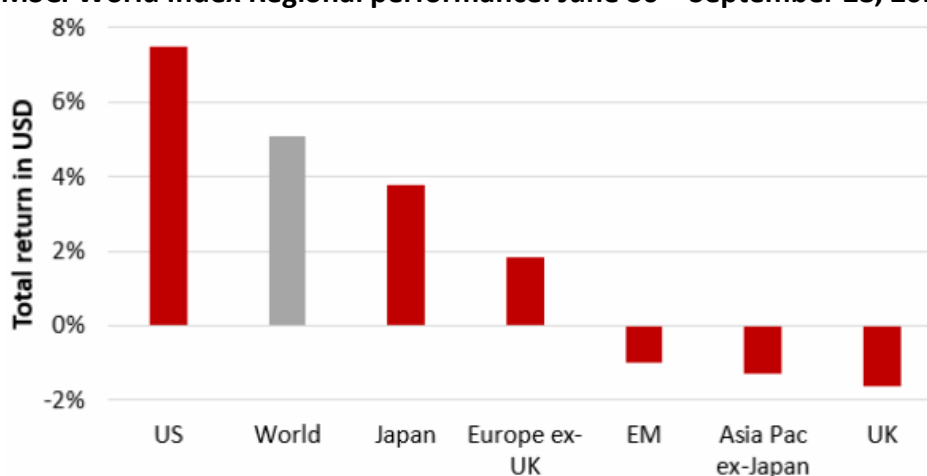


## Quarter in review

Global equity indices rose in the quarter, 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 Asia, Emerging Markets and the UK seeing the largest declines.

**MSCI World Index Regional performance: June 30 – September 28, 2018**



Source: Bloomberg

*Past performance data quoted represents past performance and does not guarantee future results.*

Ten years ago, on September 15, 2008, Lehman Brothers filed for bankruptcy. The S&P 500 fell by -28% in the 22 days that followed, and the index ended up losing more than half its value through the trough of the bear market (March 2009). The unemployment rate in America went from around 5% in January 2008 close to 10% in January 2010. Millions of Americans lost their jobs and their homes, and the US entered one of the deepest recessions it's ever experienced. At one point, GDP fell by -8.9% in a single quarter (Q4 2008), its worst decline in 50 years.

Ten years on, equities markets have recovered and have reached new, all-time highs. Corporate America, along with the global economy, continue to expand. The S&P 500 Index rose +7.2% (in USD) in the third quarter, despite bubbling trade disputes, rising interest rates, and concerns about currency and debt in the Emerging Markets. Q3 marked the S&P 500's best quarterly performance in nearly five years (since Q4 2013).

Last quarter, we quoted US Treasury Secretary, Steve Mnuchin, saying: "We're not in a trade war with China, it's a trade dispute." This quarter the definition becomes somewhat blurrier. The US initially targeted \$34 billion of Chinese products with a 25% tariff in early July, to which China retaliated equally.

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US tariffs on another \$16 billion began in late August, before a 10% tariff was implemented on a further \$200 billion of Chinese goods in September (set to rise to 25% in January). China immediately retaliated with new tariffs on \$60 billion of US goods, to which the Trump administration re-retaliated with threats of an additional \$267 billion in tariffs. Should these tariffs take effect, there will be almost no Chinese imports spared from duties; Chinese imports into the US totalled around \$505 billion in 2017.

In contrast, the US exports only about \$130 billion to China, so any further action from Chinese officials would require higher tariff rates or non-tariff measures (e.g. investment restrictions, sales of US assets or currency devaluation) if they are to continue to respond in kind. Since April, the Chinese Yuan has depreciated against the Dollar by close to 10%, making US goods less competitive and, to some extent, offsetting the impact of the tariffs on both the US and Chinese economy.

Closer to home for the US, there were significant advancements regarding trade with Mexico and Canada. The United States–Mexico–Canada Agreement (USMCA), or NAFTA 2.0 as it is also referred to as, gives the US more access to Canada's \$19 billion dairy market, incentivizes more domestic production of cars and trucks, increases environmental and labor regulations, and introduces updated intellectual property protections. This was a significant victory for President Trump, especially considering the US mid-term elections take place on November 6<sup>th</sup>.

Despite geopolitical events demanding media attention, the US economy and stock market both proved resilient. The Q2 earnings season saw the strongest quarter since 2010. S&P 500 companies posted a 25.4% increase in earnings and 9.8% higher revenues. Expectations for Q3 suggest that earnings are expected to increase 17.6% and revenues to increase 7.3%. Earnings expectations for 2018 are expected to be +20.7% with a 6.7% increase in revenue. Growth is still expected to decelerate as we head into 2019, with earnings growing 9.7% and revenue growing 5.1%.

This is combined with the highest US consumer confidence level since 2000, the highest wage growth since 2009, and the lowest monthly average of initial jobless claims since 1969. US GDP rose at 4.2% in the second quarter, marking the highest since late 2014. Against this remarkably strong growth backdrop it is not surprising that US equities have delivered attractive returns. It also led the FED to unsurprisingly raise interest rates a further 0.25% (from 2.25% to 2.5%). This is in tune with the once-a-quarter expectation of the market.

