Quarter Review

2019 started with equity markets posting positive returns in each of the first three months. In fact, the first quarter of the year marked the best quarter for the MSCI World Index since 2010, and the best start to a year since 1998.

Rebounding from a weak end to 2018, global equities have been boosted by a combination of constructive US-China trade talks, a considerably more dovish stance from the US Federal Reserve and the implementation of Chinese stimulus measures. This led to the continued outperformance of the cyclical sectors:

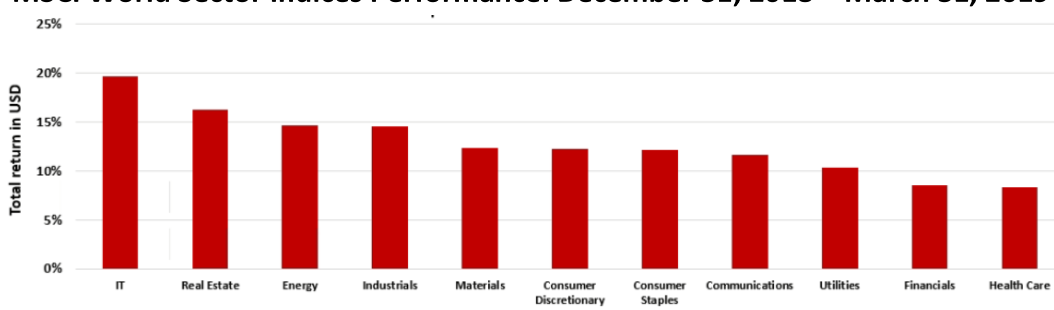
Cyclical Sectors vs Defensive Sectors

MSCI USA Cyclical Sectors / MSCI USA Defensive Sectors

Source: Bloomberg. As of March 31, 2019

The MSCI Cyclical Sectors Index has been outperforming the MSCI Defensive Sectors Index since mid-December. This can also be seen in individual sector performance seen across the quarter:

MSCI World Sector Indices Performance: December 31, 2018 – March 31, 2019



Source: Bloomberg. As of March 31, 2019

IT was the standout performer in the quarter as earnings season brought with it a renewed interest in the sector. At the start of 2018, IT stocks were deemed to be expensive and strong positive performance was narrowly driven by the FAANGs (Facebook, Amazon, Apple, Netflix, Google). The share prices of these stocks were humbled towards the end of last year, though the tech sell-off was much broader based with many other IT stocks also negatively affected. Since the turn of the year, market pessimism towards the broader sector has eased and performance has thus been relatively strong. Notably, however, the FAANGs no longer correlate as closely; Amazon, Apple and Google have lagged the broader market year-to-date, whereas Facebook and Netflix have both significantly outperformed.

In the Guinness Atkinson Dividend Builder Fund, we hold five stocks within the IT sector: Cisco, Paychex, Broadcom, Microsoft and Taiwan Semiconductors. As a group these have performed very pleasingly in 2019; good stock selection in this respect has offset the drag from being underweight the IT sector (versus the MSCI World benchmark).

Real Estate and Energy also performed well in the month and limited exposure here was a small drag on performance. We have no holdings within Real Estate and one holding within Energy: Royal Dutch Shell, which reported robust earnings. Cashflows came in far ahead of expectations and the company indicated that both upstream (production) and downstream (refining) parts of the business were doing well. The Energy sector also performed well as a whole as the price of WTI Crude oil climbed past US$60 a barrel, reaching its highest level since November last year. Lower supply from Siberia to the US shale fields, and squeezed production from Russia, Saudi Arabia and other top exporters – as well as sanctions against Venezuela – all contributed to the higher oil price.

After faring well throughout 2018, Healthcare was one of the underperformers in the first quarter. Profit-taking accelerated after the Trump administration proposed banning rebates paid by drug-makers to pharmacy benefit managers (PBMs) and health insurers. These rebates are in exchange for preferred status with those plans' customers. Some of those rebates go toward insurance premiums, while the middlemen keep some for themselves. The pharmaceutical industry has said PBMs prefer higher-priced drugs so they can negotiate bigger rebates and pocket more of the money. The Fund does not have exposure to any US PBMs or insurers so was immune in this respect.

