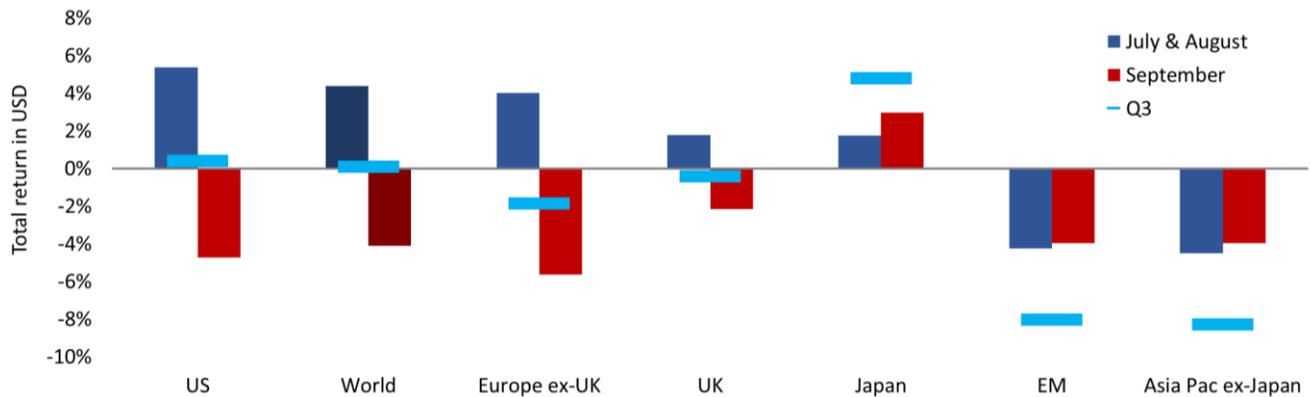


Quarter in Review

Over the quarter, Global equity performance was very much divided into two distinct periods. While July and August built on Q2’s strong performance, September served to wipe out any previous gains the US and Europe had made. Emerging Markets and Asia Pacific suffered negative performance throughout the period, a result of continually weak Chinese equity performance.

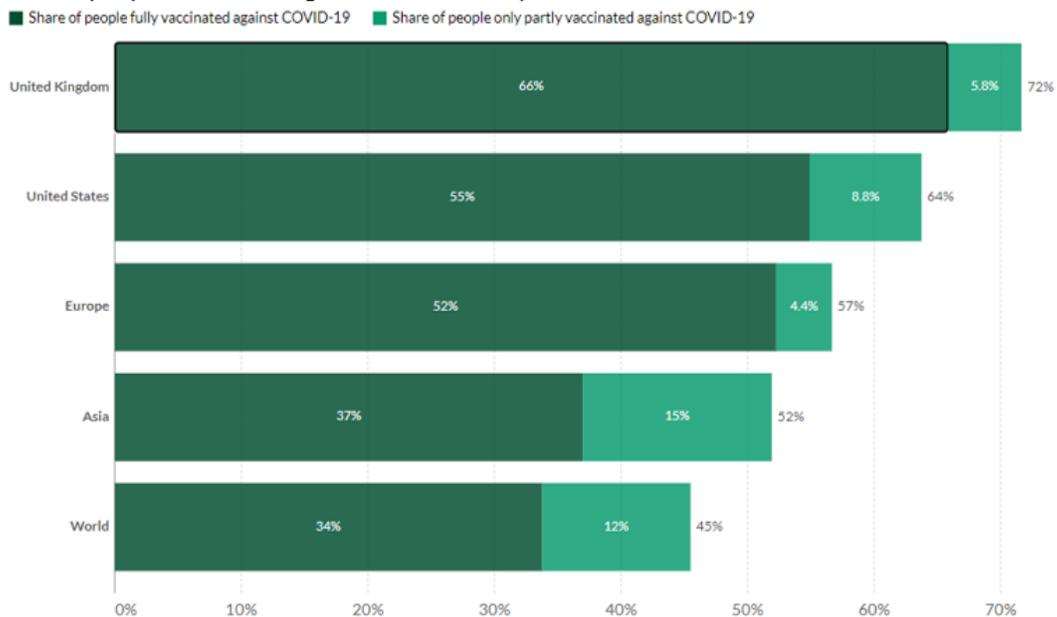
MSCI World Regional Indices Performance: 30th June – 30th September



Source: Bloomberg

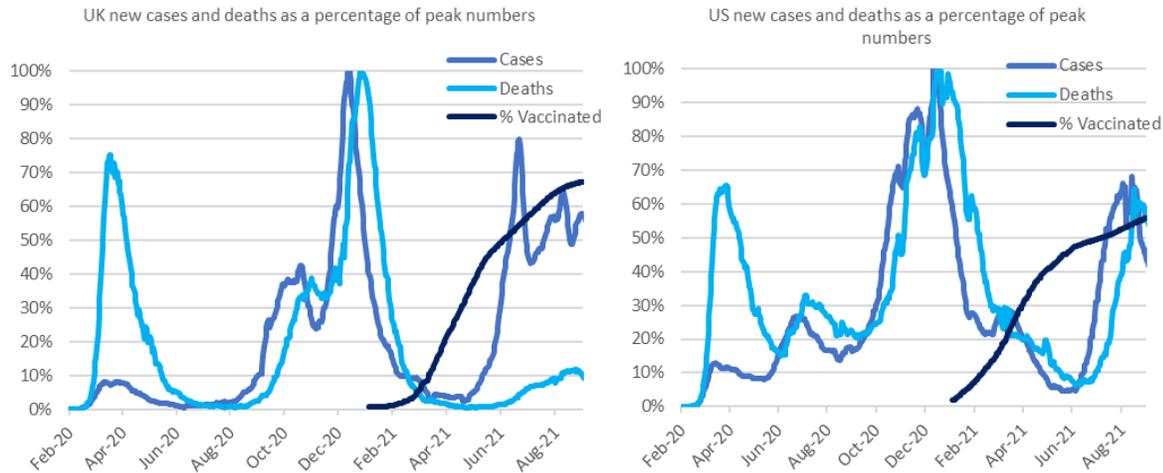
The global vaccination effort continued at speed into the third quarter, with 46% of the global population now vaccinated with at least one dose (up from 24% at the end of Q2), and 34% fully vaccinated (up from 8% at the end of Q2).

