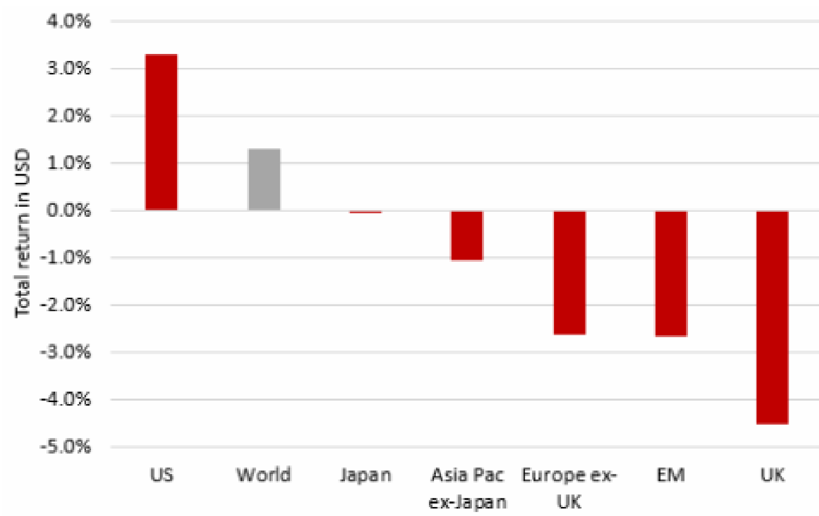
August in Review

Global equity indices rose in August, pulled higher by a resilient US market. US stocks outperformed on the back of a robust corporate earnings season and strong economic data releases. Escalating US-China trade tensions, the currency crisis in Turkey, a reinstatement of US-Iran sanctions as well as ongoing Brexit negotiations hurt sentiment in most major equity markets, with emerging market stocks seeing the largest declines.

MSCI regional performance: July 31 – August 31, 2018



Source: Bloomberg. As of August 31, 2018.

On August 22nd, the S&P 500 Index established its longest bull run at 3,453 days and also hit a new all-time high crossing 2900. The phrase "all-time high" conjures up the image of a chart at its peak, and while that is an accurate description of the stock market relative to the past, to some it also implies that the market may be overvalued and primed for a fall. However, equity markets have in fact spent much of history at an "all-time high". Since March 1957 (when the S&P 500 Index in its current form was created), 178 months have ended in market highs – that's approximately 24.1% of the time. When looking only at year-end, more than 50% of the years since 1957 have ended higher than any previous year.

Frequency	Day	Week	Month	Quarter	Year
Observations	16,233	3,364	738	246	61
All-time highs	1,153	466	178	89	31
%	7.1%	13.9%	24.1%	36.2%	50.8%

Source: Bloomberg. As of August 31, 2018.

While US stock valuations have fallen since the start of the year, they are still higher than most other global markets. However, the premium seems to be justified by better risk-adjusted returns and shareholder yields compared with any other market. As of August 31st, 1-year forward estimates of Price-to-Earnings have fallen to a level close to the 20-year average.

Looking at the last month in particular, the US equity market was buoyed by many simultaneous factors:

- The Fed looks set to continue raising rates in a gradual fashion. The policy rate was held steady in August but the minutes of the meeting, along with Jerome Powell's speech at Jackson Hole, indicate that the Fed is likely to continue to raise rates at a pace of 25 basis points per quarter.

- The US and Mexico agreed to revamp NAFTA, the North American Free Trade Agreement, with Canada potentially featuring in the future too. NAFTA covers more than $1tn in annual trade, and the updated pact is to include provisions to govern intellectual property, digital trade and investor disputes, among other issues. In the preliminary agreement, the US and Mexico agreed that 75% of a product must be made in the two countries to receive tax-free treatment - higher than in the existing deal. On cars, the two sides also settled on rules that will require 40-45% of each vehicle to be made by workers earning at least $16 an hour to discourage firms from moving production to lower-wage Mexico.

- Corporate earnings for the second quarter were very impressive: S&P 500 Index earnings grew 25% year over year, nearly matching the 26% growth rate from the quarter before. 80% of companies beat analysts' earnings estimates, with an average magnitude of +4%.

- US consumer confidence stands at an 18-year high as Americans remain upbeat regarding the labor market (low unemployment and modest wage growth).

