

Dividend Builder Fund

Review of the 4th 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
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- Portfolio today and outlook
- Portfolio characteristics
- Market commentary



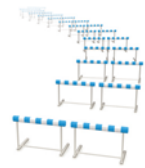
Matthew Page, CFA
Portfolio Manager

- 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



Dividend Builder strategy

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



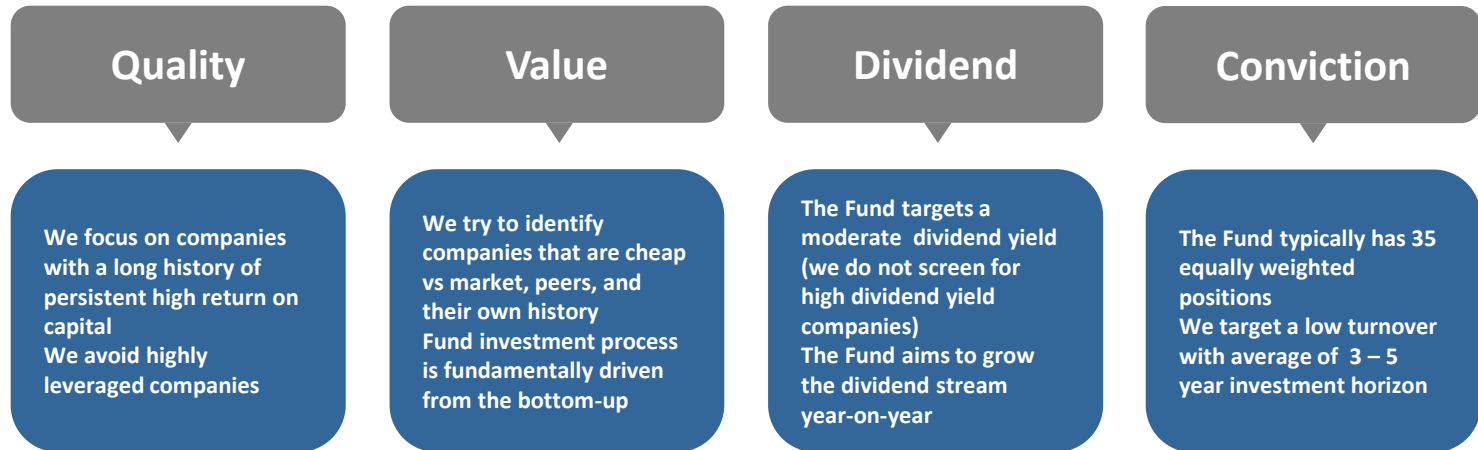
Joshua Cole
Analyst

- 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.



The fund seeks a concentrated portfolio of good quality companies, at attractive valuations, with a moderate dividend yield and good potential for dividend growth

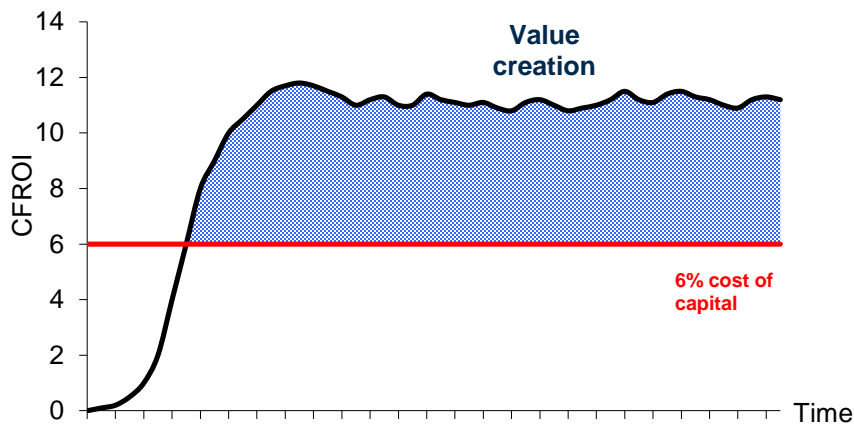


1 Sustainable competitive advantage
Screened for 10 years of CFROI greater than 10%

2 Strong balance sheet and critical mass
Debt to equity < 1. Market cap > \$1bn.

- **Our universe definition ignores yield - our focus is on quality, stable, profitable companies**

Our universe seeks to include companies like this...

