Acquired Fund Fees and Expenses, interest, taxes, dividends on short position and extraordinary expenses) in order to limit the Total Annual Operating Expenses for Institutional Shares and for the Investor Class to 0.99% and 1.24% respectively through June 30, 2018.

**Performance data shown for Global Innovators, Institutional Class (GINNX), prior to its launch date on 12.31.2015, uses performance data from the Global Innovators, Investor Class (IWIRX).**



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Top 5 performing stocks	
	Total return (in USD)
NVIDIA	32.85%
PayPal	24.76%
Catcher Technology	21.09%
New Oriental Education	16.74%
WisdomTree	13.05%

Bottom 5 performing stocks	
	Total return (in USD)
Shire	-5.70%
Intel	-5.77%
FANUC	-5.98%
Cisco	-6.59%
Schlumberger Ltd	-15.08%

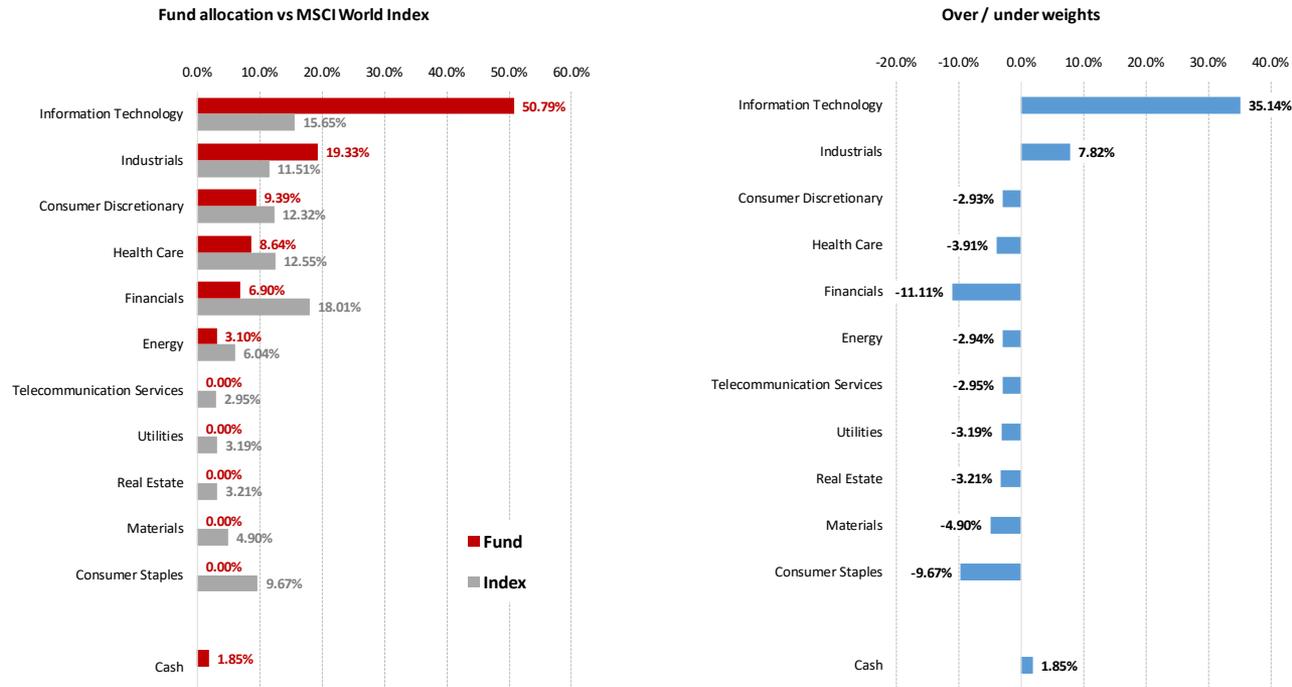
- NVIDIA up strongly after beating earnings estimates and raising guidance for full year results. Particularly strong was its data center business (nearly tripling year-on-year) which suggests the new avenues for growth away from it's core gaming business are significant.
- Paypal reported good results in April ahead of consensus estimates. The company grew revenues but also maintained margins – which the market had worried would erode due to the deals struck with the credit card businesses. User engagement also rose which if continued would provide an easier path to growth than adding new users.
- Schlumberger saw negative revisions to both quarterly and full year results as headwinds affecting the energy sector continued, and the oil service outlook slowed.
- Cisco reported lower than expected results in May and thus the stock gave back the gains made in Q1. The company is in transition to a software and recurring revenue model.