In Europe, equity markets retracted in August due to concerns over the Italian budget combined with contagion fears over Turkish Lira weakness. Relations between Italy's populist government and the EU worried markets with new government plans revealing pledges estimated to be over €100bn. Adding to the tension, Deputy Prime Minister, Luigi Di Maio, said in a recent interview that Italy may breach the EU's deficit limit if that is what is needed to increase investment spending to boost the economy. The other Deputy Prime Minister, Matteo Salvini, also said that higher infrastructure spending is required in Italy and this should not be counted in the EU deficit rules.

Elsewhere, Turkey was in the spotlight amid a sharp depreciation in the Lira. The currency fell as geopolitical tensions with the US exacerbated ongoing concerns over its wide current account deficit (5.5% of GDP), above-target inflation (17.9%) and central bank reluctance to increase interest rates.

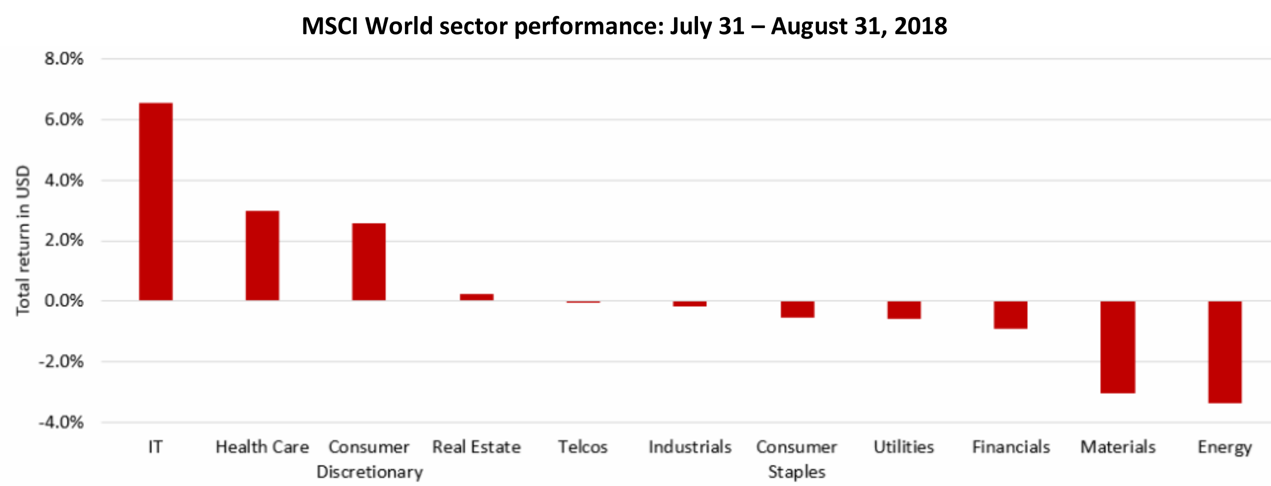
UK equity markets fell during August as Brexit uncertainty continues to loom. Comments from the Bank of England (BoE) on the "uncomfortably high" prospect of a "no deal" saw Sterling fall to a 13-month low against the US Dollar, before strengthening on supportive comments from the EU's Chief Negotiator Michel Barnier, on the likelihood of a post-Brexit partnership.

The base rate was expectedly raised by 0.25% and consensus suggests that it offers the Monetary Policy Committee greater interest rate flexibility if deemed necessary following the final deal negotiated for the UK's exit from the EU.

In Asia, markets ended the month lower as escalating trade tensions between the US and China continued to dampen investor sentiment. President Trump raised tariffs from 10% to 25% on an additional US$200bn worth of Chinese imports, and monthly economic data in China also came out slightly weaker than expected, suggesting slower growth in industrial production. Performance of the region was however boosted by equity market gains in Korea, India, Indonesia and the Philippines. Korea staged a mild recovery following the decision to hold a third summit with North Korea. To combat local currency weakness verses the Dollar, interest rates were increased in the other three countries.

Market Update

Underperformance of the fund, in the month, came largely from our underweight position in IT and exposure to some Tobacco companies which sold off in the month. IT was the best performing sector once again, buoyed by robust gains in Apple. Thanks to a combination of strong iPhone sales and a vast capital returns program, the stock rose 20% (in USD) in the month making the company the first to surpass a market cap of $1 trillion. Given the weight attached to the stock in the MSCI World Index (~2.5%), this contributed significantly to benchmark gains in the month, and retracted from the fund's active return.