Turning to Europe, equity markets grew sluggishly over the quarter 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. While the budget discussions spooked markets at the start of the quarter, Italy performed well in September as it came to light that the budget proposal would need to overcome many constitutional safeguards before becoming law. Italy also posted a deficit of 2.4% in September, well below the 3% EU threshold.

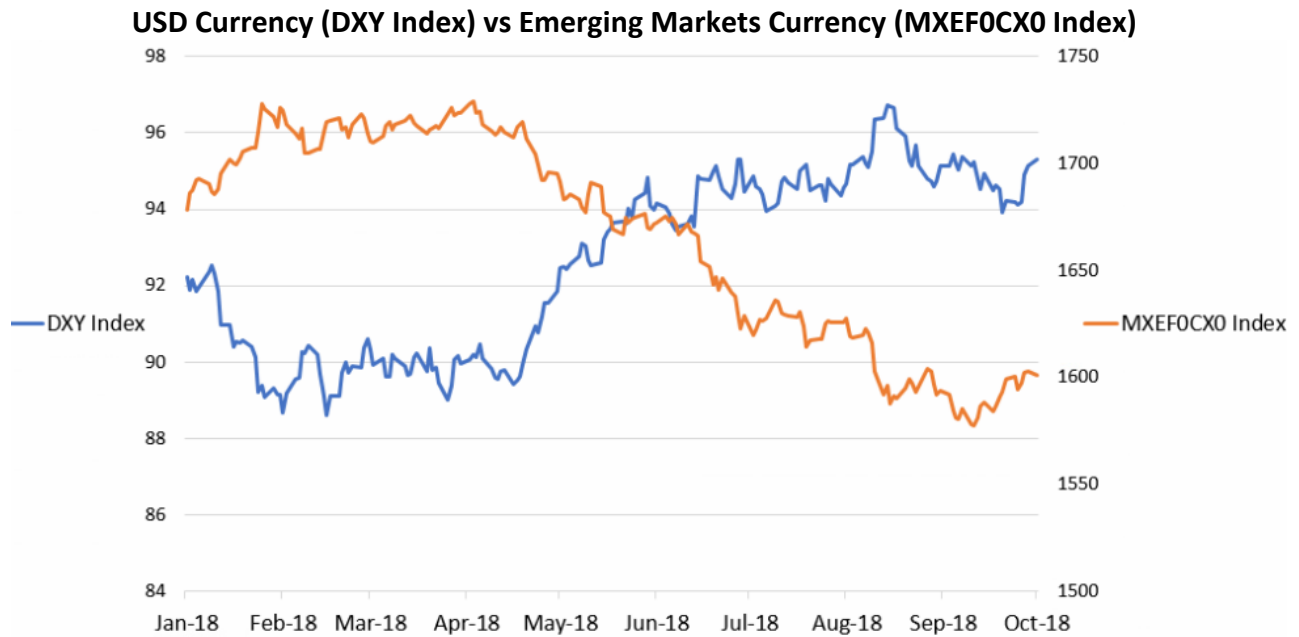
Elsewhere, Turkey was in the spotlight amid a sharp depreciation in the Lira. The currency fell as geopolitical tensions with the US exacerbated ongoing concerns over its wide current account deficit (5.5% of GDP), above-target inflation (17.9%) and central bank reluctance to increase interest rates.

On the economic front, growth for the second quarter of 2018 was revised up to 0.4% quarter-on-quarter, compared to the initial estimate of 0.3%. Forward-looking activity indicators continued to point towards expansion, albeit at a more subdued pace than at the start of 2018. The flash Eurozone composite purchasing managers' index for September fell to a four-month low of 54.2 and accordingly there was no change in interest rates from the European Central Bank, who reiterated that rates would remain on hold at least until mid-2019.

UK equity markets were the worst performing over the quarter as Brexit uncertainty continues to loom. The EU's rejection of the Government's Chequers plan and 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 interest rate was expectedly raised by 0.25% in the quarter 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.

While 'no-deal Brexit' fears weighed on UK domestic companies, the larger multinationals – which have greater exposure to Emerging Markets and Asia – also performed poorly due to the escalating US-China trade tensions. All 3 regions underperformed. Data in China also came out slightly weaker than expected, suggesting slower growth in industrial production. The Chinese authorities announced a range of targeted economic support measures, including a shift to fiscal stimulus and credit easing; and the central bank re-introduced macro measures to stabilize the Renminbi.

Looking at currency performance, the trade-weighted Dollar has gained over 7% since its lows reached towards the start of the year (chart below). The Dollar rally has important implications for equity markets, especially in Asia and Emerging Markets, where a strong Dollar is a forceful headwind. It effectively increases the Dollar value of debt and reduces the Dollar value of exports – two (generally) key characteristics of Emerging Market economies. Looking forward, the direction of the Dollar remains important for relative regional equity performance. In the short-term, the outperformance of US growth and interest rates may support the currency, though at some point rising levels of government debt and a large current account deficit will likely weigh in.