- Overweight information technology and underweight energy were the largest contributors to positive performance relative to the benchmark in the quarter
- Underweight healthcare and financials were the largest contributors to negative performance relative to benchmark in the quarter
- Within financials stock selection dampened relative under performance (WisdomTree +13.05%; Intercontinental Exchange +10.45%)

Buys

Sells

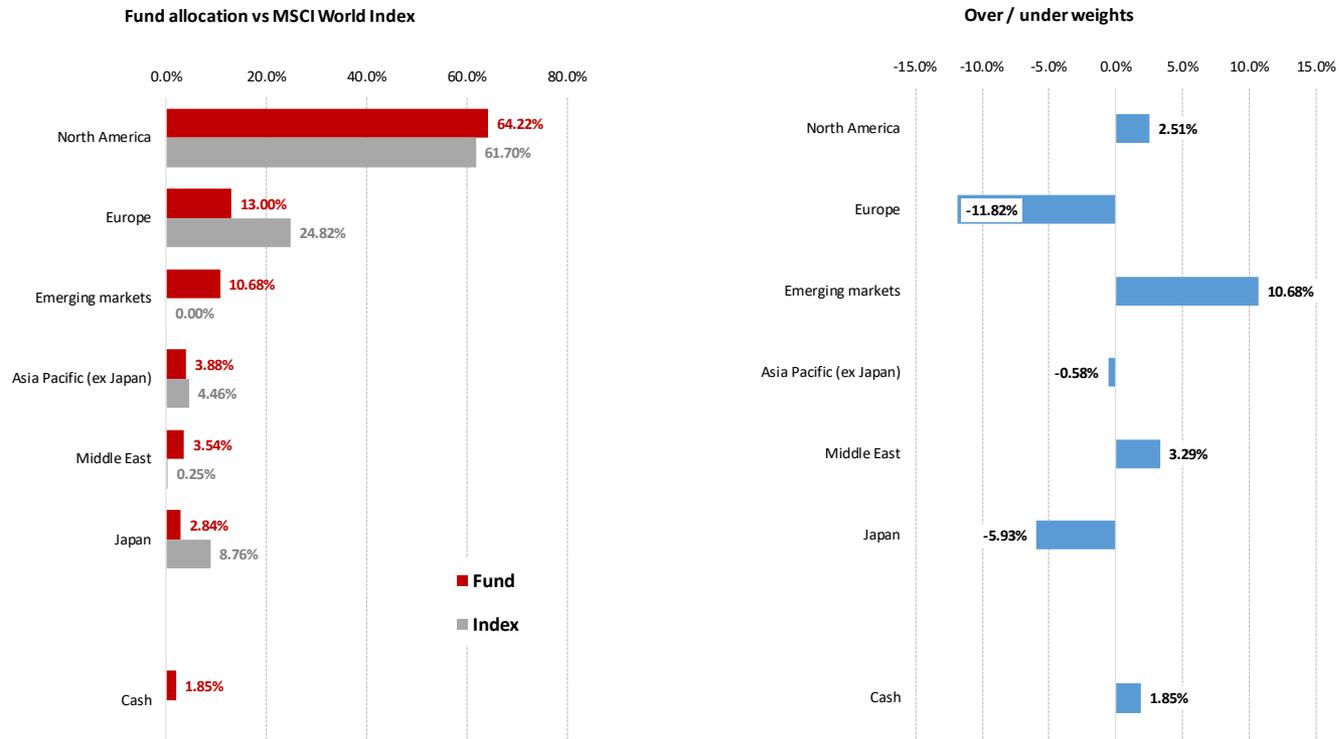
- No changes made to the portfolio in Q2