Source: Bloomberg. As of August 31, 2018

Tobacco stocks sold off in August after an uptick in industry-specific risks. Slower-than-expected adoption of Philip Morris' non-combustible IQOS in Japan caused concern over adoption of the product worldwide. If approved by regulators, Altria has exclusive distribution rights to IQOS in the U.S. however the expectation is that this will have a smaller contribution to revenues than initially expected. Additionally, surging sales of the JUUL vapor device are pressuring sales of cigarettes. As of August 2018, JUUL accounts for over 70% of the US e-cigarette market – the device utilizes nicotine salts that exist in leaf-based tobacco and minimizes combustion, and is a direct competitor to the large tobacco manufacturers.

Upside in the month came from good stock selection, particularly within the Financials sector. We hold no banks in the portfolio, which helped performance and our exposure comes from security exchanges (CME Group, Deutsche Boerse) and institutional brokerage (NEX Group), which all performed well. Banks notably underperformed due to contagion: European lenders with exposure to Turkey came under pressure as the Turkish Lira weakened sharply, while Italian banks were impacted by rising domestic bond yields amid worries that the new Italian government's 2019 budget may come close to breaching EU fiscal rules. The budget is due to be finalized in September and presented to the EU in October.

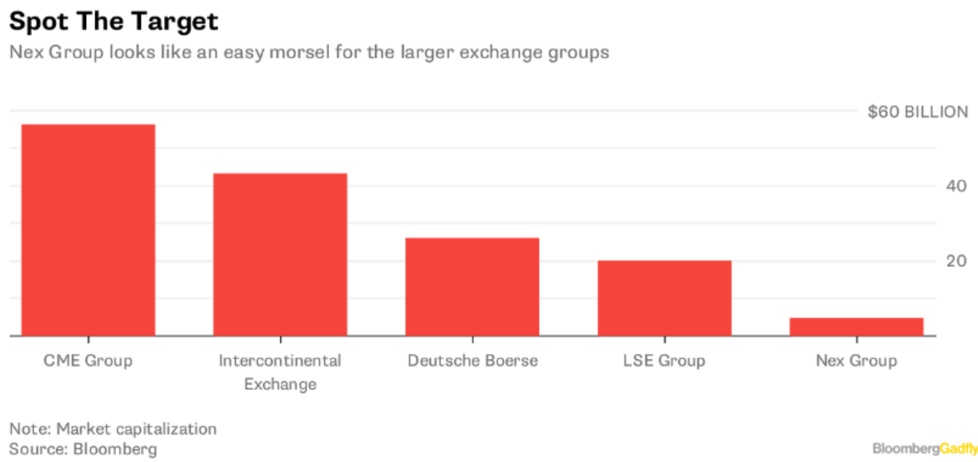
We continue to hold no positions in Materials and Utilities, and only one position within the Energy sector, and these allocations benefitted the fund's performance too. The Energy sector was weaker in August, particularly in the US, after there was some uncertainty stemming from China's inclusion of US crude oil in its tariff-targeted products list.

After seeing value-orientated stocks outperform towards the end of July, the trend reversed in August and was more fitting to the picture seen for most of the year, where growth-orientated stocks led the market. This was driven mainly by the strong showing from IT and Consumer Discretionary stocks, led by gains in Apple and Amazon.

Portfolio Update

We made one change to the portfolio in August by selling NEX Group.

NEX Group, the financial technology firm, which provides electronic trading platforms, will be CME Group's largest overseas acquisition and its largest since it bought Nymex for $11bn in 2008. CME Group, which owns and operates both the Chicago Board of Trade and the Chicago Mercantile Exchange, will pay 500 pence and 0.0444 in new CME shares for each NEX Group share. The market has seen the latest wave of consolidation in global exchange markets as positive for both companies, with the annual synergy of expenses expected to reach $200 million per year by 2021.



"At a time when market participants are seeking ways to lower trading costs and manage risk more effectively, this acquisition will create significant value and efficiencies for clients globally," said CME Group's CEO, Terry Duffy. "As one organization, we will be able to employ the complementary strengths of each company to serve a wider client base while diversifying our combined businesses across futures, cash and OTC products, and post-trade services."

After the CME bid was announced at the end of Q1 2018, NEX share price had an initial increase of ~50%. The new price level has been sustained and with the probability of another bid decreasing over the last few months, we saw an opportunity to take profits from our position in NEX. The valuation at time of sale stood at ~30x on a 1-year forward price-to-earnings basis, compared to a 10-year average of 12x.