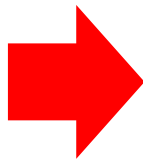


Powerful indicator

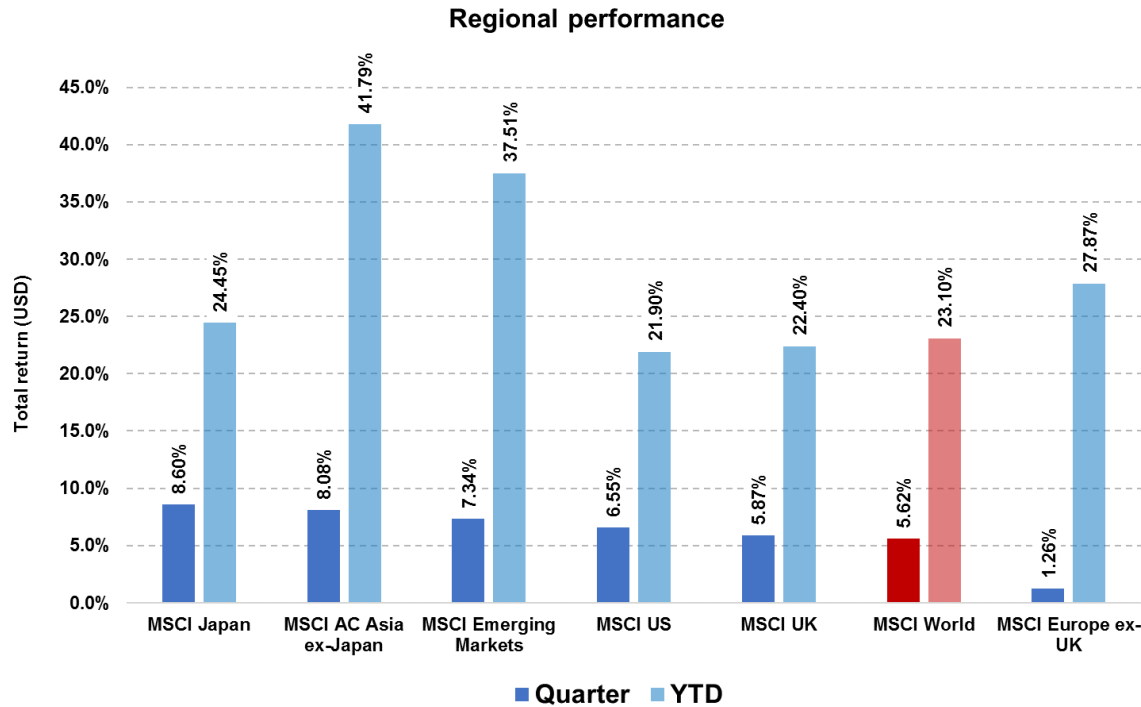


Based on our analysis, if a company achieves a CFROI >10% for 10 consecutive years there is a 95% chance that the company will achieve it again the following year, and an 80% chance they will still be achieving it after four years

Market anomaly we are trying to capture

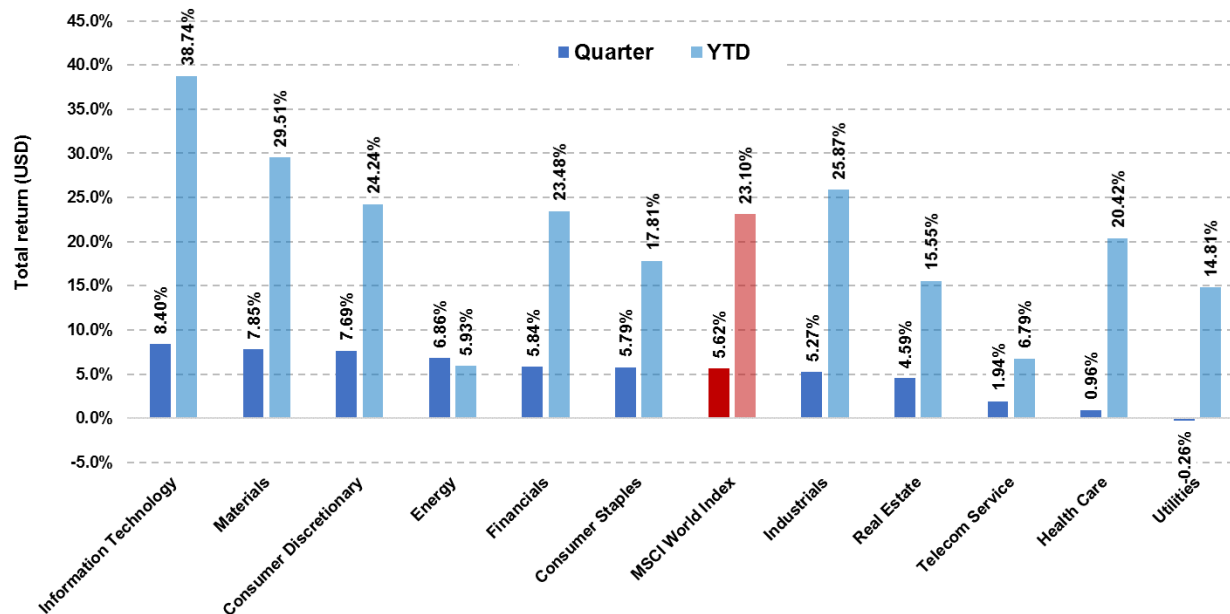


**At any given time the market can misvalue this high level of persistence – as company share prices often move on sentiment
We therefore try to purchase those companies at low valuations in our universe of high quality companies and then benefit from their re-valuation over time as their returns do not degrade as fast as the market had expected**

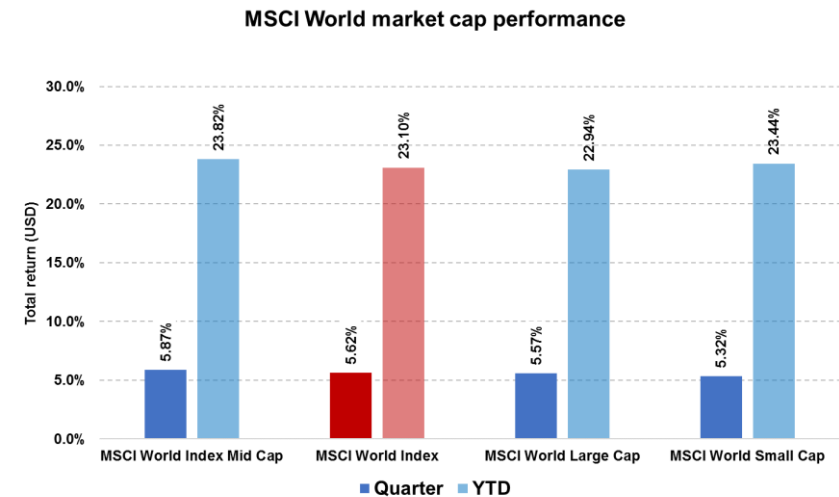
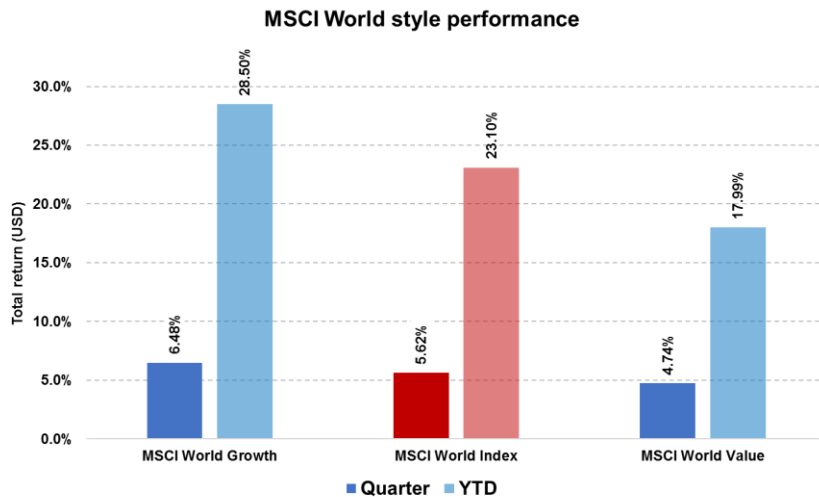


