Guinness Atkinson

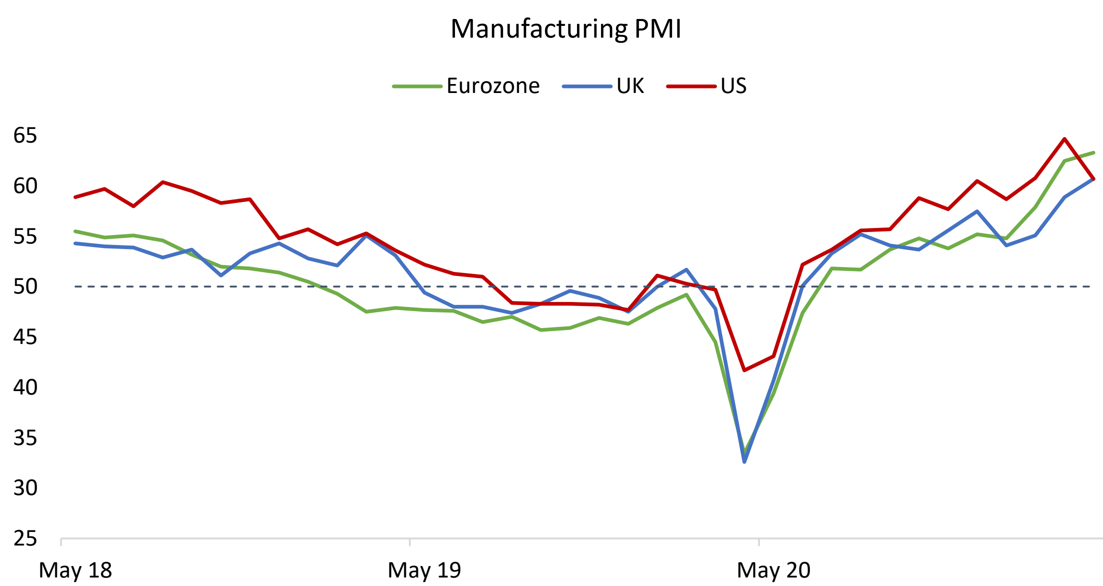
Global Innovators Fund

Managers Update – May 2021

April in review:

As we moved into April, US President Joe Biden exited his first 100 days in office. However, the central theme of spending big to enable the US to recover post COVID-19, continued. Having already passed the American Rescue Plan in March – a $1.9tn stimulus package – the president outlined plans for two more packages totalling over $4tn in order to stimulate the economy. Funding much of the desired expenditure would be raises in taxes – corporate, income and capital gains - and while this will undoubtably have a negative effect on company profits initially, the net effect, when considering the added growth these packages are designed for, may subsequently be positive. However, with a slim majority in the Senate, these packages may still have to be tempered in order to pass Congress.

Nevertheless, with COVID vaccine rollouts progressing well in many regions, there looks to be a positive tone as we move through 2021: Global manufacturing PMIs (Purchasing Managers' Index), for example, remain in expansionary territory (above 50), rebounding strongly from the trough last year. This was a positive for many of the fund's industrial holdings including Roper Technologies (+10.8%), ABB (+7.1%), and Schneider Electric (+4.5%).



Source: Markit Bloomberg

Furthermore, there was evidence to show consumer spending is returning to pre-pandemic normal, with US GDP growing by 6.4% in Q1 driven by consumer spending, while company earnings also highlighted the rebound: Mastercard's CEO Michael Miebach noted *"We're encouraged by the return of domestic spending levels to pre-pandemic trends...U.S. retail sales were up 11.8% versus a year ago ex-auto ex-gas. This reflects the impact of fiscal stimulus and the lapping of the start of the pandemic."*.

At a corporate level, earning season for Q1 was fully underway in April, with the majority of fund holdings reporting revenue and earnings that surpassed analyst estimations. Example results include:

Alphabet (+14.1%):

The company ended the month as the fund's top performer, reporting results in the final week of the month well above estimates. This included advertising revenue growth at 27.5% year-on-year (yoy), cloud revenue up 43% yoy and group operating margins at 29.7%. The company also benefited from a legal victory, in which Oracle was seeking $9bn in damages for the apparent use of code in the creation of Alphabet's Android operating system.