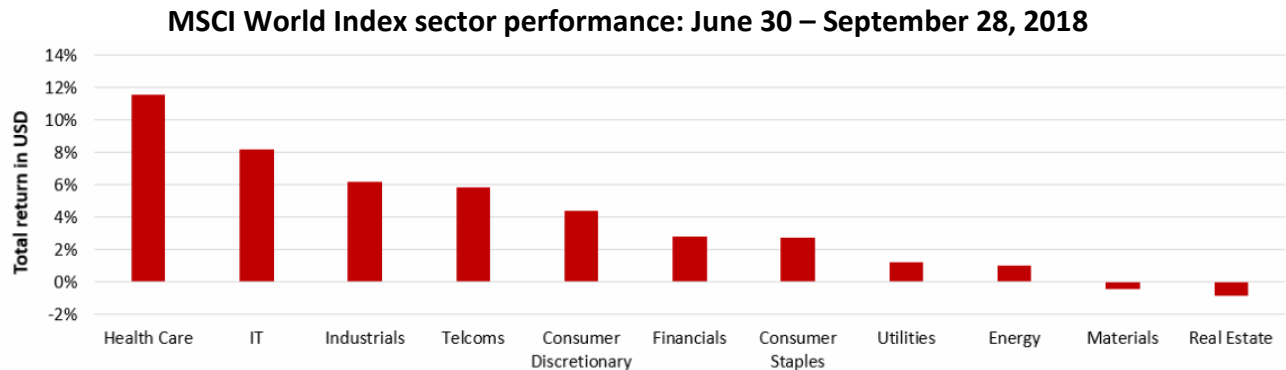


Source: Bloomberg  
 Data from June 30, 2017 – June 30, 2018

DXY Index is the US Dollar Index measuring the value of USD relative to a basket of foreign trade-partner currencies.

MXEF0CX0 Index is the MSCI World Emerging Markets Currency Index, which tracks the performance of 25 emerging market currencies relative to the US Dollar.

**Performance Drivers**



Source: Bloomberg

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Over the third quarter of the year, performance of the fund was aided by our overweight allocation to the Healthcare and Industrial sectors. Healthcare stocks were the strongest performers over the quarter after many surpassed analyst's earnings and revenue growth expectations. Industrials also performed well after concerns regarding (sector-specific) tariffs were somewhat alleviated. A meeting between US President, Donald Trump, and EU President, Jean-Claude Juncker, resulted in an agreement to work towards zero tariffs on non-auto industrial goods, while new US tariffs on European cars would be at least delayed until longer-term talks can take place.

The fund also benefitted from continuing to hold no positions in Real Estate, Materials and Utilities, and only one position within the Energy sector. These sectors were the worst performing in the quarter. Energy stocks had a turbulent quarter; weakness in July and August, particularly in the US, stemmed from China's inclusion of US crude oil in its tariff-targeted products' list, though September saw a recovery in share prices alongside the rebound in Brent Crude Oil, which rallied to above \$82 per barrel at quarter end – it's highest level in 4 years. This was driven by looming US sanctions on Iran.

Upside in the quarter also 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), institutional brokerage (NEX Group) and insurance (Arthur Gallagher, Aflac), 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 presented to the EU in October.

Drags on performance came largely from our underweight position in IT and exposure to some Tobacco companies which sold off in the quarter. IT performed well once again, buoyed by robust gains in Apple and Amazon. Thanks to a combination of strong iPhone sales and a vast capital returns program, the Apple share price rose 22% (in USD) in the quarter making the company the first to surpass a market cap of \$1 trillion. Amazon closely followed as the second company to hit the landmark after rising 18% (in USD) in the quarter. Given the weights attached to these stocks in the MSCI World Index (~4.5% combined), this contributed significantly to benchmark gains in the quarter, and retracted from the fund's active return.

Tobacco stocks were also a drag as they sold off in August after an up-tick 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.

After seeing value-oriented stocks outperform towards the end of July, the trend reversed in August and late-September, and was more fitting to the picture seen for most of the year, in that growth-oriented

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 2 changes to the portfolio in the quarter, where we bought new positions in Broadcom and Nestle, and sold our holdings in CA Technologies and NEX Group.**

**Broadcom** announced that it would buy CA Technologies for US\$18.9bn, the chipmaker's first major takeover since it was blocked by President Trump from pursuing a bid for rival Qualcomm earlier this year. Broadcom manufactures digital and analog semiconductors, and serves four primary markets: wired infrastructure, wireless communications, enterprise storage, and industrial & others. With a history of successfully integrating acquisitions, Broadcom has been able to grow revenues and gross profits every year consistently. At time of purchase, the stock was trading on a 1-year forward price-to-earnings ratio of 10.6, which is significantly cheaper compared to history and versus the market. We found this particularly attractive given the strong growth profile of Broadcom and the semiconductor industry in general. The recent sell-off points to market pessimism regarding the CA acquisition, since CA's legacy software assets are seen as highly tangential to Broadcom's core business.



For the transaction to be deemed successful in the future, Broadcom will need to quickly divest pieces it deems non-core while integrating elements that are synergistic. Substantial selling, general, and administrative (SG&A) cuts are likely: CA's SG&A intensity last quarter was 36% of sales, while Broadcom operates at below 6%. While the full gap cannot be bridged given the industries each company operates in, it can be narrowed. Broadcom has a history of dramatically improving operating and gross margins through scale and cost-cuts of its target companies.