- Another strong quarter – MSCI World up 5.62% (total return in USD) – following positive returns in Q1, Q2, and Q3
- Regional quarterly performance broadly followed YTD trends with strong markets in Asia ex-Japan and EM. However, Japan had strongest returns (which were also strong in local currency terms), there was better relative US performance than seen in rest of the year and Europe ex-UK was noticeably weaker.
- Weaker US dollar boosted returns of non-US markets in USD terms

MSCI World sector performance



- IT, Materials, and Consumer Discretionary sectors leading the pack again, with Energy continuing its recovery alongside oil price rises.
- Telcoms, Health Care, and Utilities noticeable underperformers
- Starting to see a more pronounced divergence in sector performances
- Year to date: Information Technology still significant outperformer



- Growth continued to outperform value, but energy recovery helped boost value performance in the quarter
- Value significantly underperforming growth YTD (delta = 10.51%)

- Market cap not a significant driver of performance over the quarter, or YTD

As at 12.31.2017 in USD	Q4 2017	1 year	3 years annualized	5 years annualized	Since inception** annualized
Dividend Builder Fund*	5.70%	21.34%	7.70%	11.24%	10.61%
MSCI World Index	5.62%	23.10%	9.91%	12.30%	11.42%

* The expense ratio is 2.11% (gross), 0.70% (net) as of 5.30.2017

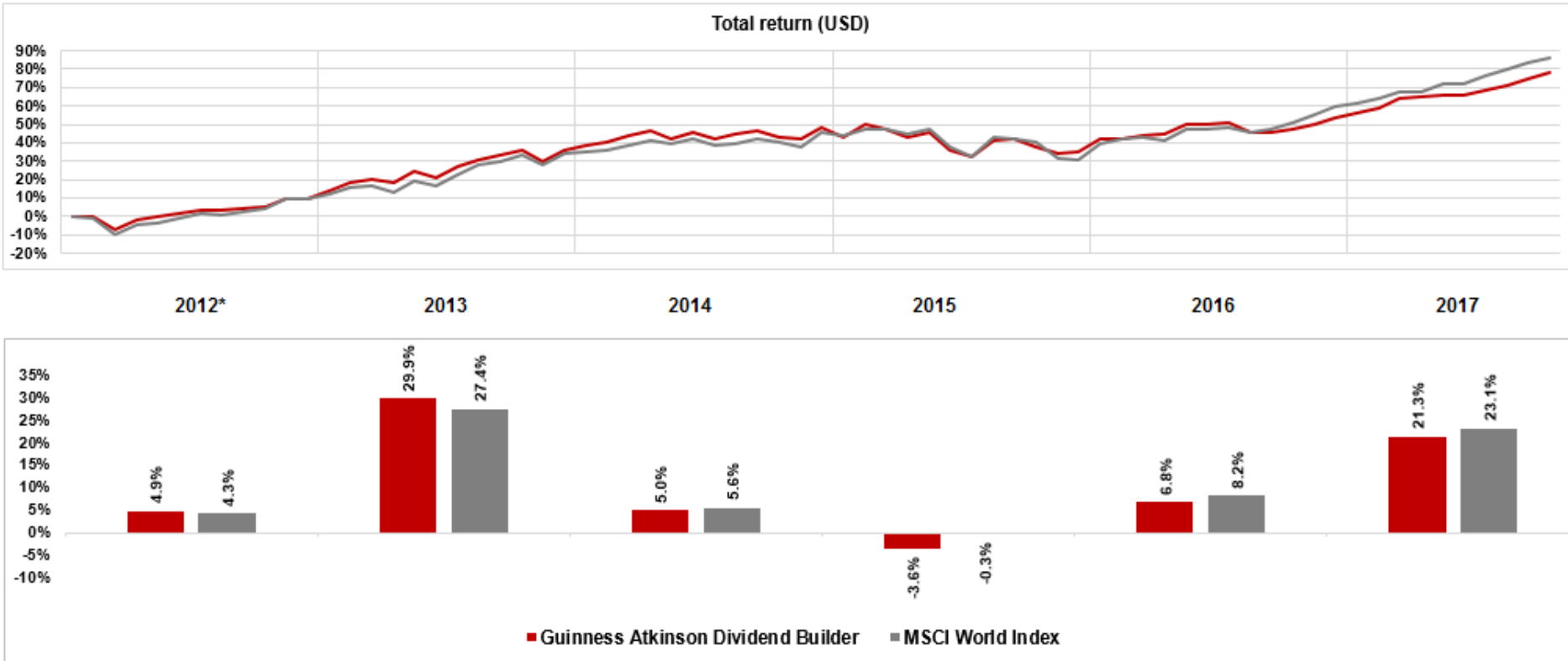
** Inception on 3.30.2012

30 Day SEC Yield (as of 12.31.2017) Subsidized 2.34% | Unsubsidized 1.51%

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 does not reflect the 2% redemption fee for shares held less than 30 days and if deducted the fee would reduce the performance quoted. For performance current to the most recent month end please visit www.gafunds.com/our-funds or call 800-915-6565.

*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.

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 800 915-6565 or visit our website at www.gafunds.com. Read the prospectus carefully before investing.