SAP (+14.0%):

Having seen their share price drop substantially last October as management lowered growth expectations and pushed out key targets by 1-2 years, SAP reported robust results in-line with their pre-announcement which saw a reacceleration in growth for the company's cloud backlog while management lifted guidance for the full year. Having disappointed investors in 2020, this was a welcome relief as the company looks to transition its customers to cloud-based subscription offerings which may see near-term revenue and margins compression as a result of the loss of upfront sales, but would ultimately benefit the company over the longer-term.

KLA Corp (-4.6%):

Although KLA ended the quarter as the fund's 2nd worst performer, this was primarily a result of broader weakness across the semiconductor space having experienced a very strong Q1. In fact, over the month, KLA reported results and issued guidance above expectations in a continuation of the bullish commentary that has been seen across the space as end-markets become increasingly anxious about accessing semiconductor chips and as foundries such as TSMC continue to increase the capital expenditure plans to meet the growing demand.

Nvidia (+12.4%):

Although Nvidia did not report results during April, the company was one of the best performers for the fund after announcing its first data center central processing unit (CPU). Known for its market leadership in graphic processing units (GPU) which originally were designed for video game and graphics rendering but increasing used in high end processing such as those needed to train AI systems, Nvidia's foray into the CPU market takes the company a step closer to being a one-stop shop for data centre chips. Although the new CPU, named Grace after the computing pioneer Grace Hopper, is focused on a niche end-market – supercomputers – it may be a sign of things to come with Intel – the leader in CPUs – falling on the day. The announcement comes a few months after Nvidia confirmed it was acquiring ARM – a leader in CPU architecture - from SoftBank, although the acquisition still faces regulatory hurdles.

Changes to the portfolio:

Over the month, we initiated a position in Taiwan Semiconductor Manufacturer (TSMC) and sold our position in Check Point Software. Fundamentally, while we like the characteristics of Check Point and its exposure to Cyber Security, we felt TSMC could provide the portfolio with better upside potential.

TSMC:

TSMC is the world's largest semiconductor foundry, pioneering the pure-play foundry business, working solely as an independent contractor to chip designers such as Nvidia. While we have been watching TSMC for some time, having previously owned the business in the fund between 2010 and 2016, we now felt, given the lasting acceleration in demand for chips and clear leadership over competitors including Intel (who as noted last month have suffered continued setbacks in their leading-edge foundry business), TSMC could provide ample growth going forward while yielding more-than-robust competitive advantages. While we acknowledge the need for TSMC to constantly reinvest in capital expenditure (the company recently announced the intention to spend $100bn over the next 3 years to expand capacity), we believe, given their track converting investment into market share, TSMC can continue to be the all-out leader in chip fabrication and capitalize on the growing need for semiconductors across end-markets.

Check Point Software:

A long-term holding of the fund, held since launch, Check Point Software is one of the world's largest pure-play cyber security vendors. With an increasing number of global cyber-attacks due to data proliferation, Check Point is well placed to capitalize on the growing need for more sophisticated cyber security software. However, although the company is highly cash generative (free cash flow margins >50%) with 75% of sales recurring, we felt that Check Point's growth profile was not as strong as other investment opportunities given its relatively smaller exposure to the high growth area of cloud cyber security and given its position in the highly fragmented cyber security market.

We thank you for your continued support.

Portfolio Managers

Matthew Page, CFA

Dr Ian Mortimer, CFA

Summary performance

For the month of April, the Guinness Atkinson Global Innovators Fund provided a total return of 5.60% (USD) against the MSCI World Index net total return of 4.65% (USD). Hence, the fund outperformed the benchmark by 0.95% (USD).