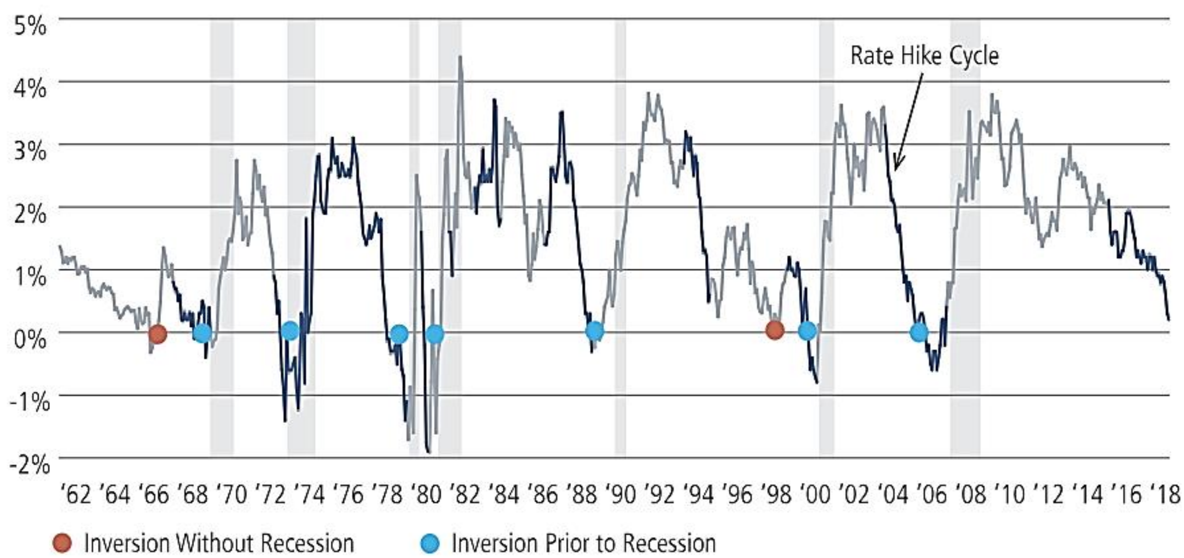
Over the course of the quarter, sector allocation neither added nor dragged on performance. The Fund is overweight in the Consumer Staples and Industrial sectors, which together produced returns in line with the broader market. The Fund avoided significant exposure to the worst performing sectors: we hold no positions within the Utilities sector and are underweight within the Communications and Financials sectors. This was beneficial to the Fund's active return. Financials, particularly banks, were weak on the Fed's decision not to raise interest rates this year.

Back in mid-2017, Janet Yellen compared the Fed's steady policy normalization and balance sheet reduction to "watching paint dry" – low on drama and surprise. Policymaking is clearly much more eventful now, as are the market's responses. At the start of the year, comments from the Fed that it would be more "patient" in increasing interest rates, and more flexible in reducing its balance sheet provided a boost to US and global equity markets. The less aggressive statement – and sharp change in rhetoric from the previous quarter – helped ease fears that policy makers would continue with plans to raise interest rates even as economic data pointed towards a "cooler" economy. The Fed's comments were bolstered in March, after revising-down its 2019 GDP growth forecast to 2.1% (from 2.3%) and announcing that it was abandoning its 2017 decision to steadily raise interest rates (currently 2.5%) and reverse quantitative easing.

The change in the Fed's rhetoric has been interpreted contrastingly in the equity and fixed income spaces. With market expectations pointing to the next move being a rate cut, stock markets have been buoyed whereas bond markets reflect caution.

This was evident on March 22nd, when we saw the US yield curve invert for the first time since 2007. This naturally grabbed headlines considering that an inversion has preceded the past seven US recessions, dating back to 1960. The yield on the benchmark 10-year Treasury note fell to 2.42%, dropping below rates on three-month bills, and reflecting bond market participants' expectations of slowing economic growth and tame inflationary pressures.

Spread between 3-month and 10-year US Treasury Yields



Source: Bloomberg. As of March 31, 2019

Every recession for the past 60 years has been preceded by an inverted yield curve. Every inverted yield curve however has not been followed by an imminent recession.

Though these inversions are widely seen as a recession signal, it should be noted that recessions have typically lagged an inverted yield curve by one year, and equity markets have previously continued to perform well even after inversion:

Start of Recession	Curve Inversion	Number of months between inversion and start of recession	S&P 500 % return between inversion and recession
Dec-69	Dec-68	12	-8%
Nov-73	Jun-73	5	-7%
Jan-80	Nov-78	14	28%
Jul-81	Oct-80	9	7%
Jul-90	May-89	14	15%
Mar-01	Jul-00	8	-18%
Dec-07	Feb-06	22	19%
	Median	**12**	**7%**

Curve inversion refers to spread between 3-month and 10-year US treasury yields
Source: Bloomberg. As of March 31, 2019

Further, there is caution that the yield curve is artificially inverted due to the Fed's market-distorting quantitative easing program, a jump in Treasury bill issuance and low global interest rates seen over the last 10 years – making it a potentially less reliable leading indicator of a recession than in the past. In the years following the financial crisis, the Fed purchased longer-term bonds to drive down their yields. This encouraged a less restrictive lending market and stimulated economic growth while also improving liquidity and stability in the securities markets. As a result, the term-premium has been kept artificially low, increasing the odds of an inversion.