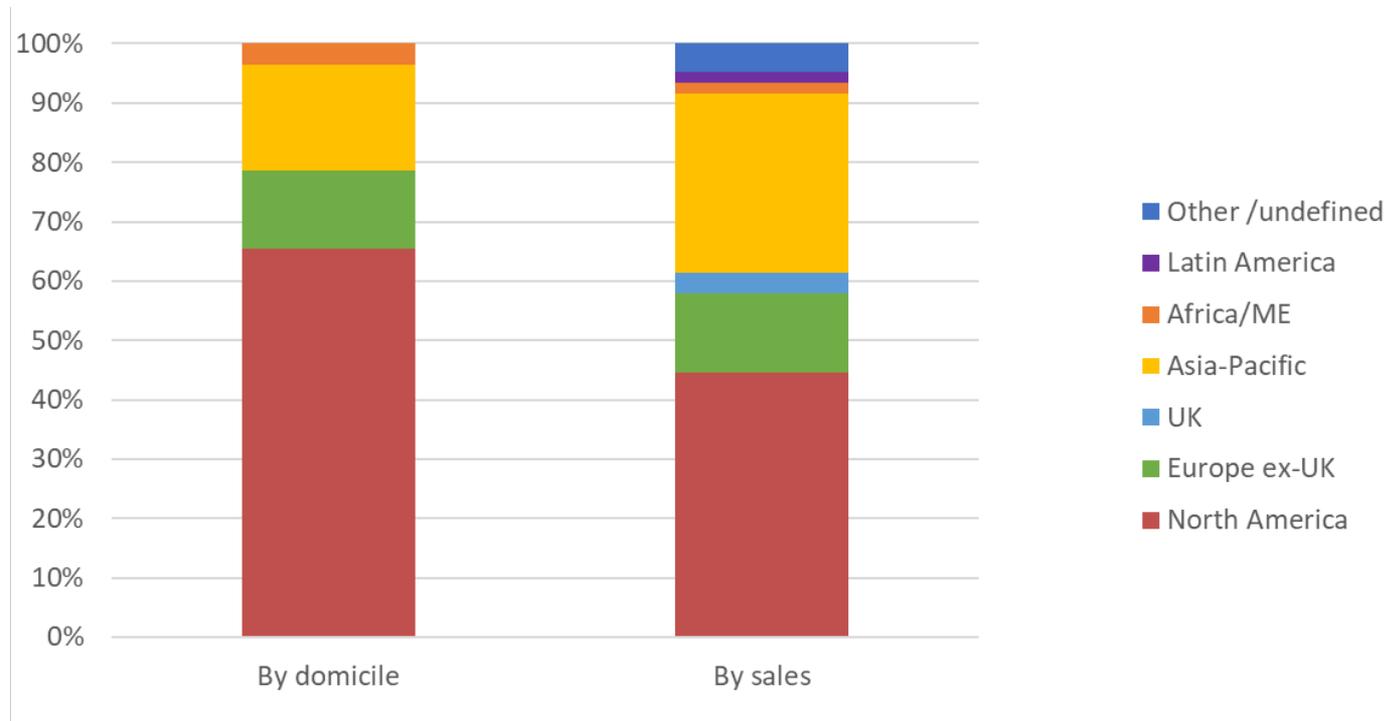
- No changes made to the portfolio in the quarter so weights largely unchanged
- Overall the fund maintains a higher weighting relative to the index in information technology and industrials
- The largest underweights in the fund are to financials and consumer staples
- The fund maintains a zero weighting to telcos, utilities, real estate, materials, and consumer staples

Source: Guinness Atkinson Asset Management, Bloomberg (data as of 6.30.2017)

Fund holdings and sector allocations are subject to change and are not a recommendation to buy or sell any security.



- Fund slightly overweight North America
- Fund underweight Europe by about 12%
- Benchmark (MSCI World) does not include emerging markets. Fund has about 11% exposure to this region
- The fund continues to hold only one company in Japan and is thus underweight this region by about 6%



- Fund has a lower exposure to North America when considered in revenues (c.45%) versus by domicile (c.64%)
- Fund has a larger exposure to Asia and emerging markets by revenues