* Fund launched 30 March 2012

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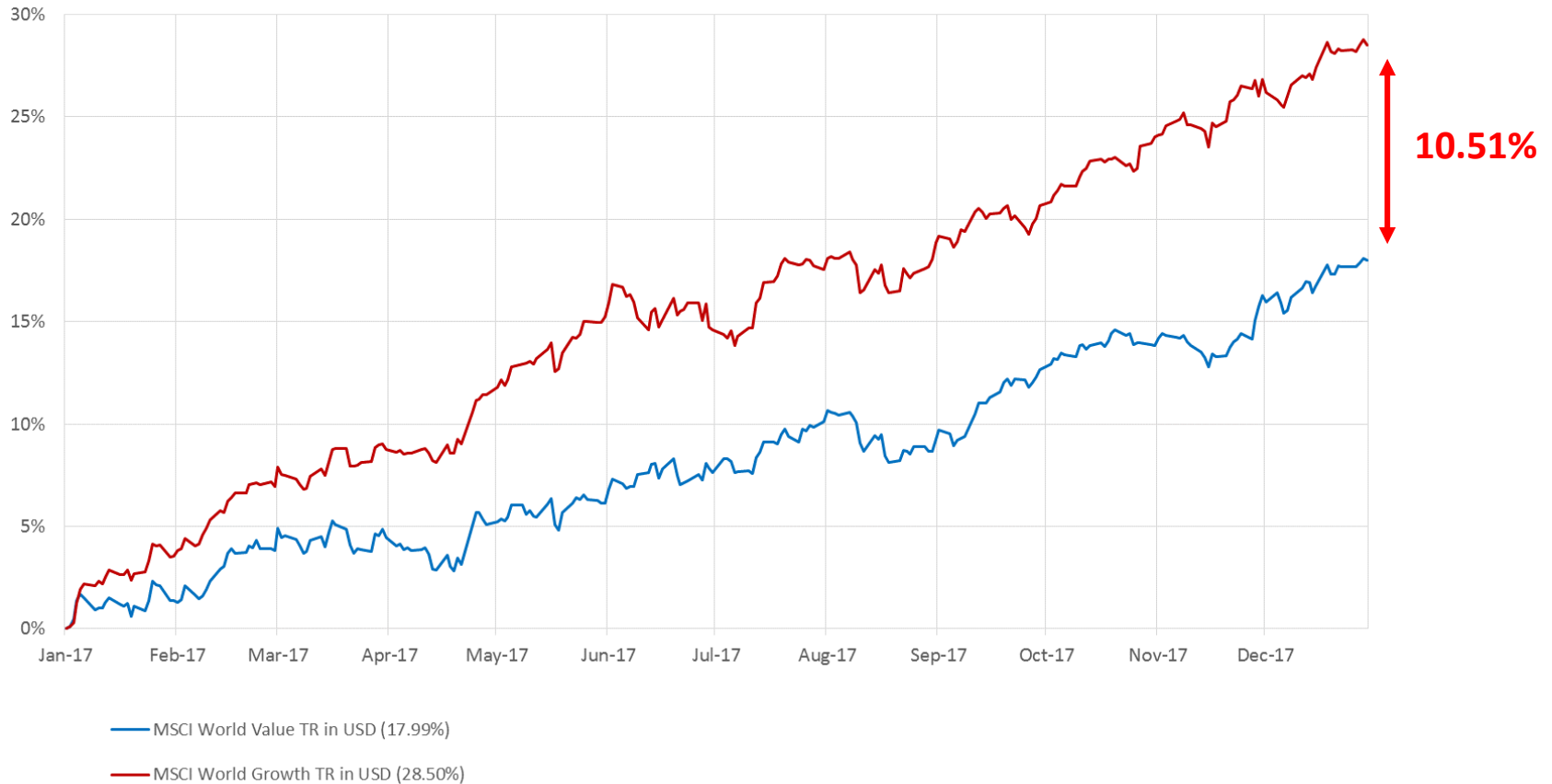
- Overweight Health Care a small drag on performance from an allocation perspective, but good stock selection (Nov Nordisk, Abbvie) meant overall stocks in the fund in this sector added performance in the month
- Good stock selection in Consumer Staples added to relative fund performance in the quarter: Walmart continued good recent good performance, and newer holdings Hengan and British American Tobacco also performed well
- Underweight to IT a drag from an allocation perspective, but offset by good individual stock performance (Microsoft, Cisco)
- Industrials and Financials were areas where individual stocks (rather than allocation affects) were a drag on overall fund performance with BAE Systems and NEX Group underperforming their sectors.

Top 5 performing stocks	
	Total return (in USD)
Wal-Mart Stores Inc	27.04%
Hengan International Group Co Ltd	19.98%
VF Corp	17.15%
Microsoft Corp	15.42%
Cisco Systems Inc	14.87%

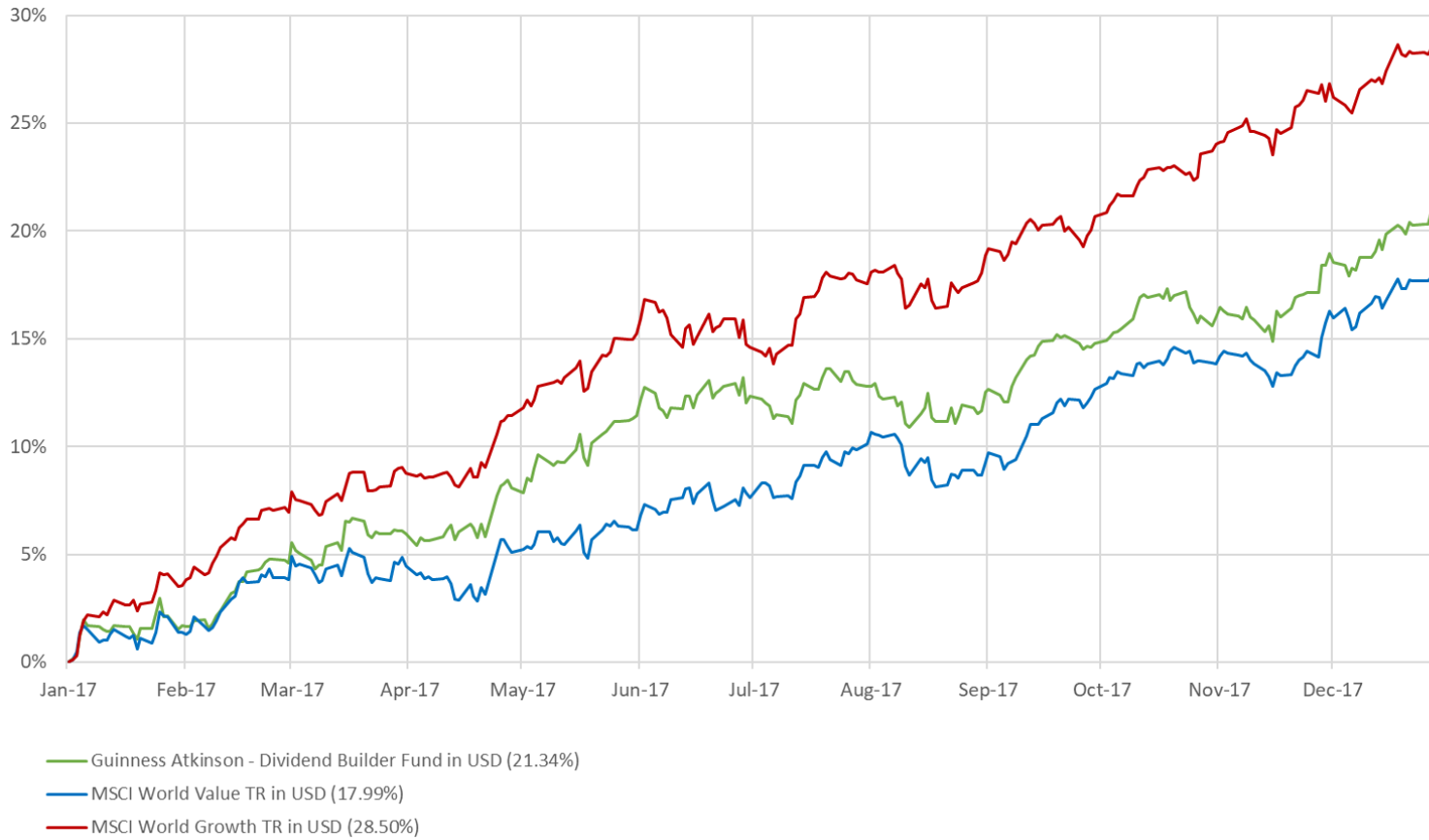
Bottom 5 performing stocks	
	Total return (in USD)
Merck & Co Inc	-11.37%
BAE Systems PLC	-7.05%
NEX Group PLC	-6.96%
Unilever PLC	-2.84%
Schneider Electric SE	-1.98%