There is also a worry amongst some commentators that the yield curve inversion could result in a self-fulfilling prophecy whereby lending may become less profitable for banks – since they tend to borrow at short-term rates and issue loans at longer-term rates – and tighter lending standards could lead to an economic slowdown. The extent of any such slowdown remains to be seen…

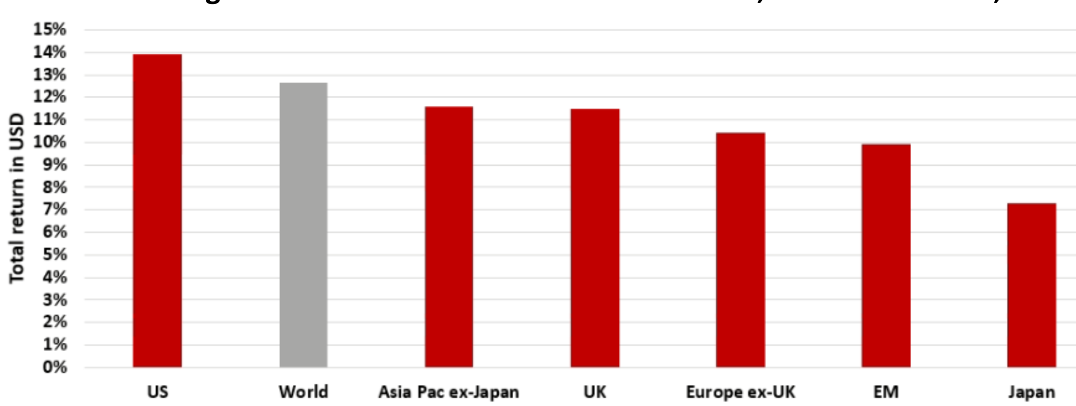
US fourth-quarter GDP growth, released later than usual due to the Government shutdown, indicated quarter-on-quarter growth of 2.2%, bringing the overall growth figure for 2018 to 2.9%. This marks the strongest growth since 2005, though notably the quarter-on-quarter growth rate has fallen: the second quarter of 2018 grew 4.2% and third quarter 2018 came in at 3.4%. With major central banks seemingly on pause or turning less aggressive, investor attention now appears firmly focused on the outlook for global trade and the chances of progress at the next round of talks between the US and China.

In other regions, Emerging Markets (EM) and Asia benefitted from easing trade tensions between the US and China, as well as the weakening of the US Dollar which accompanied the lower interest rate expectations. China emerged as the best performing market in Asia as the central government revealed plans to stimulate the slowing economy. Full-year 2018 GDP growth came in at 6.6%, versus 6.8% the previous year. 6.6% marks the slowest pace of growth since 1990. Expectations remain high that Chinese authorities will roll out targeted stimulus measures to bolster economic growth throughout 2019 and stabilize the short-term, mixed outlook.

In Europe, economic data pointed to ongoing weakness. GDP figures showed growth of 0.2% quarter-on-quarter in Q4, the same as in Q3. In terms of forward-looking indicators, the flash composite purchasing managers' index fell to 47.6 in March, compared to 49.3 in February, indicating contraction for two consecutive months. Stock markets were however supported by the European Central Bank (ECB) stating that rates would remain at current levels at least until the end of the year.

UK equity markets rose despite the heightened political tension that has characterized recent months. Brexit uncertainty remained top of the agenda for the quarter, and Sterling peaked at $1.33 in mid-March as the UK parliament voted to reject a no-deal Brexit scenario and seek an extension of Article 50. Subsequently, Parliament rejected all alternatives to Prime Minister May's deal, and the political impasse therefore continues. The UK Manufacturing Purchasing Manager's Index rose to 55.1, from 52.1 in February, showing an increase in activity during March. The increase in output was attributed to companies increasing stockpiles ahead of a potential no-deal Brexit at the end of the quarter.