**CA Technologies** was the best performer in the quarter (+23.9% in USD) after the takeover bid from Broadcom led to a strong share price rally in July. This presented a good profit-taking opportunity. We initiated a position in CA at the end of 2015 and it since returned 63% (in USD). The software manufacturer provides tools for managing networks, databases, applications, storage, security, and other systems. Primarily serving large enterprises, its applications work across both mainframes and cloud computing environments. Revenues and gross profit have been falling in recent years mainly due to a lack of organic growth and a decrease in software subscriptions. Cashflows returns on investment have also been gradually falling year-on-year, and although acquisitions have added to inorganic sales growth, they have also added to net debt. The bid from Broadcom led to a 18% rise in CA's share price and this provided an attractive sell opportunity.



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We also bought **Nestlé** in the quarter. Measured by revenue, the Swiss multi-national is the largest food company in the world and active in almost every country. Twenty-nine of Nestlé’s brands have annual sales of over 1 billion USD, including Nespresso & Nescafé coffee, Kit-Kat chocolates, Nesquik drinking chocolate, Stouffer's frozen food, Vittel and Perrier water, Haagen-Dazs ice cream, Purina pet food, DiGiorno pizza, and Maggi noodles.



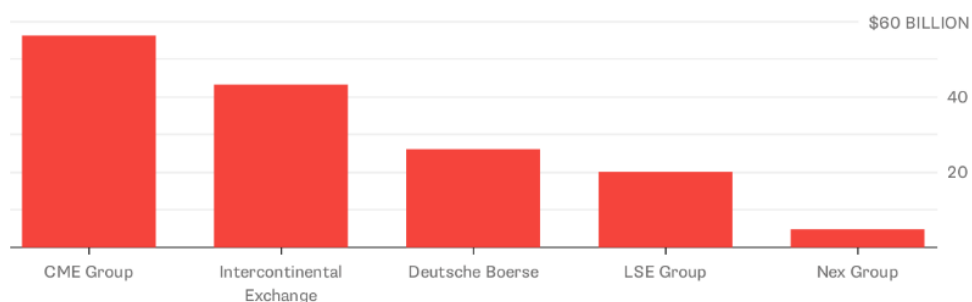
In recent years Nestlé has struggled to lift its revenues due to sluggish consumer spending in Europe and the US as well as changes in consumer tastes. In fiscal 2017, sales growth was close to zero. However, this year the company has made significant strides by investing in high-growth businesses like bottled water, coffee, infant nutrition, and pet care. It recently paid more than \$7 billion for rights to sell Starbucks packaged coffees and teas worldwide, and also acquired Atrium, a Canadian manufacturer of over-the-counter (OTC) health supplements, for \$2.3 billion. Further, 2018 strategy has consisted of many divestitures including the \$2.8 billion sale of its famous candy business (9% of net revenue which includes brands such as Butterfinger, Crunch, Wonka, and Smarties, among others) to Ferrero, the maker of Nutella and Ferrero Rocher. The move comes amid declining sales in the unit and a general repositioning towards healthier and faster-growing categories. We therefore believe that recent market pessimism allows us an attractive entry point into a business that is highly cash-generative, has a very strong balance sheet, and provides an attractive 3% dividend yield.

**As part of our one-in-one-out policy, we sold our position in 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 we also own in the fund, owns and operates both the Chicago Board of Trade and the Chicago Mercantile Exchange; it 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.



**Spot The Target**

Nex Group looks like an easy morsel for the larger exchange groups



Note: Market capitalization  
 Source: Bloomberg

BloombergGadfly

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"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.

Looking further at the companies within the portfolio it is pleasing to see one of our recent additions, **TSMC**, as one of the best performers in the quarter (+22.5% in USD). TSMC is a pure-play foundry business and manufactures integrated circuits which are used in computers, communication equipment, consumer electronics, automotives and industrial equipment. The company has a very low debt to equity ratio of 12%, and attractive dividend yield of 3% with double digit earnings and profit growth estimates. With a 2-year forward P/E Ratio of 14.5, we see the company as attractively valued given its above-market-average growth forecasts. Revenues and gross margins have increased every year for the last 8, and cashflow returns on investment have been maintained above 10% for the last 10 years. The recent rally points to optimism regarding future sales and profit growth which are expected to rise as the use of artificial intelligence applications and the emerging adoption of 5G communication standards boost demand for high-end semiconductors. The company's leadership in manufacturing technology, along with Globalfoundries' decision to suspend its 7-nanometer product development, should allow TSMC to solidify its market share in high-performance computing chips and help to maintain its industry-leading profit margin.



The best performing stock from quarter 2, **Merck**, also continued its rally into this quarter, rising +19.2% in USD. Best-selling drugs in the Pharmaceutical segment include type 2 diabetes drug Januvia, which brings in about \$4 billion in revenues annually. Other products earning more than \$2 billion include diabetes drug Janumet, HPV vaccine Gardasil, and cholesterol medication Zetia. Meanwhile, \$1 billion top sellers include cholesterol medication Vytorin, skin antibiotic treatment Cubicin, HIV therapy Isentress, inflammatory treatment Remicade, cancer drug Keytruda, and chickenpox vaccine ProQuad. Strong performance in the quarter came after Merck's lung cancer drug, Keytruda, won a string of clinical trials which places it in the top spot for treating lung cancer. Estimates suggest that Keytruda could bring in \$12.5 billion by 2022; the clinical trials proved a huge positive for Merck, as it continues to expand its drug portfolio with its research and development efforts.