With earnings season now fully underway, and with economic data for Q1 being released from many nations, investors looked to whether the high growth expectations going into 2021 became reality. And indeed, on the whole, the news continued to be positive with the US growing its GDP 6.4% in Q1 driven by strength in consumer spending, global PMIs continued to point to expansionary territory, and stocks, particularly the Big Tech names, released strong earnings reports at the end of the month. In aggregate, equity markets had a robust month led by the US, with growth stocks also returning to vogue as the US 10Y treasury yield retreated somewhat over the month.

For the fund, relative performance was driven by:

- Strength in earnings from holdings including SAP (+14.0% USD) and Alphabet (+14.1%). Alphabet also benefitted from a legal win over Oracle for $9bn in damages having been accusing of stealing code to create its Android operating system.
- Strong stock selection amongst our Industrial holdings as manufacturing PMIs globally continued to rebound into expansionary territory.
- Strong stock selection amongst our MedTech holdings, particularly Danaher (+12.8%) and Medtronic (+10.8 %).
- However, weakness in semiconductor stocks following a strong Q1, was a drag on the portfolio with KLA Corp (-4.6%) and Infineon (-5.6%) the fund's worst two performers.

as of 04.30.2021 (in USD)	1 year	3 years annualized	5 years annualized	10 years annualized
Global Innovators, Investor Class[1]	58.84%	19.57%	20.82%	15.17%
Global Innovators, Institutional Class[2]	59.23%	19.87%	21.12%	15.33%
MSCI World Index NR	45.33%	14.09%	14.02%	9.91%

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, https://www.gafunds.com/our-funds/global-innovators-fund/#fund_performance or call (800) 915-6566.

[1] Investor class (IWIRX) Inception 12.15.1998 Expense ratio* 1.24%

[2] Institutional class (GINNX) Inception 12.31.2015 Expense ratio* 0.99% (net); 1.07% (gross)

as of 03.31.2021 (in USD)	1 year	3 years annualized	5 years annualized	10 years annualized
Global Innovators, Investor Class1	69.25%	16.96%	19.11%	14.91%
Global Innovators, Institutional Class2	69.69%	17.24%	19.41%	15.06%
MSCI World Index NR	54.03%	12.79%	13.35%	9.87%

All returns after 1 year annualized.

[2] Performance data shown for Global Innovators, Institutional Class (GINNX), prior to its launch date on 12/31/15, uses performance data from the Global Innovators, Investor Class (IWIRX).

*The Advisor has contractually agreed to reimburse 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 0.99% for the Institutional class and 1.24% for the Investor class through June 30, 2025. 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 waiver. The expense limitation agreement may be terminated by the Board of the Fund at any time without penalty upon 60 days' notice.

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. These risks are greater for emerging markets countries. The Fund also invests in medium and smaller companies, which will involve additional risks such as limited liquidity and greater volatility. The Fund's focus on the technology, internet and communications sectors are extremely competitive and subject to rapid rates of change.

Securities mentioned are not recommendations to buy or sell any security.

Current and future portfolio holdings are subject to risk.

Top 10 holdings for Global Innovators Fund, as of 04/30/2021:

1. Facebook Inc	3.82%
2. NVIDIA Corp	3.74%
3. Applied Materials Inc	3.60%
4. Medtronic PLC	3.57%
5. Roper Technologies Inc	3.57%
6. Mastercard Inc	3.55%
7. Visa Inc	3.54%
8. Alphabet Inc - A Shares	3.47%
9. Cisco Systems Inc	3.45%
10. KLA-Tencor Corp	3.43%

For a complete list of holdings for the Global Innovators Fund, please visit: https://www.gafunds.com/our-funds/global-innovators-fund/

The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectuses contain this and other important information and can be obtained by calling 800- 915-6565 or visiting www.gafunds.com. Read and consider it carefully before investing.

Earnings growth is not representative of the Fund's future performance.

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

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

Capital expenditures (CapEx) are funds used by a company to acquire, upgrade, and maintain physical assets such as property, technology, or equipment. CapEx is often used to undertake new projects or investments by a company.

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.

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

One cannot invest directly in an index.

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