Share of people vaccinated against COVID-19: Sep 30th 2021



Source: Our World in Data

In the UK, which has one of the most successful vaccination programs in the world, it appears the link had been broken between new infections and deaths. As seen in the chart below, despite case numbers (7 day rolling average) reaching about 60% of peak levels, daily deaths (7 day rolling average) are at just about 10% of peak values. A similar picture can be seen across much of Europe, although in France and Spain, low case numbers are yet to stress-test the efficacy of their vaccine programs.

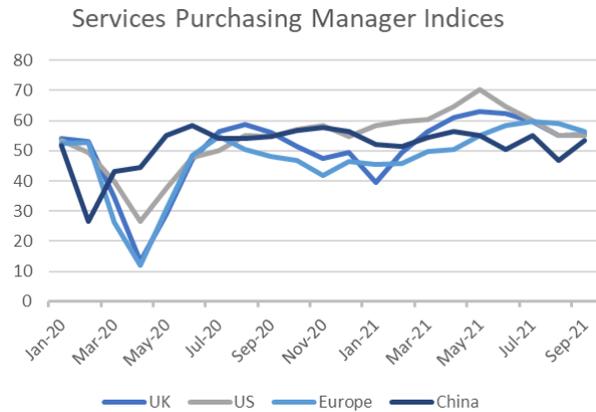
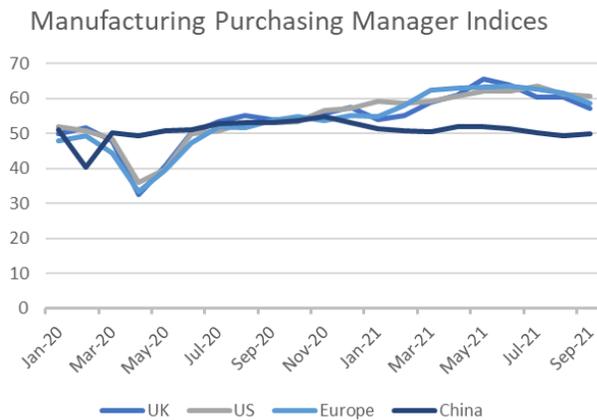


Source: Bloomberg

In the US, however, the country is struggling to disconnect rising Covid-19 cases with rising deaths, partially a consequence of vaccine hesitancy in the South-East of the country. A number of measures give reason for confidence in the US covid-outlook, including: vaccine mandates; the authorization of jabs for children aged 5-12; the authorization of booster shots; Merck’s antiviral pill and vastly improving infection and death data in recent weeks.

Despite cases and deaths being above 50% of peak numbers for much of the quarter, markets held much of their attention elsewhere. July and August saw a continuation of trends from Q2, with broad positive economic indicators continuing to buoy equity markets higher. However, in September, some of these numbers began to turn. Purchasing Managers’ Indices (PMIs) pointed to economic expansion (levels above 50) across most regions, with the exception of China, yet began trending lower, suggesting a potential slowdown in global growth. This was true for both Manufacturing and Services PMI’s. Strains on global supply chains have shown little sign of easing as of yet, with coronavirus continuing to cause issues in lower economically developed countries which typically have lower vaccination rates.

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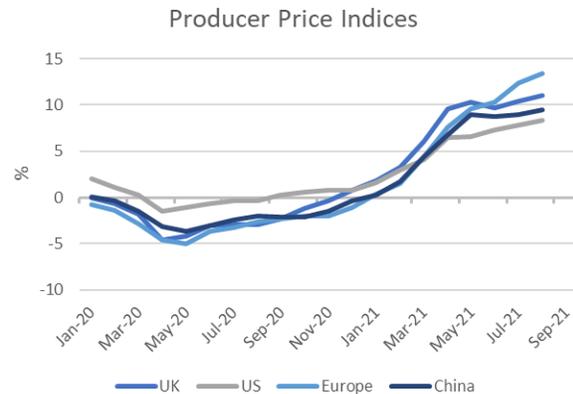
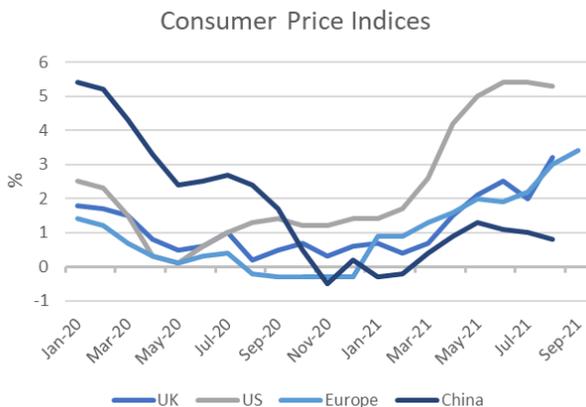


Source: Bloomberg

In the US, the consumer confidence index slid to its lowest level since February, back when cases were high and the vaccination rate was low. While some of this concern from US consumers stemmed from rising gas and food prices, the largest concern was the delta variant. To add to this, US job growth stalled for two consecutive months, with the 194,000 jobs added in September short of the expected 500,000. Despite these factors, there were still some signs of strong demand in the economy, with retail sales rising 0.7% over August and initial jobless claims remaining near a pandemic low. Households also have a historically high level of savings. Paired with the recent improvement in new infections and hospitalizations, this is likely to aid consumer confidence and activity into the fourth quarter.