Name	Industry	Mkt. cap	Country of domicile	% NAV	PE	
					17Y	18Y
Eaton Corp PLC	Capital Goods	36.0	US	3.2%	16.8	15.2
Boeing Co/The	Capital Goods	124.7	US	3.8%	21.1	19.3
Roper Technologies Inc	Capital Goods	24.1	US	3.4%	25.1	23.0
FANUC Corp	Capital Goods	39.6	JP	2.9%	35.3	29.8
Schneider Electric SE	Capital Goods	47.1	FR	3.1%	17.2	15.6
Siemens AG	Capital Goods	116.8	DE	3.2%	15.0	14.2
NIKE Inc	Consumer Durables & Apparel	96.1	US	3.2%	24.5	24.1
New Oriental Education & Technology Group In	Consumer Services	12.3	CN	3.3%	38.2	29.1
Intercontinental Exchange Inc	Diversified Financials	39.6	US	3.4%	22.0	19.4
WisdomTree Investments Inc	Diversified Financials	1.5	US	3.6%	40.8	30.4
AAC Technologies Holdings Inc	Electronic Equipment, Instrume	17.2	CN	3.7%	19.5	16.3
Schlumberger Ltd	Energy	91.2	US	3.2%	45.2	23.9
Danaher Corp	Health Care Equipment & Servic	58.1	US	3.0%	21.5	19.7
Comcast Corp	Media	185.5	US	3.1%	19.7	17.5
Shire PLC	Pharmaceuticals, Biotechnology	49.3	US	3.1%	11.0	9.8
Gilead Sciences Inc	Pharmaceuticals, Biotechnology	90.9	US	2.7%	8.7	9.8
QUALCOMM Inc	Semiconductors & Semiconductor	83.3	US	3.1%	12.9	13.4
Applied Materials Inc	Semiconductors & Semiconductor	49.0	US	3.0%	13.4	12.7
Intel Corp	Semiconductors & Semiconductor	161.9	US	3.1%	11.8	11.3
NVIDIA Corp	Semiconductors & Semiconductor	98.6	US	3.8%	49.2	41.2
Infineon Technologies AG	Semiconductors & Semiconductor	25.0	DE	3.4%	21.4	18.8
Cognizant Technology Solutions Corp	Software & Services	40.0	US	3.8%	18.1	15.4
Alphabet Inc	Software & Services	666.7	US	3.2%	22.0	19.2
PayPal Holdings Inc	Software & Services	69.0	US	3.9%	30.2	25.2
Check Point Software Technologies Ltd	Software & Services	18.7	IL	3.6%	21.1	19.3
SAP SE	Software & Services	128.9	DE	3.5%	21.7	19.8
VeriFone Systems Inc	Technology Hardware & Equipmen	2.2	US	2.9%	13.6	11.2
Cisco Systems Inc	Technology Hardware & Equipmen	155.8	US	2.9%	13.1	12.8
Catcher Technology Co Ltd	Technology Hardware & Equipmen	9.7	TW	3.9%	12.5	10.6
Samsung Electronics Co Ltd	Technology Hardware & Equipmen	291.1	KR	4.0%	9.0	8.2

Average mkt. cap 94.3  
Median mkt. cap 53.7

**Total portfolio** 18.0 16.2  
Y-o-Y growth 11.2%

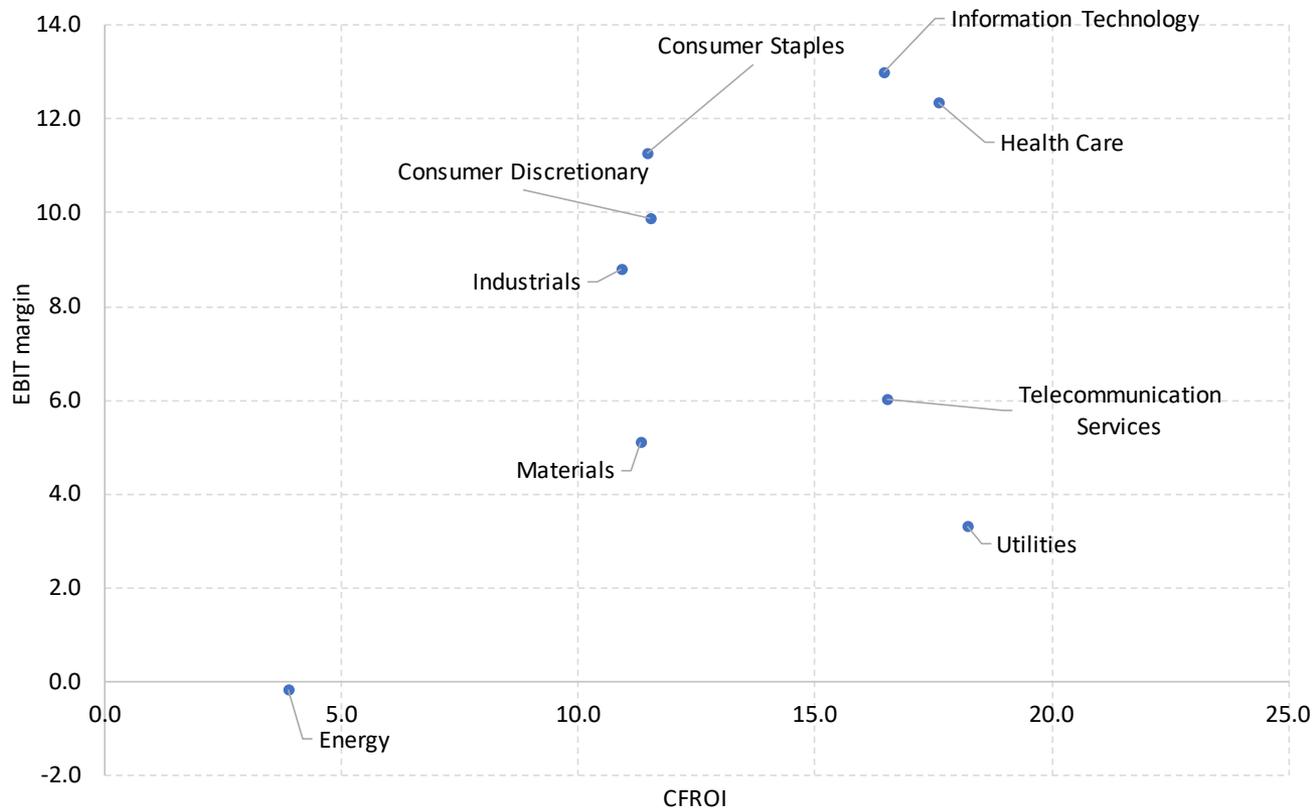
**MSCI World Index** 17.3 15.7  
Fund premium / (discount) 3.9% 2.9%