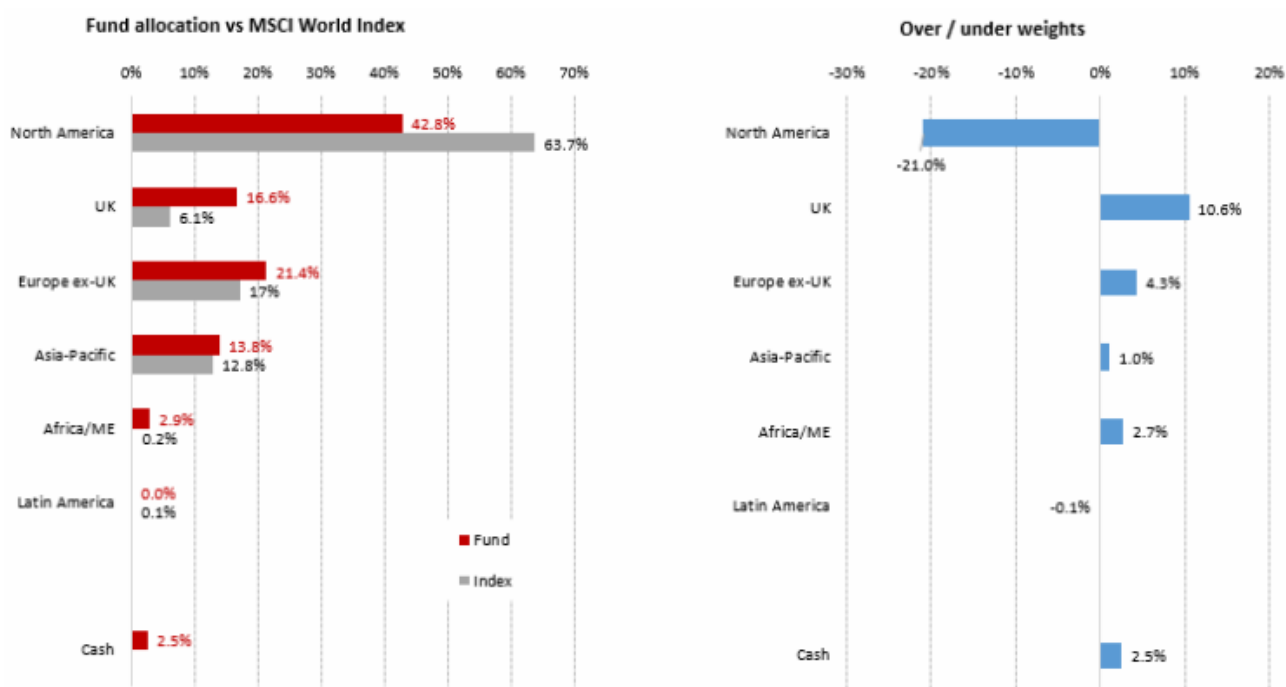
The weakest performer in the quarter was **ANTA Sports** (-7.2% in USD). The Chinese company has a cashflow return on investment over 10%, for its entire 10 years of existence as a public company. The company generates revenue through the manufacture and trading of sporting goods, including footwear, apparel and accessories. Its brand portfolio includes ANTA, ANTA KIDS, FILA, FILA KIDS and NBA, and has joint ventures with new brands too, such as South Korea's Kolon. Looking at the financials, ANTA Sports has very solid margin growth alongside a surge in sales in recent years. The company is well positioned to benefit from the growing wealth in China, recovering economy, and has maintained low debt. It is the official sponsor of the Chinese Olympics team and we have conviction that the stock has potential to maintain its significant earnings growth. The recent sell-off comes after Anta made an offer to buy Amer Sports, the Finnish company that makes golf, racquet, winter, and team sports equipment, as well as diving gear and workout equipment. Brands include Wilson, Arc'teryx, Atomic, Dynamic, and Salomon and the company is valued by Anta Sports & FountainVest Partners (a Hong Kong private equity group) at €4.6 billion (\$5.3 bn). The offer of €40 cash per share for Amer represents a nearly 40% premium to the prior trading day's closing price before the approach was made public. It has also led to Anta Sports proposing a scale back in the distribution of earnings as dividends, which the market has drawn negatives from. On the upside however the move to acquire a European company gives Anta Sports scale to expand geographically, as well as launch new products in China. The company's growing product offering could well fuel earnings and revenue growth further and the shrewd move into winter sport clothing and equipment comes well-timed ahead of the next Winter Olympics in 2022 in Beijing.