- Continued good performance from **Walmart** in Q4 – with the stock finishing the year up 46.54% (TR in USD). Investment in e-commerce coming through as strong growth in that channel (albeit still a very small proportion of overall sales), improvement in ROE, and target of 5% EPS growth in 2018 established. Risk of ‘Amazon threat’ diminished in mind of investors
- Hengan** rallied alongside other Asia markets, but outperformed as sales growth was better than expected which also led to significant multiple expansion (from low levels) as management executed on the announced turnaround strategy.
- VF, Microsoft, Cisco** all posted good results in the quarter. With VF and Cisco also announcing increases in their dividends too (10% and 14%, respectively)
- Merck** underperformed in the quarter as a key lung cancer trial was delayed in Europe, tempering future earnings expectations and opening the way for competitor products to potentially take a lead.
- BAE Systems** weaker in early November as Ultra Electronics announced CEO departure and weaker environment for UK defense market. Lack of clarity in US defense market also added to uncertainty, but could also provide upside potential longer-term.

■ MSCI World Growth outperformed MSCI World Value by 10.91% (TR in USD)



■ Guinness Atkinson Dividend Builder outperformed the value index YTD



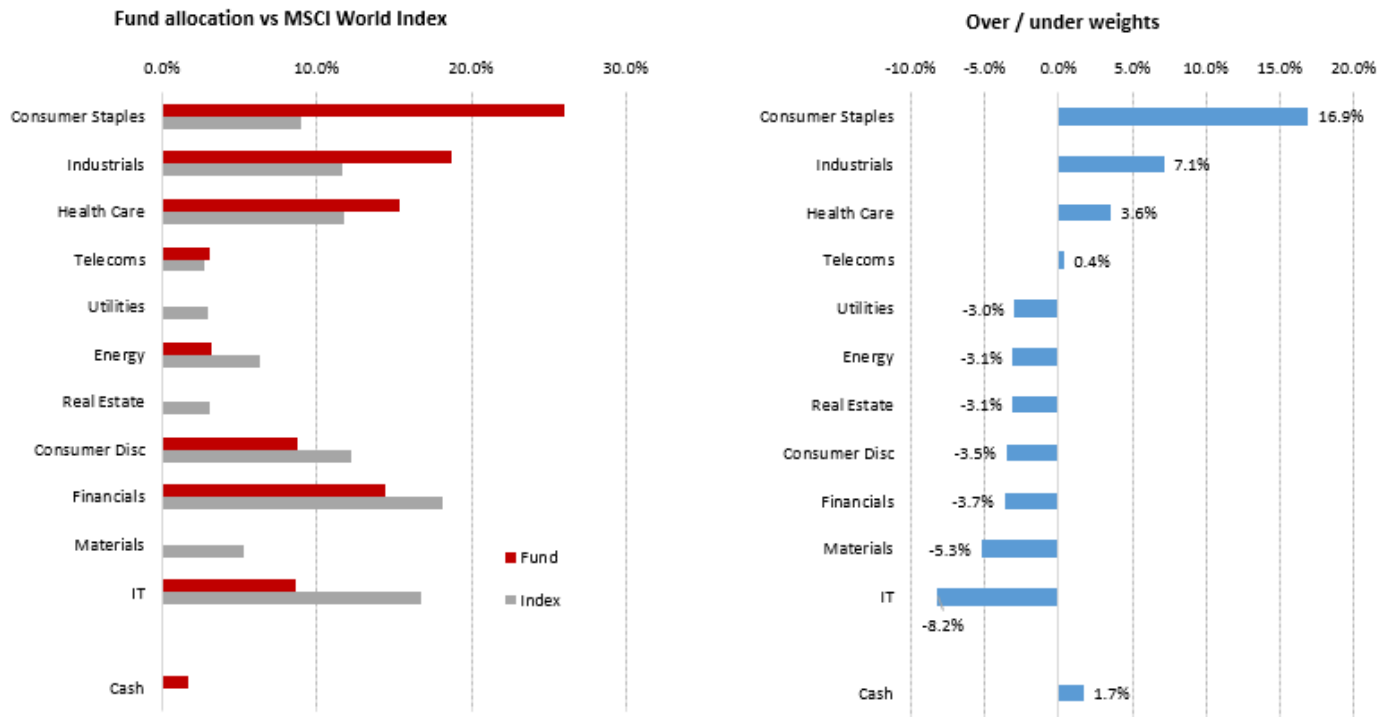
Buys

Reckitt Benckiser

Sells

Coca-cola

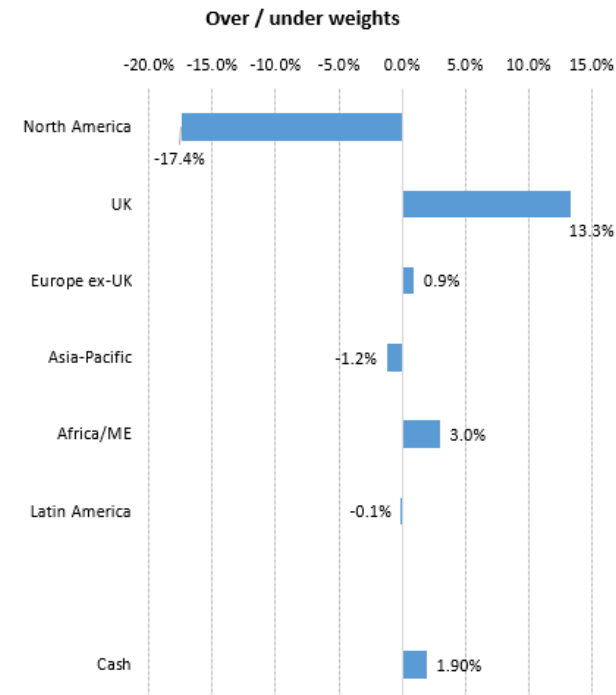