CME Group (+9.8% in USD) was one of the better performers in August. It was rewarded by the market over its NEX bid and after seeing an increase in average daily trading volumes in the month. The acquisition would allow the exchange to offer clients significant margin savings, as well as provide access to a large base of bank clients to whom it could market its core futures, options and data products. The deal should also support CME's international expansion plans, as 50% of NEX's revenue is generated outside of the U.S. Data and analytics are a key focus area for the company in 2018, with an outlook to expand recurring revenue. CME is also particularly well-placed to benefit from increased interest-rate hedging around FED rate hikes and rising U.S. oil exports thanks to its dominant FED Funds and WTI futures contracts. We remained a holder of CME Group in the portfolio.

Within the portfolio, the best performer in August was **Cisco** (+13.0% in USD). The world-leading IT infrastructure equipment vendor has been making a transition to a balanced revenue mix of hardware and software, with a goal of deriving 50% of sales from software by 2020. The company reported a 5.9% increase in its fiscal Q4 revenue making it three successive quarters with accelerating revenue growth (4.4% and 2.9% in the two preceding quarters). Its move to software is best measured by its recurring revenue, with 33% of fiscal Q4 2018 sales coming from its subscription offering. For Q4 2018, Cisco guided for revenue growth of 4% to 6% and reported 5.9%. For Q1 2019, Cisco is guiding for even stronger revenue growth, now between 5% and 7%. The quarterly gains reflect rising strength in Cisco's new product sales, particularly its new line of programmable switches, the Catalyst 9000 series. These switches are selling well, with CEO Chuck Robbins citing the 9000 as the fastest-growing new product in Cisco's history. Looking at dividends, the company has demonstrated its willingness and ability to continually grow its dividend; the 3-year annualized dividend growth rate is 16% and current yield stands at 2.6%.

The weakest performer in the month was **Vodacom** (-19.4% in USD). The South African company provides a cellular telephone network with operations also in Tanzania, Mozambique, Lesotho and the Democratic Republic of Congo. The company has been able to take advantage of its large market share (~60% in South Africa) and expand its active subscriber base by 13% over the year, to 73.6 million. Initiatives to cut the cost of mobile data increased smartphone penetration and led to both customer growth and increased mobile usage. Gross margins have remarkably been increasing year on year for a decade, and the company has been able to generate a consistent cashflow return on investment of above 14.6% for the past 18 years. The group has a strong balance sheet and attractive dividend yield of 6.4%. Capital expenditure has been directed to better the company's network, which has reached 78% 4G population coverage and 99% 3G population coverage. It's sell-off in the month points to macro issues occurring in South Africa, more specifically concerning a weaker currency. The South African Rand fell over 10% in August (vs USD) after the economy was seen as slipping closer into recession, alongside continued weakness in emerging market currencies more generally.

Performance

In August, the Guinness Atkinson Dividend Builder Fund produced a total return of 0.27% (in USD) versus the MSCI World Index return of 1.24% (in USD). The fund therefore underperformed the index by 0.97% in the month.

Guinness Atkinson
Dividend Builder Fund
September 2018

Quarter-to-date, the fund has produced a total return of 5.05% (in USD) versus the MSCI World Index return of 4.40% (in USD). The fund has therefore outperformed the index by 0.65%.

Standardized Performance

as of 08/31/18	YTD	1 YR	3 YR	5 YR	10 YR	Since inception (3/30/12)
Dividend Builder Fund	4.82%	13.02%	11.34%	9.06%	N/A	10.26%
MSCI World Index	5.26%	13.73%	12.57%	10.87%	N/A	11.06%

as of 06/30/18	YTD	1 YR	3 YR	5 YR	10 YR	Since inception (3/30/12)
Dividend Builder Fund	-0.22%	7.78%	7.63%	8.48%	N/A	9.69%
MSCI World Index	0.74%	11.71%	9.12%	10.59%	N/A	10.60%

All returns over 1 year annualized. Source: Bloomberg, Guinness Atkinson Asset Management
Expense Ratio: 0.68% (net); 2.06% (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, 2019. 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.

Guinness Atkinson
Dividend Builder Fund
September 2018

GUINNESS ATKINSON FUNDS

This information is authorized for use when preceded or accompanied by a prospectus for the Guinness Atkinson Dividend Builder Fund. Click here for the prospectus.

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 8/31/18:

1.	Cisco Systems Inc	3.48%
2.	CME Group Inc	3.37%
3.	Deutsche Boerse AG	3.20%
4.	ANTA Sports Products Ltd	3.15%
5.	Arthur J Gallagher & Co	3.09%
6.	HengAn International Group Co Ltd	3.06%
7.	Microsoft Corp	3.02%
8.	Taiwan Semiconductor Manufacturing Co Ltd	2.96%
9.	Illinois Tool Works Inc	2.96%
10.	Aflac Inc	2.93%

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.

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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