## Positioning

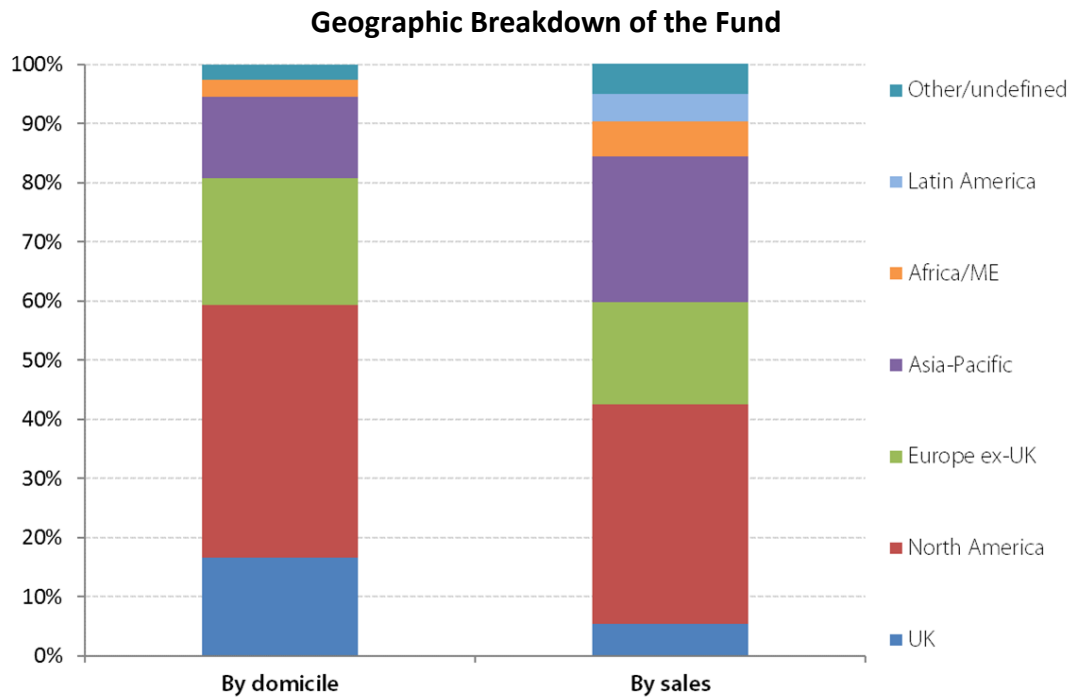
In terms of geographic exposure, the largest difference between the fund and the benchmark is our exposure to the US (as measured by country of domicile). The fund over the quarter had on average c.43% weighting to North America which compares to the index at c.64%. The largest geographic overweight remains the UK which had a c.11% larger position than the benchmark over the quarter. Both of these positionings were negative for fund performance in the quarter.

### Regional breakdown of the fund vs. MSCI World Index



Source: Guinness Atkinson Asset Management, Bloomberg  
 Data as of September 30, 2018

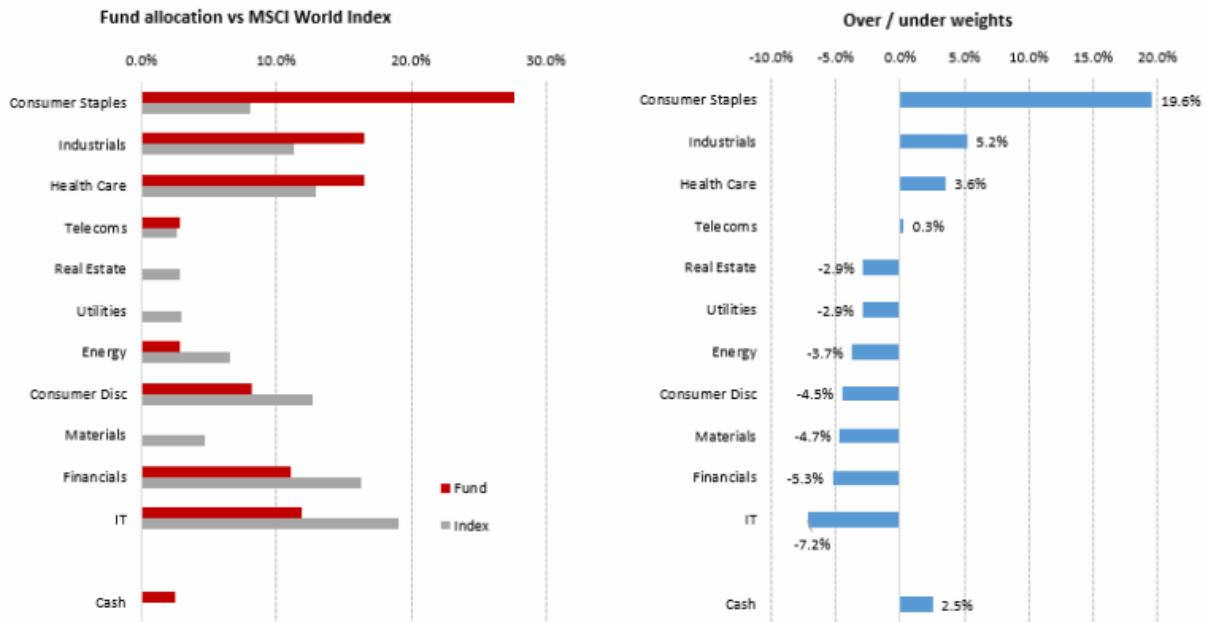
We would however note two main points, referring to the chart below; (i) the fund has a lower exposure to the UK when considered in revenues (c.6%) versus by domicile (c.16%). This is because we have favored UK domiciled companies with a more global exposure (such as Unilever and Imperial Brands); and (ii) there is a larger exposure to Asia-Pacific by revenues (c.23%) than the equivalent statistic as measured by domicile (c.12%).



*Source: Guinness Atkinson Asset Management, Bloomberg  
 Data as of September 30, 2018*

In terms of sectors, the fund continues to have a zero weighting to Utilities, Materials, and Real Estate, which in the last quarter proved to be beneficial for performance. Overweight Industrials and Healthcare also benefited the fund, whereas underweight IT was a drag.