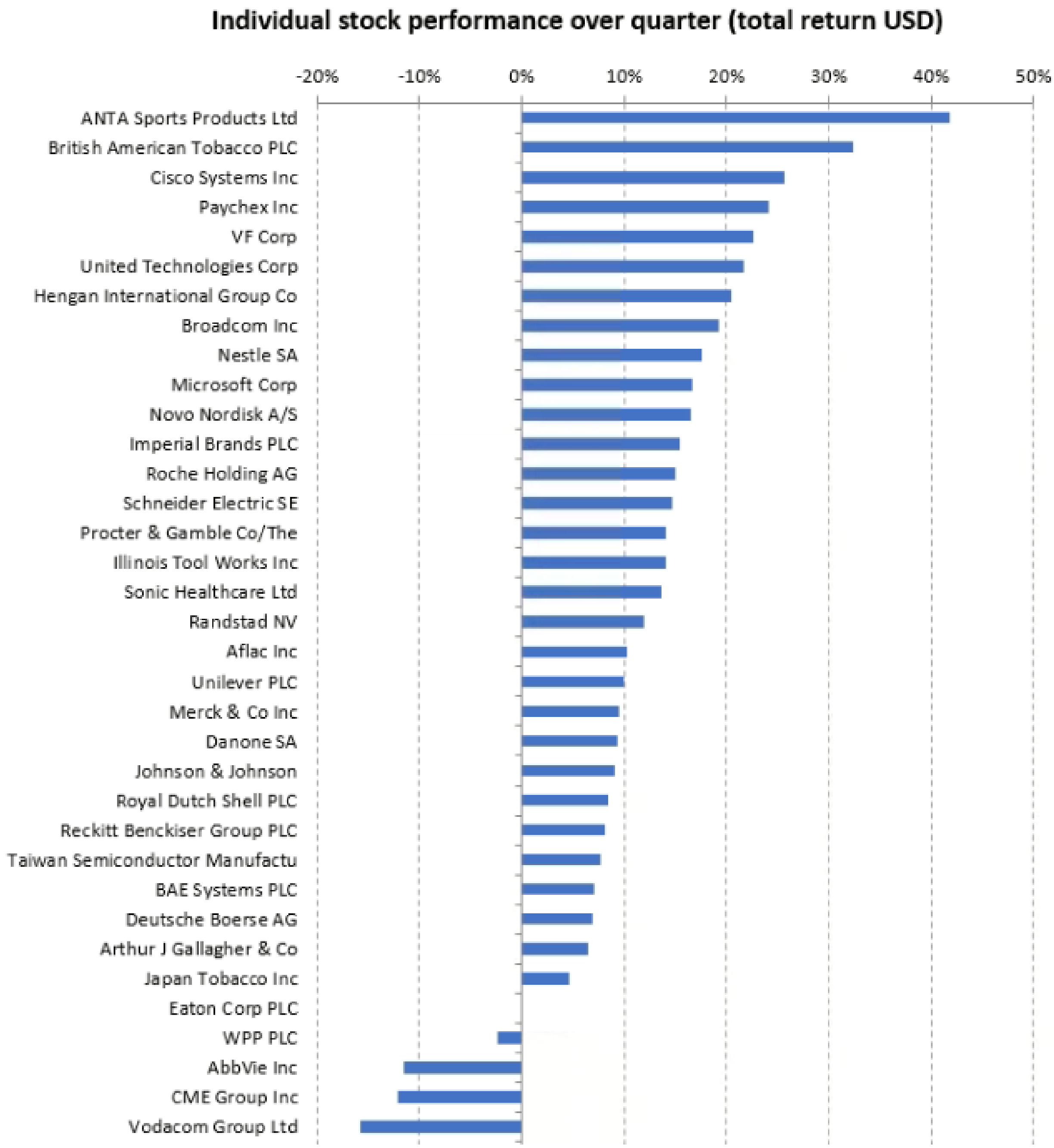
MSCI World Regional Indices Performance: December 31, 2018 – March 31, 2019



Source: Bloomberg. As of March 31, 2019

All major regions posted gains, with the US leading the pack.

Stock Selection



ANTA Sports was the best performing stock in the fund over the quarter (+41.8% in USD). The company generates revenue through the manufacture and trading of sporting goods, including footwear, apparel and accessories. ANTA is poised for greater market share in China as it seeks to woo affluent shoppers with pricier athletic gear. This includes popular brands such as Fila and Descente, as well as Salomon and Arc'teryx – both owned by Amer Sports, who ANTA is looking to acquire. Going premium should make up for less-robust gains at its lower-priced namesake brand, which sells at half the price of Nike and Adidas products. ANTA's sales growth is likely to accelerate if it acquires Amer, yet a profitability boost may not be likely until two years after the deal is completed. On the upside 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 and the shrewd move into winter sport clothing and equipment comes well-timed ahead of the next Winter Olympics in 2022 in Beijing.