In the UK, concerns around rising fuel prices and high headline inflation lead to the consumer confidence index sliding to a 5 month low, after climbing continuously every month since January 2021. Retail foot traffic fell 16.8% in September, when compared to pre-pandemic figures in 2019. In Europe, the picture was slightly better with consumer activity returning to pre-pandemic levels. The OECD weekly tracker of economic activity rose above 2019 levels at the beginning of September for most eurozone countries. Consumer confidence also remained strong, with levels similar to those last seen in 2018.

Arguably the largest topic of conversation throughout the quarter was inflation.



Source: Bloomberg

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In the US, the latest headline Consumer Price Index (CPI) reading cooled 10 bps to 5.3%, driven by elevated levels of energy commodity prices (+41.9% YoY) and used cars and trucks (+31.9% YoY). This added fuel to the argument that inflation is temporary, since inflation was not only seen to be losing steam, but is driven by just two core components. The global shortage over semiconductors for carmakers has dented supply in new vehicles, pushing consumers into the second-hand market. The vast majority of remaining CPI components remained below the 5.3% average, suggesting inflation is not as extreme as the headline figure suggests. European and UK CPI continues to lag that of the US, but remains at elevated levels. Here, CPI is driven not just by elevated fuel and vehicle prices, but “re-opening” sector goods and services, such as restaurants and hotels. Accommodative fiscal policy, the release of pent-up demand and accumulated savings is likely a factor driving inflation here.

The Producers Price Index (PPI), typically a leading indicator for CPI, climbed further to decade high levels in all regions. Disrupted global supply chains are currently affecting producers more than the underlying consumer, however it is clear to see these increased costs are filtering through. Much of these costs to producers are coming from surging ocean freight costs. In August 2020, shipping a 40-foot container from the Far East to Northern Europe averaged at about \$2,000. That same metric in August 2021 was just below \$14,000. Compounding the issue, firms who outsource manufacturing to Asian facilities are also suffering from disrupted supply, where outbreaks of Covid-19 are forcing factory closures. Nike, for example, are not only suffering from inflated freight costs, but are 10-weeks behind on production due to closures of their Vietnamese factories.

When inflation is likely to curtail has been a key question of market participants over the quarter. The Federal Reserve Chair Jay Powell has consistently dubbed the recent inflation spike as ‘transitory’, despite recently updating their 2021 inflation outlook to 3.7% in 2021. The IMF is of a similar view, expecting headline inflation to decline to about 4% in developed economies in the final months of 2021, before declining to 2% by mid-2022. While we view inflation as a risk, we believe there is sufficient evidence to suggest these views of inflation being relatively short-term have merit.

Throughout the quarter, with broadly expansionary data, investors once again looked to the US FOMC (The Federal Open Market Committee) meeting for indications of monetary tightening. The Federal Reserve announced in September’s meeting that they would probably begin dialling back its \$120bn-a-month stimulus program in November, since the economy had made “clear progress” in its recovery. There was also a marked shift in projections for interest rate increases, with the 18-person committee evenly split on rate hikes in 2022, and an additional (third) rate rise in 2023. In Europe, an unpublished internal inflation estimate suggested the European Central Bank (ECB) could raise interest rates in just over two years, ahead of estimates. Inflation has remained elusive in the continent, where deposit rates are at a record low of minus 0.5%. However, ECB President Christine Lagarde distanced the ECB from excessively tight monetary policy, not wanting to “overreact to transitory supply shocks”. Despite this, the ECB did slow the rate of bond-buying as the European economy improved. In the UK, commentary was rather more hawkish, with Andrew Bailey stating that every member of the Monetary Policy Committee was “ready to raise interest rates before Christmas” if necessary, pushing UK government bond yields to their highest level in two-and-a-half years.

The implications of tighter monetary policy led to a rotation out of high-duration growth stocks, having a negative effect on the fund. The value of growth stocks is weighted heavily towards cash flows in the future, meaning they are more sensitive to changes in bond yields used to discount those earnings. We continue to monitor the macro situation and how it may affect the outlook for our underlying companies. We believe that the higher levels of inflation we are currently seeing are unlikely to persist in the long-term, but we do not rule it out. As mentioned previously, we believe the secular growth trends and innovation themes that our companies are exposed to are

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unlikely to be slowed down by a higher level of inflation or rising interest rates. We may see some volatility in equity prices as markets adjust their outlooks for interest rate policies, but we believe the fundament outlook for our companies remain very robust.