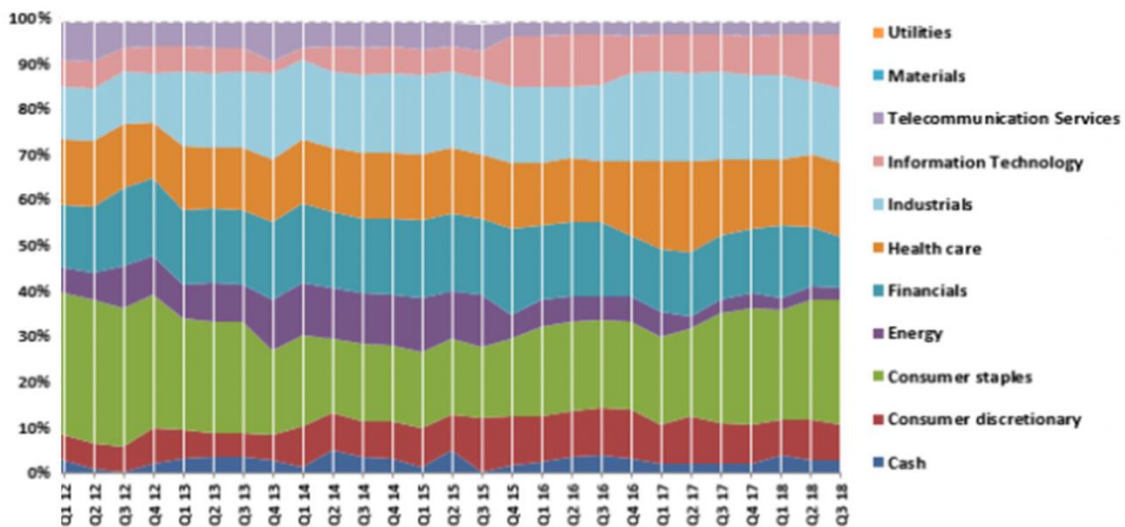
**Sector Breakdown of the Fund vs. the MSCI World Index**



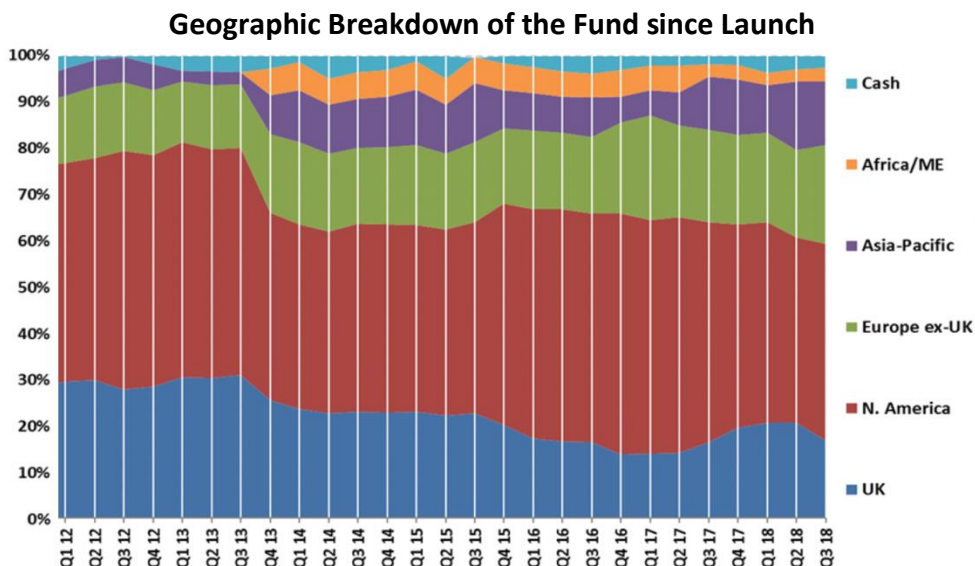
Source: Guinness Atkinson Asset Management, Bloomberg  
 Data as of September 30, 2018

The below two charts show how the exposure of the fund has evolved since we launched the fund on March 30, 2012.

**Sector Breakdown of the Fund since Launch**

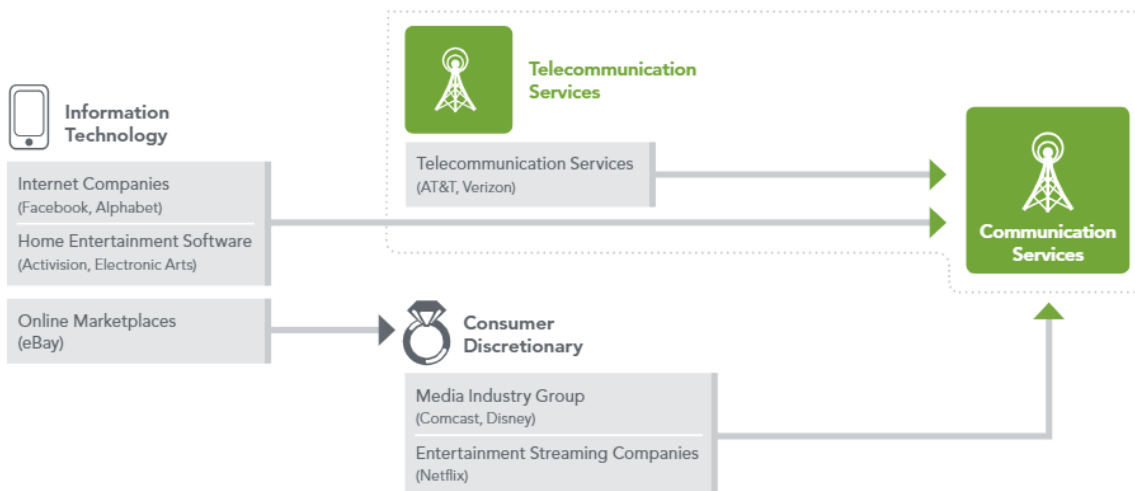


Source: Guinness Atkinson Asset Management, Bloomberg  
 Data as of September 30, 2018