British American Tobacco (BATS) also performed very well (+32.7% in USD). The largest tobacco company in the world differs from its competitors in that it is a truly global operation – rather than operating within geographic confines. This was enhanced with the acquisition of Reynolds American in 2017 which gave BATS greater scale in the US market. The company has been battling increased proposed regulation in the US as well as industry pessimism due to competitor threats, however recent events have helped investor confidence. Firstly, the FDA commissioner pushing to ban menthol cigarettes resigned, adding doubt as to whether the ban would progress. Secondly, BATS reported that revenues rose 25%, or 3.5% after adjusting for recent acquisitions. Adjusted operating profit expanded at double that pace, in part because of success in marketing high-margin e-cigarettes. Further, BATS is hugely cash-generative, has a stellar return on capital profile, a market leading dividend yield of 6.3%, and a price-to-earnings ratio 2-standard-deviations below its 10-year average.

Cisco was another top performer (+25.6% 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 2.7% increase in its fiscal Q2 revenue and a 5% gain in product orders, suggesting it may be on track to post sustained growth in coming quarters. Its move to software is best measured by its recurring revenue, with 33% of fiscal 2Q18 sales coming from recurring offers. 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.

Vodacom (-15.8% in USD) was the worst performer in the quarter. Sub-Saharan Africa's largest telecom carrier has been battling headwinds facing the entire industry, specifically in the form of price reductions driven by competition and regulation. Nonetheless, the company has been able to take advantage of its large market share (~60% in South Africa) and expand its active subscriber base year over year. Initiatives to cut the cost of mobile data has 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% for the past 18 years. Vodacom has a strong balance sheet and attractive dividend yield of 6.7%.

CME Group (-12.1% in USD) and **AbbVie** (-11.5% in USD) have also underperformed so far this year.

CME has seen lower trading volumes in the first quarter, and this points to a potential moderation in revenue and margin in the short term. Longer term, however, the exchange is well positioned to integrate the NEX acquisition and offer clients a more holistic solution given its futures, options and data products. The NEX 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 2019, 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. The company has largely opted to pursue an organic growth strategy, and this has meant low debt-to-equity at 10% with returns on capital increasing every year for the last five.

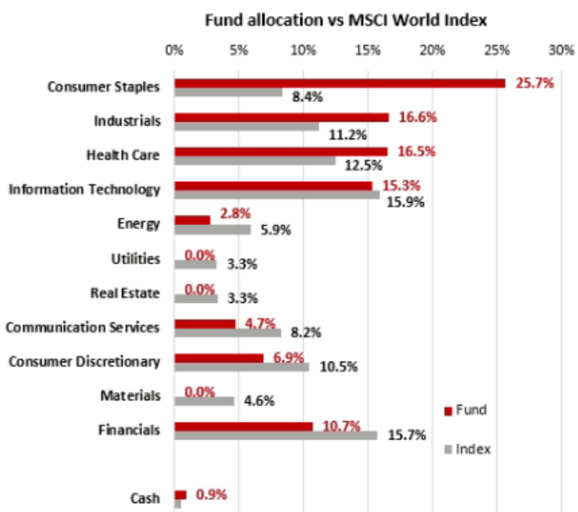
AbbVie – the pharmaceutical giant – focuses on producing drugs for specialty therapeutic areas such as immunology, chronic kidney disease, hepatitis C, oncology, and neurology. We have owned the company since the end of 2012 and the stock performed very well due to the prominence of its Humira drug, which makes up 60% of total revenue. It has been described as the "world's best-selling drug"; it is an injectable therapy used to treat several autoimmune diseases, predominantly related to arthritis. Recent share price disappointment comes after the company missed earnings and revenue expectations, and also posted a loss due to a $4.1 billion impairment charge associated with the 2016 acquisition of Stemcentrx. AbbVie decided to write-off this costly acquisition after Rova-T repeatedly failed to hit the mark as a later-line lung cancer treatment last year.

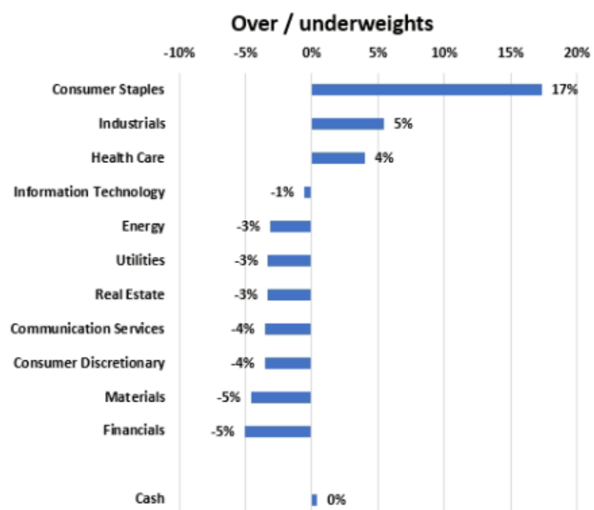
We made no changes to the portfolio in the quarter.