Over the quarter, we reduced our exposure to Chinese equities, which suffered a relentless cycle of negative news. The Chinese private education sector, worth \$100bn in sales annually, took the largest hit when reports broke that Beijing were planning to turn the sector non-profit. The regulator also focused its attention on large internet stocks such as Tencent and Didi, while also placing a ban on children playing computer games for more than three hours a week. In September, the potential default of large Chinese property developer Evergrande sent ripples through global equity markets. Some analysts estimate 29% of Chinese GDP growth is related to property and construction, hence market concerns of the region should the sector collapse. Anxieties over political risk factors in China are now at the forefront of investor's minds, alongside where the regulator may turn their attention to next.

Stock performances over Q3 2021 (all total return in USD):

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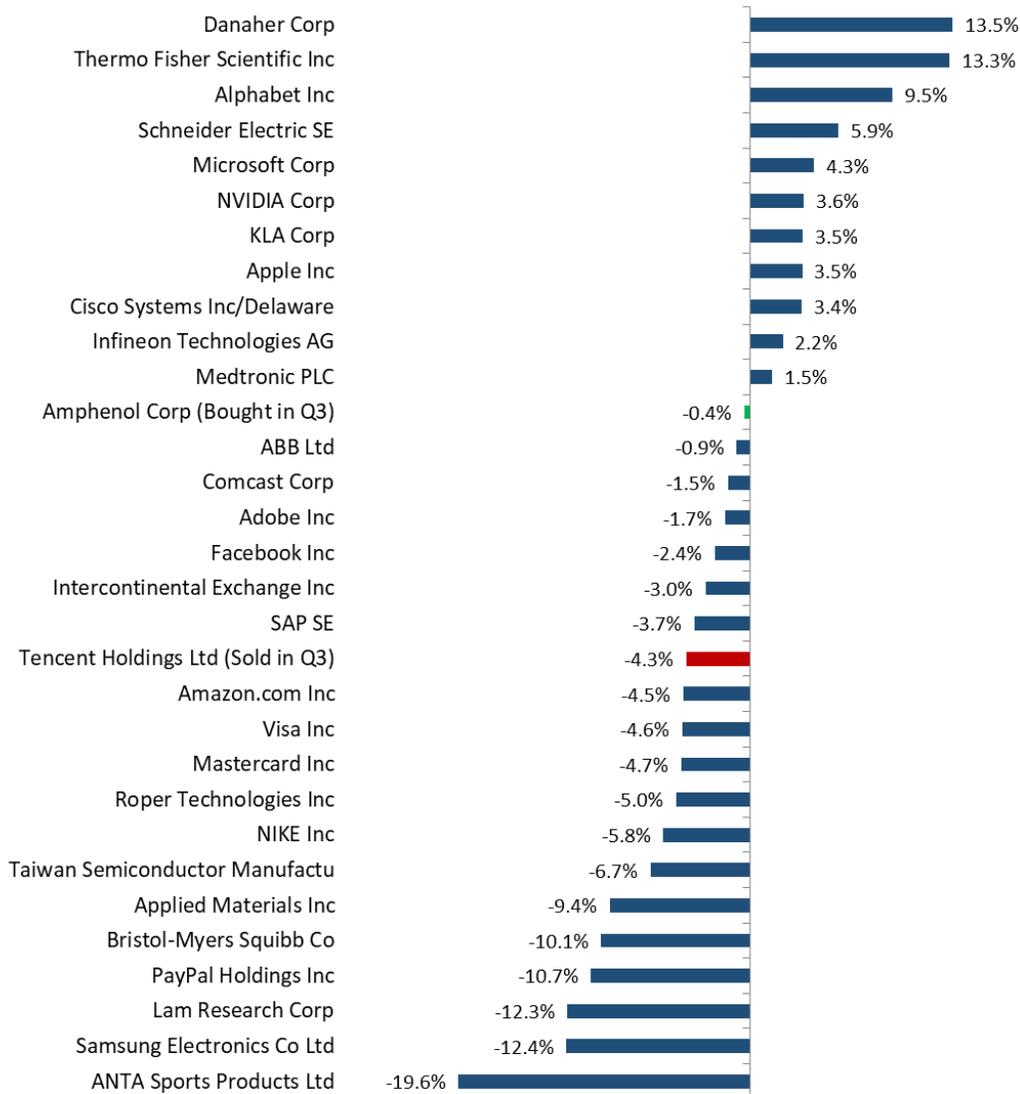


Figure 1: Performances of fund constituents. Guinness Atkinson Asset Management, Bloomberg, (total return in USD)



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Danaher (13.52% USD) and Thermo-Fisher (+13.31% USD)

Danaher and Thermo-Fisher were the funds top two performers during the quarter. Danaher performed particularly well during July (+10.85% USD) and August (+9.9% USD), before suffering a difficult September. Thermo-Fisher's performance was more consistent, delivering positive returns in each month of the quarter. Comparatively, the MSCI World Health Care Index delivered +1.10% USD for the period, one of four sectors to return positively during the quarter.

Danaher's stellar performance was driven by a strong set of Q2 results, capping off a half year in which the stock rose 29%. The Washington D.C. based medical company posted earnings per share (EPS) growth of 71% year-over-year, revenue growth of 36% (+7% to consensus) and net income growth of 93%. Life Sciences (39% of revenues) and diagnostics (37% of revenues) were up 35% and 37% year-on-year respectively. What was particularly attractive to us was company guidance, with core business growth in the mid-to-high teens – including both high single digit growth in the base business and covid-related business. The firm has undoubtedly been a beneficiary of the pandemic, with tailwinds expected to be prolonged due to the authorization (in the US) of vaccines for younger generations and booster shots. While modest inflationary pressures in the company's supply chain exist, Danaher possess an attractive group of businesses across multiple end-markets, in which their non-Covid core activities are experiencing a strong recovery, are exposed to continued expenditure on healthcare research, and have a renewed and brighter outlook on covid tailwinds. Strategic acquisitions should also continue to add value to the business, such as that of Aldevron and GE's biopharma business.