		Allocation	
		Portfolio today	Range last 10years
0 – 10% growth		33%	20 - 50%
10 – 20% growth		60%	30 - 65%
20% + growth		7%	0 - 20%

Source: Guinness Atkinson Asset Management estimates (as of 6.30.2017)

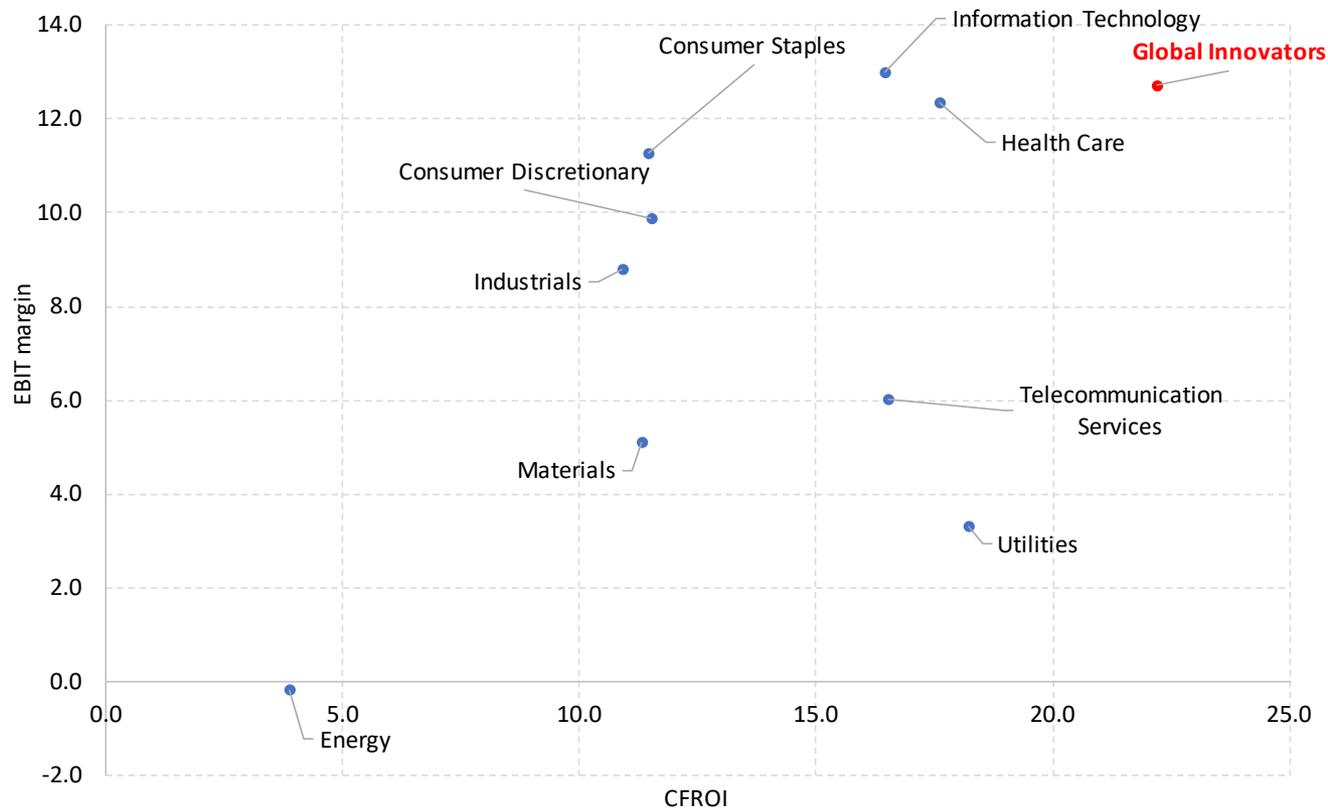
Future allocations presented are the belief of Guinness Atkinson which are used to help allocate the portfolio