Portfolio Positioning

The charts below show the sector and geographic breakdown of the portfolio both currently and over the last eight years. The major effect of the changes we made to the portfolio in 2018 was to increase our exposure to IT, after market sell-offs provided us attractive entry opportunities. In terms of sector weightings, the fund continues to have a zero weighting to utilities, materials, and real estate. The largest overweight positions are to consumer staples, industrials and healthcare.

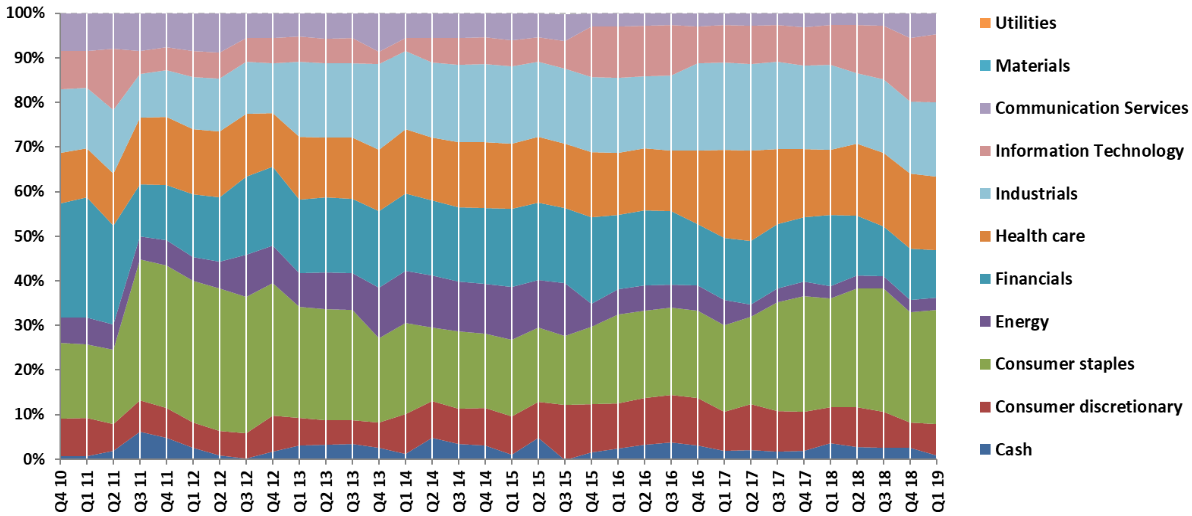
Portfolio sector breakdown versus the MSCI World Index