Thermo-Fisher Scientific was also driven predominantly by a strong earnings release, delivering a fourth consecutive quarter of over 30% revenue growth, year-on-year. Similar to Danaher, Thermo-Fisher's revenues continue to be inflated due to their Covid-19 pandemic response, with approximately 20% of revenues in Q3 stemming from this segment. In terms of growth however, Covid-19 revenues moderated to just +2%, whereas the base of the business (i.e. non-Covid related revenues) recovered strongly, growing organically by an impressive +27%. Thermo-Fisher increased full year organic revenue growth guidance from +8% to +12%, reflecting the strength in the underlying business, offset by a declining Covid revenue base. Towards the end of the quarter, the company held an Analyst Investor Day, where management announced expectations of organic growth of +7-9%, above market expectations of 6-8%, and adjusted EPS of \$31-32 (vs consensus of \$27). We continue to like Thermo-Fisher and expect them to retain much of the market share they built up during the pandemic, and continue to grow strongly both organically (e.g. through Biopharma (which accounts for 56% of revenues), and inorganically, such as through their \$17bn acquisition of PPD.

Other health-care names within the fund did not perform as strongly. Medtronic tracked the underlying sector (+1.47% USD vs MSCI World Healthcare +1.10%), and Bristol-Myers Squibb fell -10.1% (USD). Bristol-Myers Squibb tracked positively until mid-August, but rising concerns over the Biden administrations plan to reduce healthcare costs through negotiating drug prices in Medicare sent the MSCI World Healthcare index into decline, in particular large US pharma companies (including competitors Pfizer, Merck and Johnson & Johnson) with strong exposure to Medicare. While concerning, we remain confident that Bristol-Myers Squibb, which has the world's largest oncology business, has exposure to innovative high growth areas in immuno-science and biopharma, alongside a diversified portfolio with a strong pipeline of drugs, continues to offer a strong investment case.



Alphabet (+6.34% USD), Microsoft (+4.07%), Apple (+3.31%), Facebook (-2.39%), Amazon (-4.51%)

Information Technology was the best performing sector for the first two months of the quarter, with the MSCI World Information Technology Index climbing +8.24% (USD Total Return) and 'Big Tech' names (with the exception of Amazon) delivering strong returns. However, with the rotation away from growth towards the end of the month following rising rate expectations, the MSCI World Information Technology Index (+1.47% USD Total Return over Q3) was one of the worst performers over September, falling 6.25%.

Big Tech's performance in the first two months was primarily a result of a blowout Q2 earnings season, with profits continuing to surge as the global economy emerges from the pandemic. **Apple, Amazon, Alphabet, Microsoft** and **Facebook** made \$75bn in after-tax profits for Q2, up 90% on the year before and 30% above consensus estimates. **Alphabet** was the standout performer of the group, announcing strong financials across the board during their Q2 earnings release. A strong recovery in ads, an outlook containing margin upside, and continued cloud earnings growth led to a wave of analyst upgrades, followed by a 4% re-rating on the day of results. YouTube's advertising business was a particular standout, with revenue growth of 84%. **Apple** and **Microsoft** also performed well, with iPhone sales jumping 50% and Microsoft's cloud platform, Azure, growing in excess of this. **Amazon** was the only Big Tech member not to outperform after it finished flat during the first two months, suffering from a miss to revenue consensus for Q2 results of -8%, an uninspired Q3 outlook (a revenue fall of 1%, despite historically tending to offer a 9% increase in Q3), a record fine from the European Union (a breach of GDPR rules), and increasing worries of regulation following Lina Khan's appointment to FTC (Federal Trade Commission) chair in June. While enhanced regulation continues to be a risk, each of these companies benefits from strong, economic moats within their industries, alongside long-term growth trends across a diverse range of revenue streams. Their ability to continue surprising to the upside should not be underestimated.

In September, alongside the rotation out of high duration growth stocks, some Big Tech firms also suffered from negative news-flow, leading to them underperforming the broader sector. Apple lost a landmark ruling against Epic Games, with the court ordering Apple to allow developers to steer consumers to outside payment mechanisms, meaning Apple can no longer take a cut from in-App purchases. With services becoming increasingly instrumental to Apple's business mix, the ruling was a severe blow to Apple and their App store, which currently has a profit margin above 75%. Facebook was the biggest detractor to the fund during September, after whistle-blower Frances Haugen leaked documents to the WSJ which showed Facebook had data on how its products can weigh heavily on younger users mental health, and failed to release them. The firm also suspended plans to launch their highly controversial Instagram Kids app.

While these concerns are material, we still believe in the fundamental strength of 'Big Tech'. These firms have consistently been leaders in innovation and have shown their ability in adapting to adversity. The first two months of the quarter highlight the quality that these names bring to the fund, delivering earnings results significantly above consensus. As said previously, we believe the secular growth trends and innovation themes these firms are exposed to are unlikely to be slowed down significantly by a higher level of inflation or rising interest rates. We may see some volatility in equity prices as markets adjust their outlooks for interest rate policies, but we believe the fundamental outlook for our companies remain very robust.