MSCI World Sectors (medians) vs Global Innovators

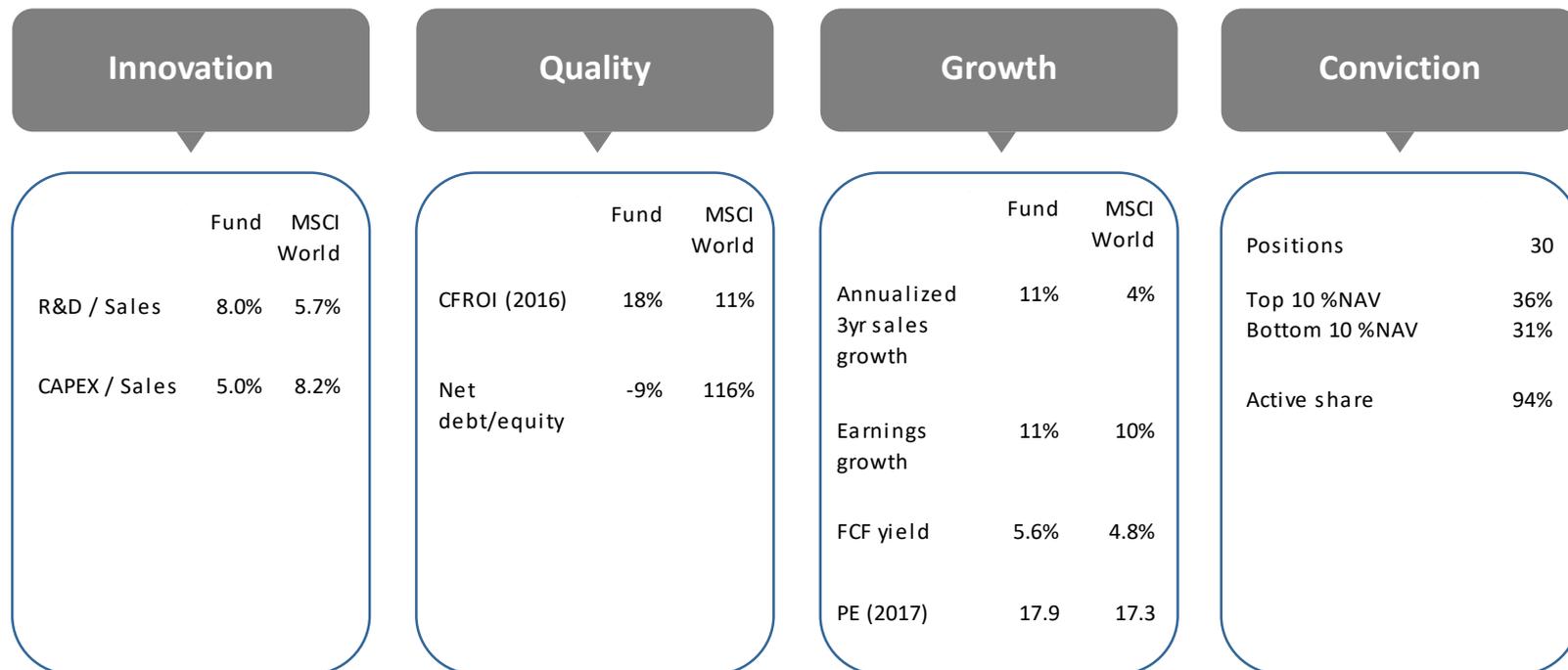


*Fund holdings and sector allocations are subject to change and are not a recommendation to buy or sell any security.*