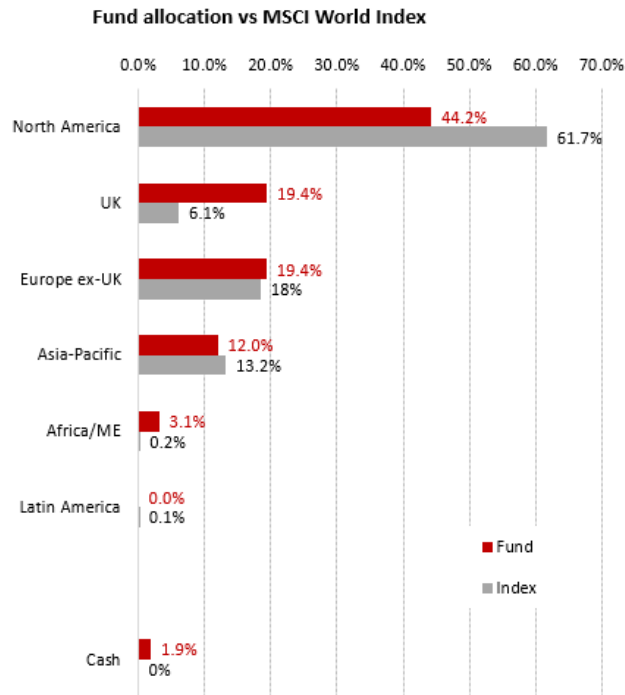
- **Coca-cola sell**
 - Held since inception
 - Approximately 70% total return (in USD) over holding period. Almost entirely through dividends (and dividend growth) and latterly multiple expansion (now trading at 10year peak forward multiple of ~23X)
 - Lower sales growth offset by improving margins but buybacks supporting earnings improvements. Increased debt to fund buybacks leave company more leveraged
 - Future growth (and recovery from EM) appear 'priced in' and risk is de-rating if this disappoints. Dividend still attractive at ~3.3%
- **Reckitt Benckiser buy**
 - Previously held in fund 2012 to 2015
 - High quality business but has underperformed MSCI World Consumer Staples index since mid-2016
 - Forward multiple de-rated from ~24X in mid-2016 to ~18X at end 2017, and dividend yield increased from about 2% to 2.8%
 - Dividend growth improving (10% growth 2017 vs 2016)
 - Recent acquisition and business re-organization not fully recognized by market



- Sale of Coca-cola and purchase of Reckitt Benckiser had no effect on sector allocation (as both companies are consumer staples)
- Overall the fund maintains a higher weighting relative to the index in consumer staples, healthcare, and industrials. We continue to have a zero weight in utilities, materials, and real estate

Sector holdings are subject to change

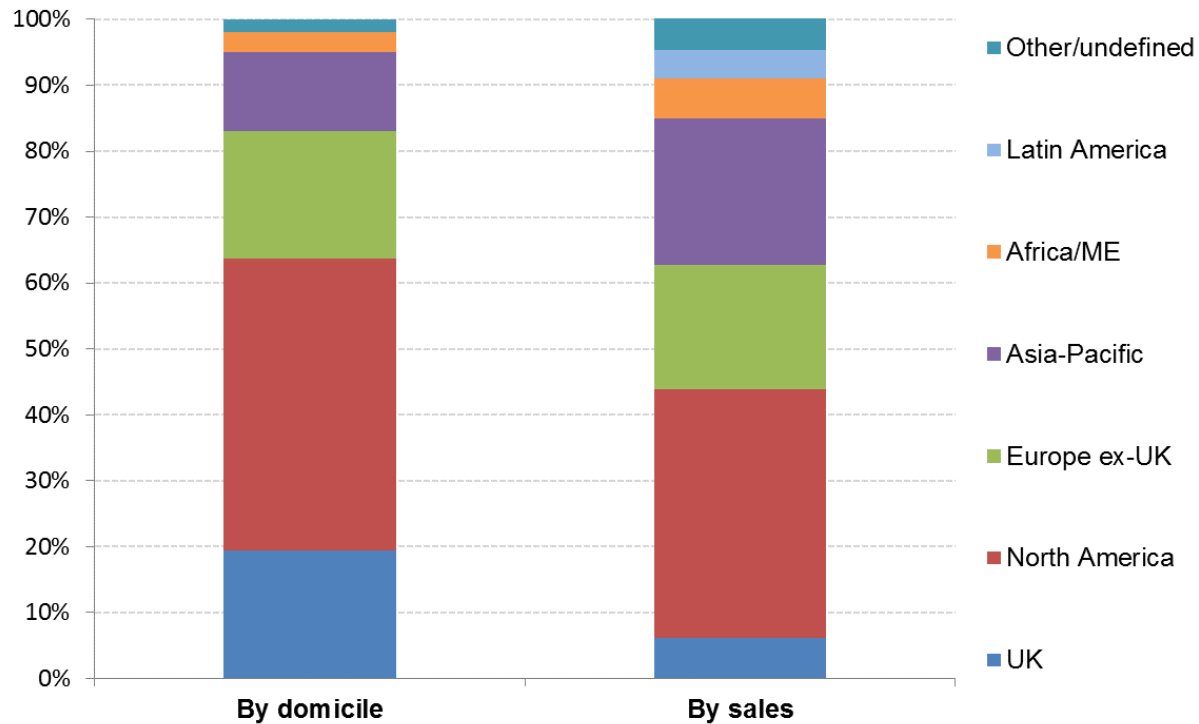
Source: Guinness Atkinson Asset Management, Bloomberg (data as of 12.31.2017)