Anta Sports (-19.6% USD):

Anta Sports, the largest domestic sports apparel business in China, went from the one of the fund's top performing stocks in Q2 (+44.8% USD) to the bottom performer in Q3 (-19.6% USD). In Q2, retail sales in China benefitted from the re-opening of the economy, and increased optimism over further support for the sports industry led to significant share gains. However, a highly active Chinese regulator and concerns over the Evergrande crises led to a sell-off over the region during Q3, something which Anta was not immune to. In July, the Nasdaq Golden Dragon China Index fell 22% – its worst month since the financial crisis. Mega-caps Alibaba and Tencent fell about 18% and 10% respectively. Beijing had recently implemented a regulatory crackdown across multiple fronts: overseas listing rules; cyber security and privacy concerns (e.g. Didi); anti-competitive practices (Alibaba); and restrictions on private education (New Oriental Education). This regulatory assault across multiple sectors worried the markets, with Beijing even holding a call with executives from global financial institutions in an attempt to ease concerns. Brands such as Anta suffered as collateral damage, with investors pulling funds out of Chinese equities. In August, while active Chinese regulation continued to weigh on investors minds, the company also reported semi-annual results during the month, which were given a negative read from the market. While Anta reported revenue and profit that beat expectations, a resurgence in covid cases in a few tier 1-2 cities within China caused a slowdown in August sales. In the final month of the quarter, Anta fell a further 7.99% (USD total return). The sell-off was prompted initially by further negative sentiment in the Chinese region following the Evergrande crises, but renewed fears of a Covid resurgence in the Fujian province, a clothing production hub for many Chinese brands, lead to concerns of another lockdown and a slowdown in manufacturing.

Investors in Anta Sports can take solace from the fact that the fall in share price over the past quarter has very little to do with Anta Sports, but external macro-factors. We remain comfortable with Anta's positioning, with long term structural tailwinds and limited narrative surrounding the regulation of apparel. China continues to promote exercise and sports, pouring billions into initiatives such as China's "Action Plan to Stimulate Sports Consumption (2019-2020)", the "Healthy China 2030" Plan and the "National Fitness Program" (2016-2020), which should serve to lift the sports industry's contribution to GDP. China wants to increase the number of people exercising regularly by more than 18% by 2022, and a further 29% by 2030. China's per capita spending on sportswear remains comparatively low at \$31, and analysts expect this to rise to a similar level as Japan (\$110) by 2030 (US \$307). These underlying factors will serve to boost Anta's revenue profile into the long term, and despite the regional risk that it entails (Anta is now the fund's only Chinese stock), we remain bullish on the firm's outlook.



Samsung Electronics (-12.4% USD), LAM Research (-12.3% USD), Applied Materials (-9.4%)

Samsung, LAM Research and Applied Materials struggled during Q3. With Samsung taking about 25% of revenues from Memory Chips, and LAM Research and Applied Materials both manufacturing equipment used for Semiconductor fabrication, each firm has exposure to the cyclical nature of the semiconductor industry. All three stocks fell sharply in mid-August following analyst concerns that memory chips (DRAM) could be entering a prolonged downcycle, with the global chip shortage potentially turning into a chip-glut. The global shortage of chips boosted profits for chip firms over the pandemic, as work-from-home and demand for consumer electronics boosted orders. Concerns over shortages stimulated customers to shore up inventories, driving prices upwards and giving chip companies pricing power. Chipmakers, in return, boosted capacity. As a commodity business, semiconductor stocks are highly sensitive to changes in price of their components, hence any suggestion that a

slow-down in demand is looming weighs heavily on share-prices. Samsung, the world's biggest producer of memory chips, suffered from reports of a potential slow-down in demand starting in the next quarter (Q3), leading to a potential price contraction for chips in the latter half of the year. Upstream of foundries, Lam Research and Applied Materials business relies on chip-maker demand, hence the poor performance. In late September, all three stocks fell further after Micron, often used as read-across for semiconductor stocks, offered lacklustre EPS and sales guidance significantly below consensus, in a further sign that booming demand is now waning. While these concerns are likely to weigh on share prices into the short-term, we are confident that each business is diversified enough to weather the storm. Only 25% of Samsung's revenues come from memory chips, and Lam Research and Applied Materials are not only one step removed, but are highly exposed to foundry and logic. Many market analysts are also suggesting that this will be a short-term issue, with a more consolidated industry and customers preferring to hold more inventory leading to shorter dips in the down-cycle. We remain confident in the strength of the three businesses.

Changes to the portfolio:

During the quarter, we entered into one new position, Amphenol, following the removal of Tencent at the beginning of Q3.

Tencent 腾讯

Tencent:

We sold Tencent on the 6th July. Increased scrutiny from the Chinese regulator on monopolistic behavior, data security and financial stability adds an inherent level of risk to investments within the region – particularly in large, mega-cap tech stocks. Following the imposition of a £2.8bn penalty on Alibaba in June, regulators warned Tencent (alongside 33 other online companies) that they had just a month to “completely rectify” anti-competitive practices and publicly pledge to abide by anti-competition rules. The company was summoned a second time in April, alongside 13 other fintechs, to “rectify prominent problems” in their platforms. A profit jump of +65% in Q1 (ahead of consensus) was not enough to appease investor concerns, which remain focused on whether Chinese regulation will tighten over Tencent and their payments business, as they did with Alibaba back in April. At the beginning of July, Tencent was blocked from combining gaming platforming Douyu and Huya on anti-competitive grounds. Two-weeks later, regulators ordered Tencent to end exclusive music contracts with copyright holders. Following their 2016 acquisition of China Music Group, Tencent was left controlling more than 80% of “exclusive music library resources”, preventing rivals from entering the market. The firm was given 30 days to end exclusive music copyright contracts. Such is the density of the interactions the regulator is having with Tencent, the drastic measures felt across a range of industries (such as those felt by the \$100bn Chinese private education industry) and hefty fines (Alibaba fined a record \$2.8bn in April for abusing market dominance), the recent swing in the balance of risks is dominating the conversation around Chinese tech stocks, and is likely to continue weighing heavily on the stock price.