Source: Guinness Atkinson Asset Management, Bloomberg  
 Data as of September 30, 2018

From September 28, 2018 onwards, there are some notable changes to the GICS Sector classification system. The changes are of importance since it affects 8.5% of the market cap of the S&P 500 Index and sees some of the largest names reclassified. The Telecommunication Services sector will be expanded to Communication Services and will also include Internet and Media companies currently classified within the IT and Consumer Discretionary sectors respectively. The below diagram summarizes the changes, and highlights some of the example companies that will be reclassified.



Source: Fidelity Investments

The impact on the portfolio is minimal and affects only 2 stocks. Vodacom will now be classified in the ‘Communication Services’ sector as opposed to ‘Telecommunication Services’; and WPP will move from the ‘Consumer Discretionary’ sector to the new ‘Communication Services’ sector.

### Key Fund Metrics Today

The four key tenets to our approach are: quality, value, dividend, and conviction. We follow these metrics at the portfolio level to make sure we are providing what we say we will. Based on the measures, holistically, the high-conviction fund has companies which are on average better quality at better value verses the index.

At the quarter end, we are pleased to report that the portfolio continues to deliver on all four of these measures relative to the benchmark MSCI World Index.

#### Portfolio Metrics vs. Index

|            |                                | Fund | MSCI World Index |
|------------|--------------------------------|------|------------------|
| Quality    | Average 10 year CFROI          | 17%  | 8%               |
|            | Weighted average debt / equity | 40%  | 64%              |
| Value      | PE (2018e)                     | 16.0 | 16.4             |
|            | FCF Yield (LTM)                | 5.7  | 5.0              |
| Dividend   | Dividend Yield (LTM)           | 2.3% | 2.3%             |
|            | Weighted average payout ratio  | 52%  | 48%              |
| Conviction | Number of stocks               | 35   | 1650             |
|            | Active share                   | 91%  | -                |

*Source: Guinness Atkinson Asset Management, Credit Suisse HOLT, Bloomberg  
 Data as of September 30, 2018*

### Outlook

With an increasing influence of geopolitics on market returns and volatility, we believe that our approach to finding quality companies at attractive valuations is more important than ever. The Guinness Atkinson Dividend Builder fund currently trades at an attractive valuation to the MSCI World on both a price-to-earnings and free-cash-flow-yield basis. We believe this provides

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good value to our investors and puts us in good stead in our search for long-term capital growth and a steady, growing income stream.

We thank you for your continued support.

Portfolio Managers  
 Ian Mortimer, CFA  
 Matthew Page, CFA

## Performance

In September, the Guinness Atkinson Dividend Builder Fund produced a total return of 0.16% (TR in USD), compared to the MSCI World Index return of 0.59%. The fund therefore underperformed the Index by 0.43%.

| as of 09/30/18               | YTD   | 1 YR   | 3 YR   | 5 YR  | 10 YR | Since inception (3/30/12) |
|------------------------------|-------|--------|--------|-------|-------|---------------------------|
| <b>Dividend Builder Fund</b> | 4.99% | 10.97% | 12.37% | 8.15% | N/A   | 10.16%                    |
| <b>MSCI World Index</b>      | 5.43% | 11.24% | 13.53% | 9.28% | N/A   | 10.35%                    |

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](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 waived 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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*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 09/30/18:

|  |       |
|--|-------|
| 1. Cisco Systems Inc                         | 3.52% |
| 2. CME Group Inc                             | 3.27% |
| 3. Broadcom Inc                              | 3.24% |
| 4. Arthur J Gallagher & Co                   | 3.17% |
| 5. HengAn International Group Co Ltd         | 3.12% |
| 6. Deutsche Boerse AG                        | 3.09% |
| 7. Microsoft Corp                            | 3.06% |
| 8. Reckitt Benckiser Group PLC               | 3.05% |
| 9. Taiwan Semiconductor Manufacturing Co Ltd | 3.04% |
| 10. BAE Systems PLC                          | 3.01% |

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.

Price-Earnings (P/E) ratio is a valuation ratio of a company’s current share price compared to its per-share earnings. Forward earnings differ from trailing earnings, which is the figure quoted more often, as they are a projection and not a fact.

A cash flow return on investment (CFROI) is a valuation metric that acts as a proxy for a company's economic return.

Free cash flow (FCF) represents the cash a company generates after cash outflows to support operations and maintain its capital assets.



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**Dividend Builder Fund**  
Managers Update – October 2018

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Dividend yield is calculated by annualizing the last quarterly dividend paid and dividing it by the current share price.

Active share measures the extent of active management in a portfolio compared to the corresponding benchmark listed.

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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