- Sale of Coca-cola and purchase of Reckitt Benckiser reduced US exposure (about 3%) and increased UK exposure (about 3%)
- Overall the fund has an underweight to the US of about 17%, which is offset by overweights to Europe (including UK) and Africa/ME
- The fund continues to hold only one company in Japan and is thus underweight this region by approximately 6%

Sector holdings are subject to change

Source: Guinness Atkinson Asset Management, Bloomberg (data as of 12.31.2017)



- Fund has a lower exposure to UK when considered in revenues (about 6%) versus by domicile (about 20%)
- Fund has a larger exposure to Asia and emerging markets by revenues (about 28%) than by domicile (about 10%)

Sector holdings are subject to change

Source: Guinness Atkinson Asset Management, Bloomberg (data as of 12.31.2017)

Name	Sector	Mkt. cap	Country of domicile	% NAV	PE	PE
					18Y	19Y
WPP PLC	Consumer Discretionary	22.6	GB	2.8%	10.7	10.1
ANTA Sports Products Ltd	Consumer Discretionary	12.3	CN	3.2%	21.6	18.2
VF Corp	Consumer Discretionary	29.3	US	2.8%	21.4	19.5
Danone SA	Consumer Staples	57.1	FR	2.8%	18.4	16.6
British American Tobacco PLC	Consumer Staples	153.0	GB	3.5%	16.3	15.1
Imperial Brands PLC	Consumer Staples	40.4	GB	2.6%	12.2	11.4
Reckitt Benckiser Group PLC	Consumer Staples	64.0	GB	3.0%	19.3	17.9
Unilever PLC	Consumer Staples	164.6	GB	2.6%	19.3	17.3
Hengan International Group Co Ltd	Consumer Staples	13.2	CN	3.4%	21.1	20.0
Japan Tobacco Inc	Consumer Staples	65.3	JP	3.1%	15.0	13.7
Procter & Gamble Co/The	Consumer Staples	232.1	US	2.6%	22.0	20.6
Wal-Mart Stores Inc	Consumer Staples	294.8	US	2.8%	22.3	20.9
Royal Dutch Shell PLC	Energy	287.2	NL	3.3%	15.0	13.5
Deutsche Boerse AG	Financials	23.0	DE	2.8%	18.9	17.0
NEX Group PLC	Financials	3.1	GB	2.6%	24.6	17.7
Aflac Inc	Financials	35.2	US	2.9%	12.7	12.1
CME Group Inc	Financials	50.9	US	3.6%	26.6	24.9
Arthur J Gallagher & Co	Financials	11.5	US	2.8%	18.9	17.0
Sonic Healthcare Ltd	Health Care	7.6	AU	2.5%	20.3	18.7
Roche Holding AG	Health Care	223.4	CH	2.5%	15.2	14.5
Novo Nordisk A/S	Health Care	136.0	DK	2.9%	20.5	19.1
AbbVie Inc	Health Care	157.8	US	2.8%	14.6	12.5
Johnson & Johnson	Health Care	377.8	US	2.7%	17.8	16.6
Merck & Co Inc	Health Care	155.5	US	2.2%	13.9	13.2
Randstad Holding NV	Industrials	11.9	NL	2.7%	11.9	11.3
Schneider Electric SE	Industrials	52.1	FR	2.8%	16.2	15.3
BAE Systems PLC	Industrials	24.8	GB	2.6%	13.1	12.3
Eaton Corp PLC	Industrials	35.9	US	2.8%	15.4	14.1
General Dynamics Corp	Industrials	61.3	US	2.6%	19.4	18.0
Illinois Tool Works Inc	Industrials	56.9	US	3.1%	23.1	21.2
United Technologies Corp	Industrials	104.3	US	2.6%	18.7	16.8
CA Inc	Information Technology	14.2	US	2.6%	13.6	13.1
Cisco Systems Inc	Information Technology	193.9	US	3.0%	15.5	14.7
Microsoft Corp	Information Technology	674.7	US	3.1%	25.2	22.8
Vodacom Group Ltd	Telecommunication Services	19.8	ZA	3.2%	15.8	14.6