MSCI World Sectors (medians) vs Global Innovators



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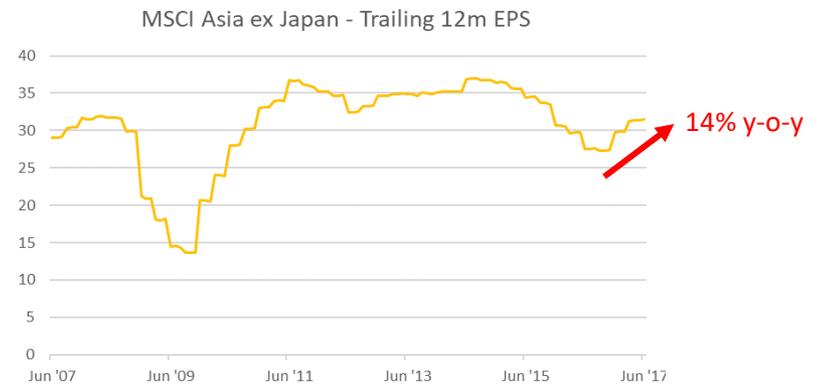
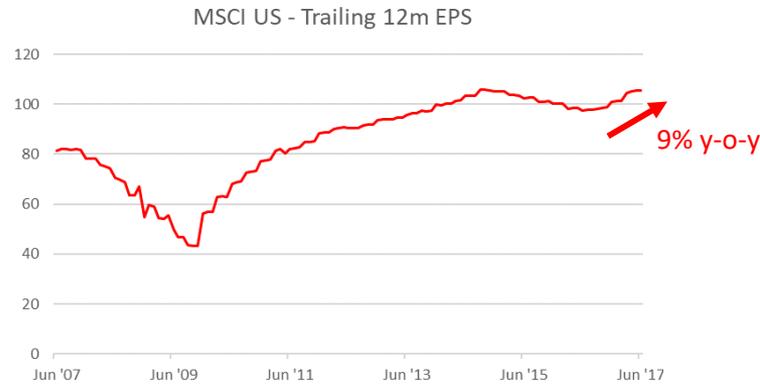


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- Earnings (trailing 12month) picking up – multiple expansion not driving performance as significantly in recent equity rally



- And can be seen across multiple regions



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*The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectus contains this and other important information about the investment company, and it may be obtained by calling 800-915-6566 or visiting [gafunds.com](http://gafunds.com). Please read it carefully before investing.*

**Diversification does not assure a profit or protect against loss in a declining market**

**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. The Fund also invests in smaller companies, which will involve additional risks such as limited liquidity and greater volatility. The Fund is non-diversified meaning its assets may be concentrated in fewer individual holdings than diversified funds. Therefore, the Fund is more exposed to individual stock volatility than diversified funds.**

Opinions expressed are subject to change and should not be considered investment advice.

Cash flow is the total amount of money being transferred into and out of a business.

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Price to Earnings Ratio (P/E) is A valuation ratio of a company's current share price compared to its per-share earnings.

Return on Capital is a return from an investment that is not considered income.

Market capitalization (cap) is calculated by multiplying a company's shares outstanding by the current market price of one share. The investment community uses this figure to determine a company's size, as opposed to sales or total asset figures.

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

The MSCI Europe ex UK Index captures large and mid cap representation across 14 Developed Markets (DM) countries in Europe. The index covers approximately 85% of the free float-adjusted market capitalization across European Developed Markets excluding the UK.

The MSCI AC Asia ex-Japan Index captures large and mid cap representation across 2 of 3 Developed Markets (DM) countries\* (excluding Japan) and 9 Emerging Markets (EM) countries in Asia. The index covers approximately 85% of the free float adjusted market capitalization in each country.

The MSCI Emerging Markets Index captures large and mid cap representation across 24 Emerging Markets (EM) countries. With 845 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 320 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

The MSCI UK Index is designed to measure the performance of the large and mid cap segments of the UK market. With 109 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the UK.

The MSCI US Index is designed to measure the performance of the large and mid cap segments of the US market. With 635 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the US. Markets excluding the UK.

One cannot invest directly in an index.

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