Source: Guinness Atkinson Asset Management, Bloomberg. As of March 31, 2019

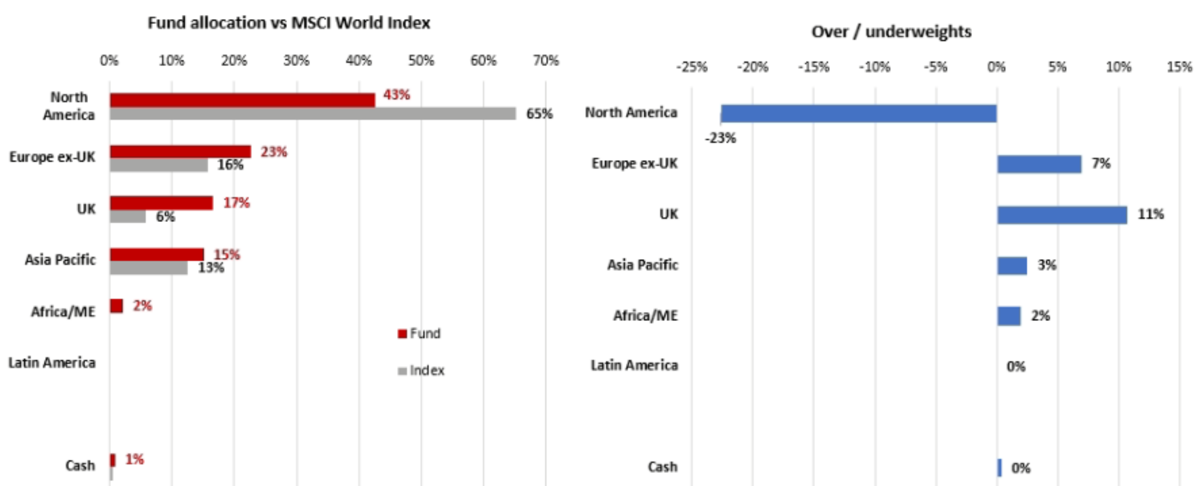
Portfolio Sector Breakdown



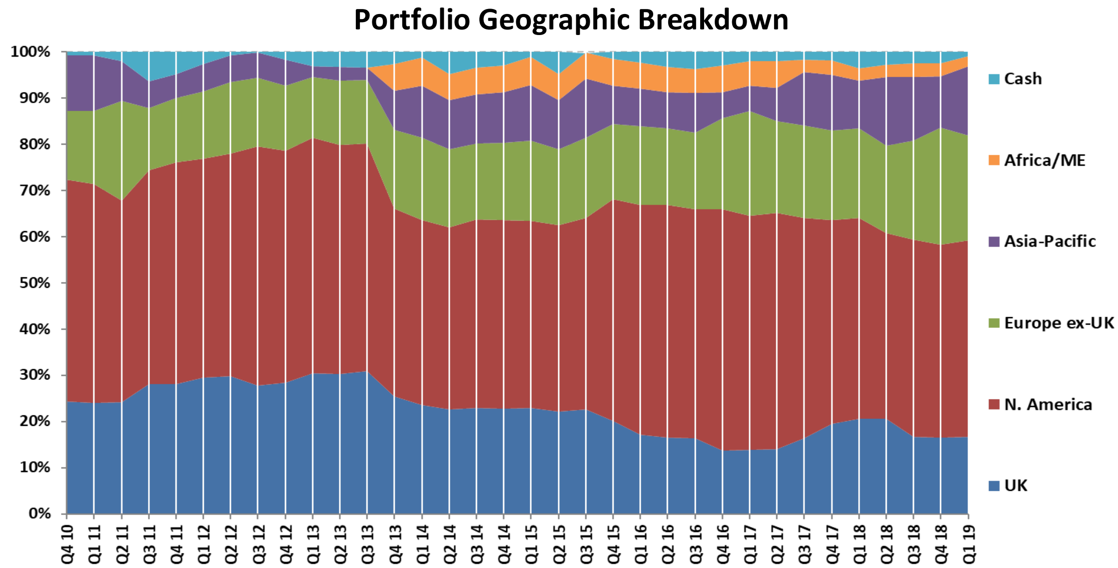
Source: Guinness Atkinson Asset Management. As of March 31, 2019

In terms of geographic exposure (figure below), the largest difference between the fund and the benchmark is our exposure to the U.S. (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.65%. The largest geographic overweight remains the UK which had a c.11% larger position than the benchmark over the quarter.

Portfolio Geographic Breakdown vs MSCI World Index

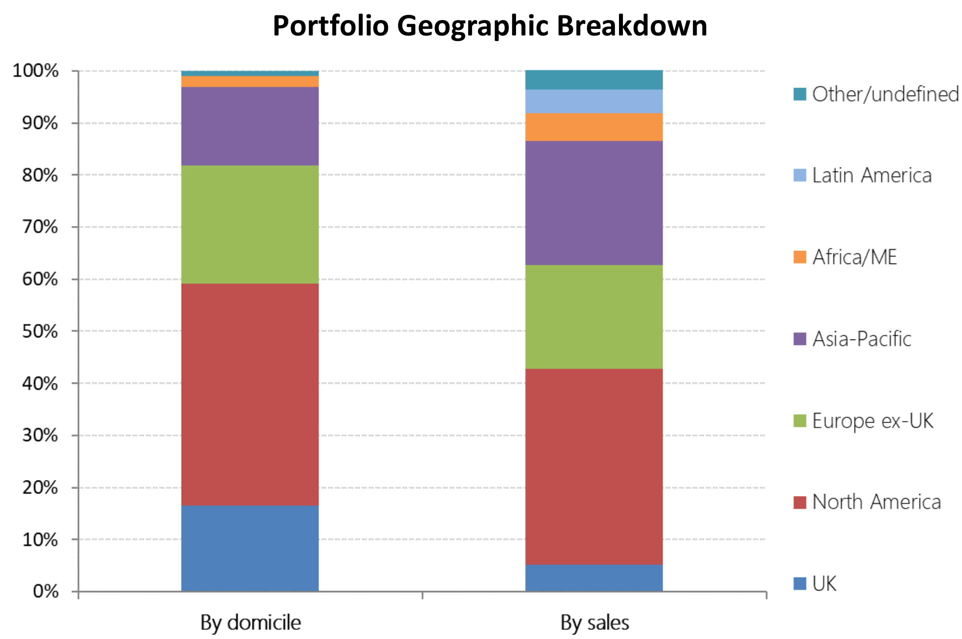


Source: Guinness Atkinson Asset Management, Bloomberg. As of March 31, 2019



Source: Guinness Atkinson Asset Management. As of March 31, 2019

We would however note two main points, referring to the following chart; (i) the fund has a lower exposure to the UK when considered in revenues (c.5%) versus by domicile (c.18%). 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 and emerging markets by revenues (c.25%) than the equivalent statistic as measured by domicile (c.15%).