Average mkt. cap	119.8
Median mkt. cap	56.9

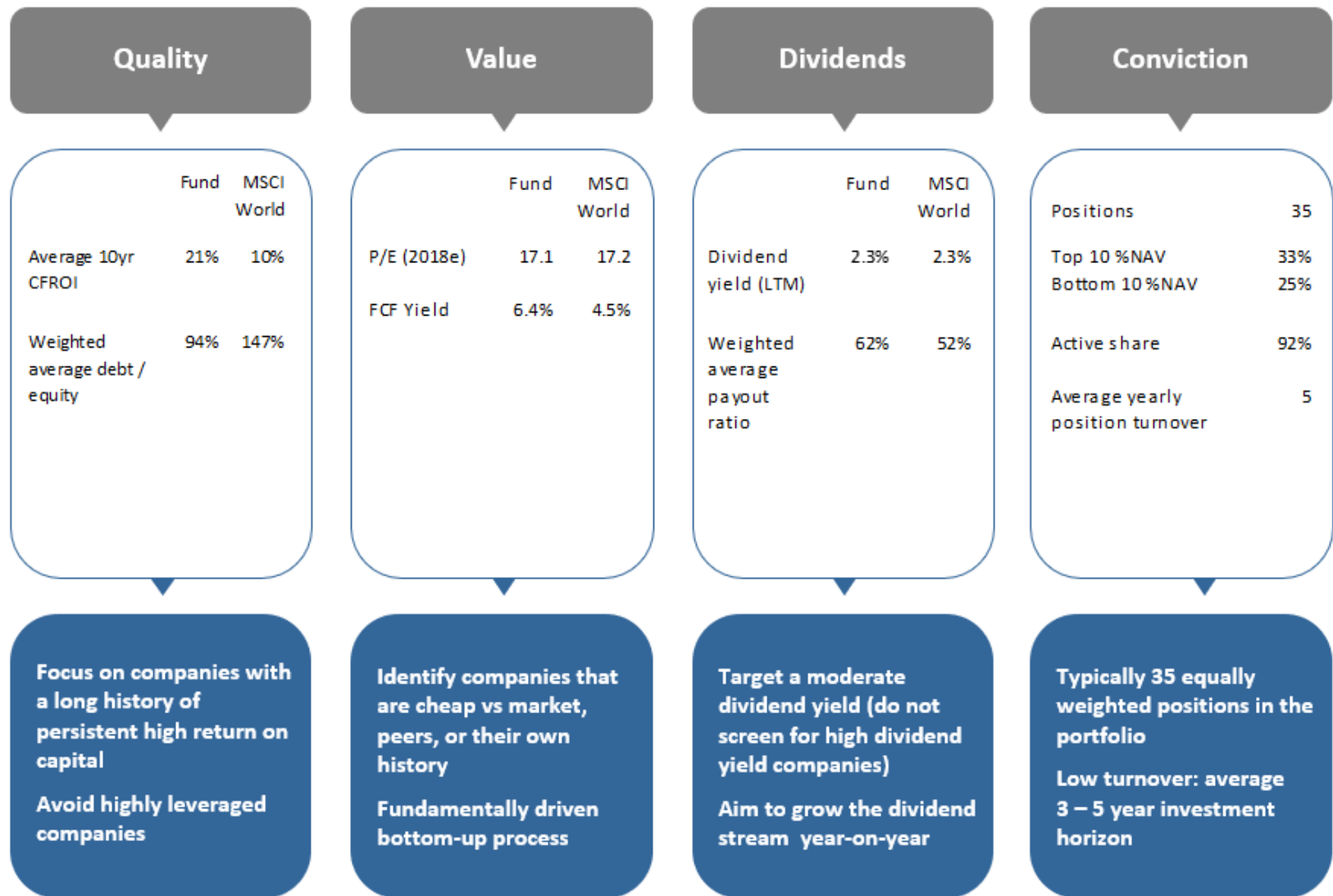
Total portfolio	17.1	15.7
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MSCI World Index	17.2	15.7
Fund premium/(discount)	-0.5%	0.0%

Source: Guinness Atkinson Asset Management, Bloomberg (data as of 12.31.2017)

PE = Price to earnings; NAV = Net Asset Value

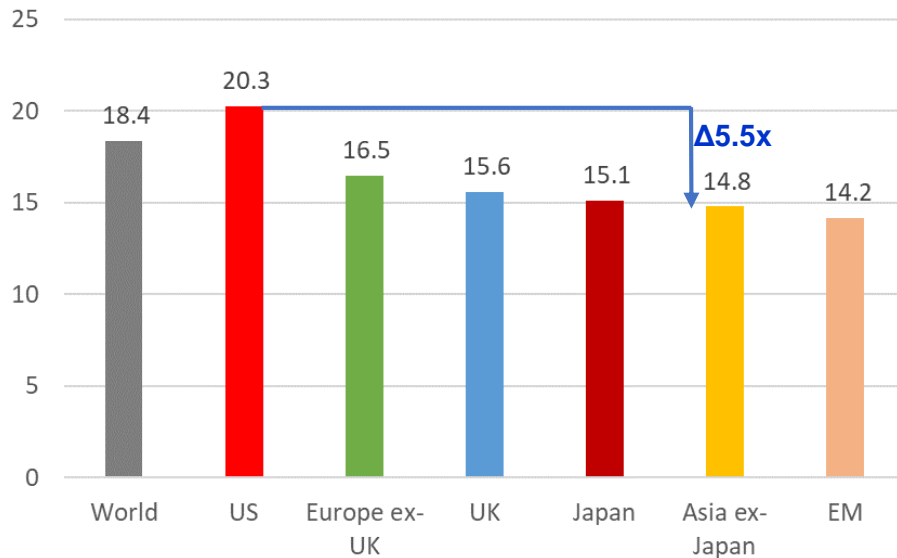
Forecasts are inherently limited and cannot be relied upon. Holdings are subject to change.



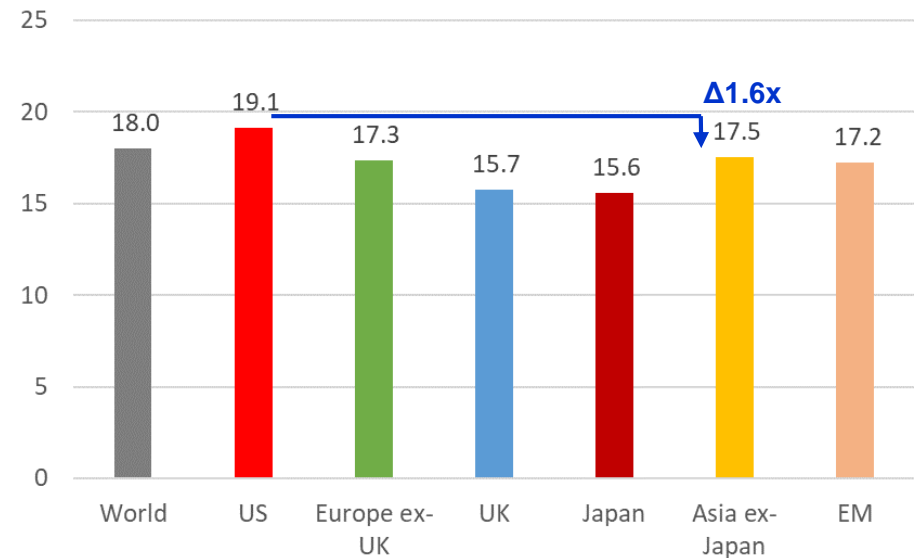
Source: Guinness Atkinson Asset Management, Bloomberg, CS HOLT (data at 12.31.2017)

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P/E's at 12/31/2017



Av P/E's ex-energy and financials at 12/31/2017



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. Please read it carefully before investing.

*The Advisor has contractually agreed to waive fees and reimburse expenses through June 30, 2018.

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.

Fund holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security

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

The *MSCI World Index* captures large and mid cap representation across 23 Developed Markets (DM) countries. 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.

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