Amphenol

Amphenol:

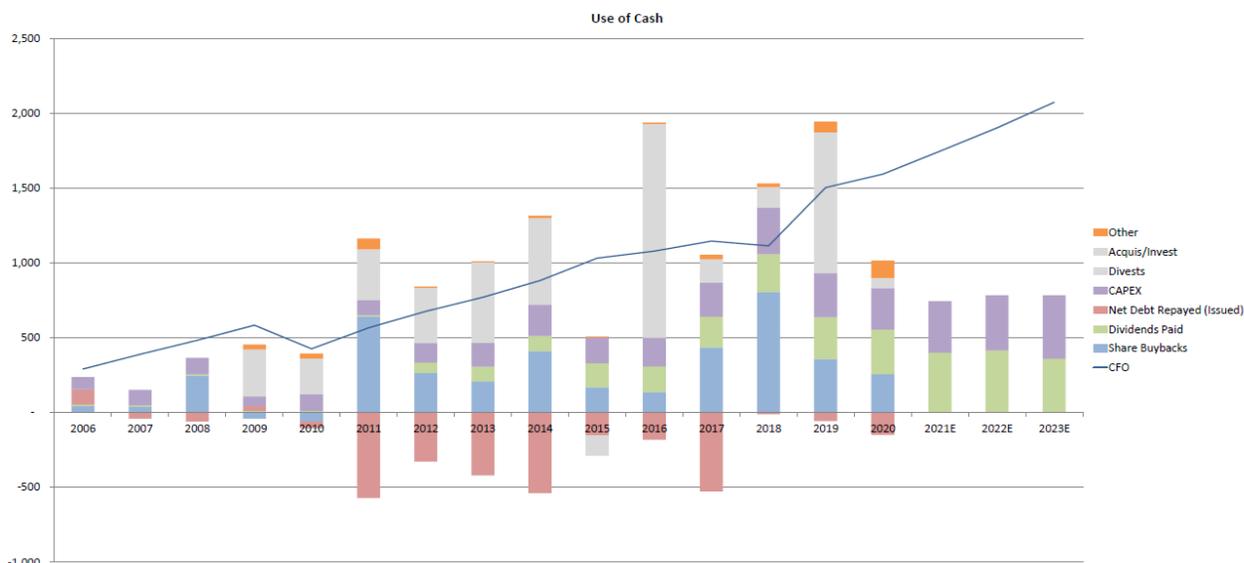
Amphenol sits in the IT sector and hardware industry group but it could arguably sit in the Industrial sector. They are a market leader in the design, manufacture and marketing of interconnects and related components and

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systems – essentially pieces of kit that allow power or data to be transferred from one device to another. These components are in demand from a broad group of industries including data communications, automotive, aerospace, etc., and therefore the company has exposure to a number of our innovation themes and sub-themes: Clean Electric vehicles, Robotics and Automation, Cloud Computing, AI & Big Data, 5G.

The company is managed in a very decentralized manner with 120 general managers given the freedom and responsibility to achieve targets in the manner they see fit. Partly this is a consequence of the fact they have grown by making small acquisitions as you can see from the grey bars in the chart below (they have made around 50 acquisitions since 2010).



Source: Bloomberg, company reports

We believe they continue to grow in this manner for the foreseeable future as the industry is highly fragmented, with Amphenol being a market leader with only about 5% market share. Further still, the interconnects and systems the company manufactures are often customised for individual clients and are often critically important components which increases switching costs for customers, creating an economic moat for the company.

Portfolio characteristics

The two charts below show how the exposure of the fund has evolved since we launched the strategy back in 2003. We continue to hold no exposure to Real Estate, Energy, Materials, Consumer Staples, and Utilities. Information Technology remains our largest exposure, split between the three sub-sectors of semiconductors;

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software and services; and technology hardware. On a regional basis, North America continues to be the largest exposure (73%), followed by Europe (17%) and Asia Pacific (6%).