Source: Guinness Atkinson Asset Management, Bloomberg. As of March 31, 2019

Outlook

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.

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 Cashflow Return on Investment	17%	8%
	Weighted average net debt / equity	40%	115%
Value	PE (2019e)	15.4	15.7
	FCF Yield (LTM)	6.1%	5.4%
Dividend	Dividend Yield (LTM)	2.5%	2.5%
	Weighted average payout ratio	64%	63%
Conviction	Number of stocks	35	1650
	Active share	91%	-

Source: Guinness Atkinson Asset Management, Credit Suisse HOLT, Bloomberg.
As of March 31, 2019

The fund at the end of the quarter was trading on 15.4x 2019 expected price to earnings; a discount of 2% to the broad market. Additionally, on a free cashflow basis, the fund trades at a 13% discount to the market.

Ultimately, it seems like the markets may be telling two contrasting stories – with rising stock prices suggesting continued growth and rising bond prices signaling expectations for a slow-down. While growth is indeed moderating, this can be viewed as a reversion back to levels seen for much of this economic cycle and not something more sinister. Higher growth in 2018 was largely driven by US tax reform, the effects of which are gradually wearing off. Fundamentals remain supportive, major central banks remain accommodative, and policy stimulus in China should support continued positive growth, albeit at lower levels. While an inverted yield curve is generally viewed as a recession precursor, it has historically been a poor indicator of recession timing.

With more sensitive markets and many uncertainties, any risks should be considered in the context that global equities now trade below their 10-year average price-to-earnings multiple, and our Fund is at a discount to the market despite holding higher quality companies. Our perpetual approach of focusing on the quality of the underlying companies we own should stand us in good stead in our search for rising income streams and long-term capital growth.

Performance

In March, the Guinness Atkinson Dividend Builder Fund produced a total return of 3.00% (TR in USD), compared to the MSCI World Net Return Index return of 1.31%. The fund therefore outperformed the Index by 1.69%.

Standardized Performance

as of 03/31/19	YTD	1 YR	3 YR Annualized	5 YR Annualized	Since inception Annualized (3/30/12)
Dividend Builder Fund	11.89%	6.20%	10.50%	6.74%	9.74%
MSCI World NR Index	12.48%	4.01%	10.70%	6.78%	9.17%

As of March 31, 2019.
30-Day SEC Yield: 2.85% (subsidized), 1.43% (unsubsidized)

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 reimburse 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 absorbs expenses to satisfy this cap, it may recoup a portion or all of such amounts absorbed at any time within three fiscal years after the fiscal year in which such amounts were absorbed, subject to the expense cap in place at the time recoupment is sought, which cannot exceed the expense cap at the time of the waiver. The expense limitation agreement may be terminated by the Board of the Fund at any time without penalty upon 60 days' notice.

As of April 2018, the MSCI World Index Net Return was used instead of the Gross Return. MSCI World Index Net Return reflects deduction for withholding tax but reflects no deduction for fees and expenses. Net Return is net of local withholding taxes that any investor would typically pay.
Opinions expressed are subject to change, are not guaranteed and should not be considered investment advice.

This information is authorized for use when preceded or accompanied by a prospectus for the Guinness Atkinson Funds.
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 3/31/2019:

1.	ANTA Sports Products Ltd	4.04%
2.	British American Tobacco PLC	3.17%
3.	Cisco Systems Inc	3.09%
4.	HengAn International Group Co Ltd	3.06%
5.	Paychex Inc	3.05%
6.	Broadcom Inc	2.96%
7.	Unilever PLC	2.96%
8.	Taiwan Semiconductor Manufacturing Co Ltd	2.91%
9.	Imperial Brands PLC	2.89%
10.	Nestle SA	2.87%

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.

One cannot invest directly in an index.

The 30-Day SEC Yield represents net investment income earned by the Fund over the 30-Day period, expressed as an annual percentage rate based on the Fund's share price at the end of the 30-Day period. The 30-Day unsubsidized SEC Yield does not reflect any fee waivers/reimbursements/limits in effect.

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

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

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