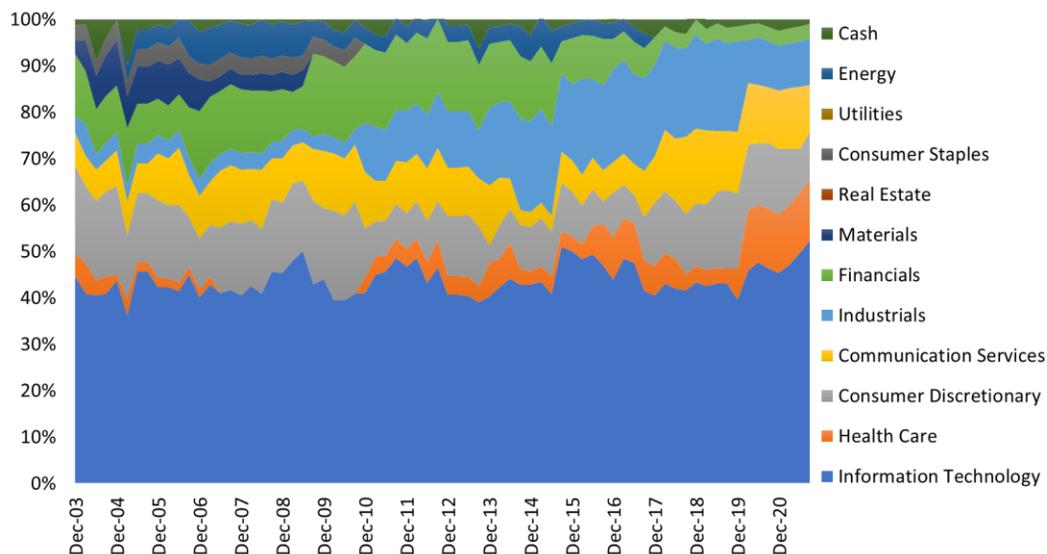


Figure 2: Portfolio sector breakdown. Guinness Atkinson Asset Management, Bloomberg (09.30.2021)

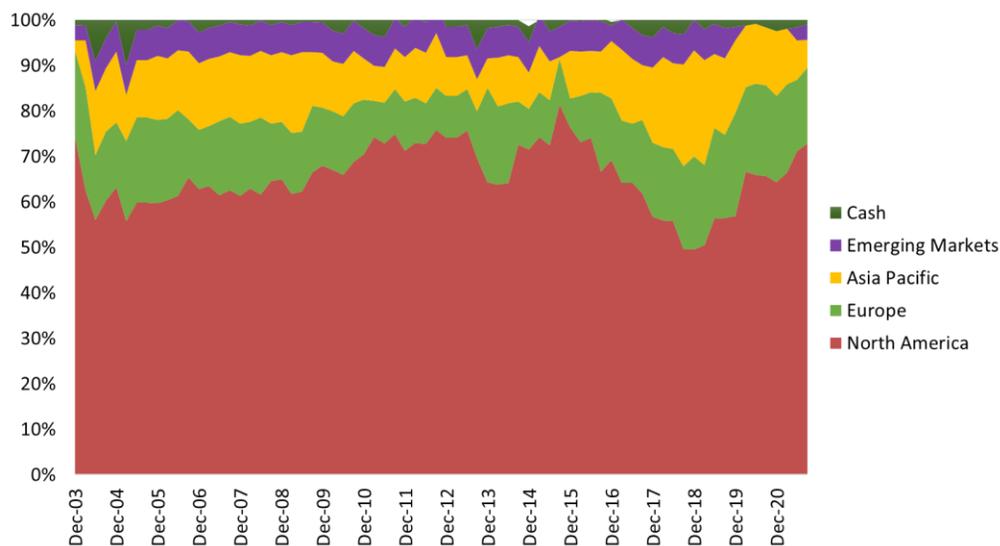


Figure 3: Portfolio geographic breakdown. Guinness Atkinson Asset Management, Bloomberg (09.30.2021)

In selling Tencent and buying Amphenol, the net effect on the portfolio was an increased exposure to North America and IT, whilst reducing the exposure to Asia Pacific and Communication services.

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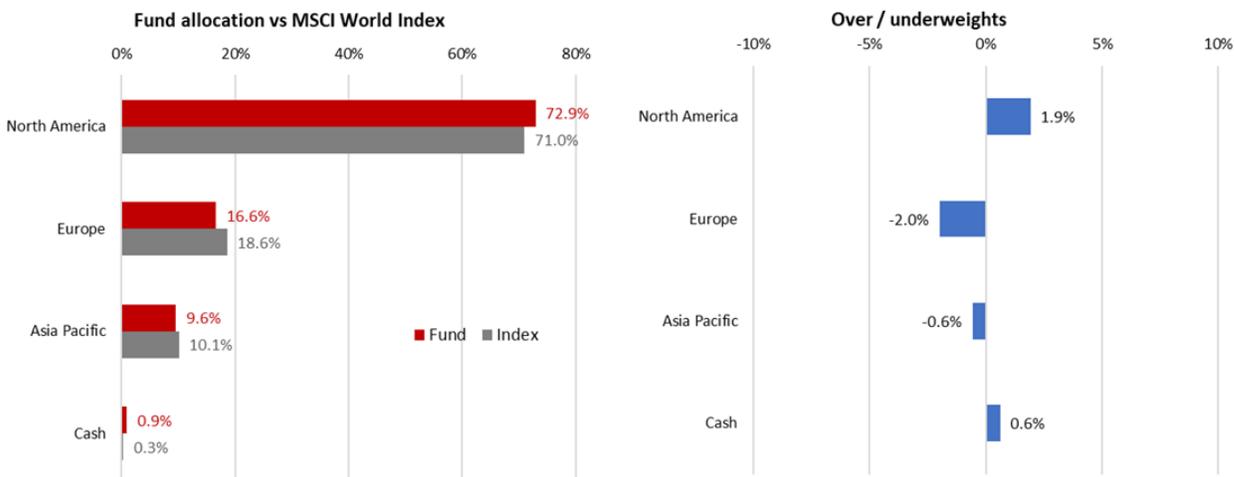


Figure 4: Guinness Atkinson Asset Management, Bloomberg (data as at 09.30.2021)

On a sector level, the fund continues to have a large overweight to IT (29.7%), while the fund's 0% exposure to Real Estate, Energy, Materials, Consumer Staples, and Utilities leaves these areas underweight relative to the benchmark.

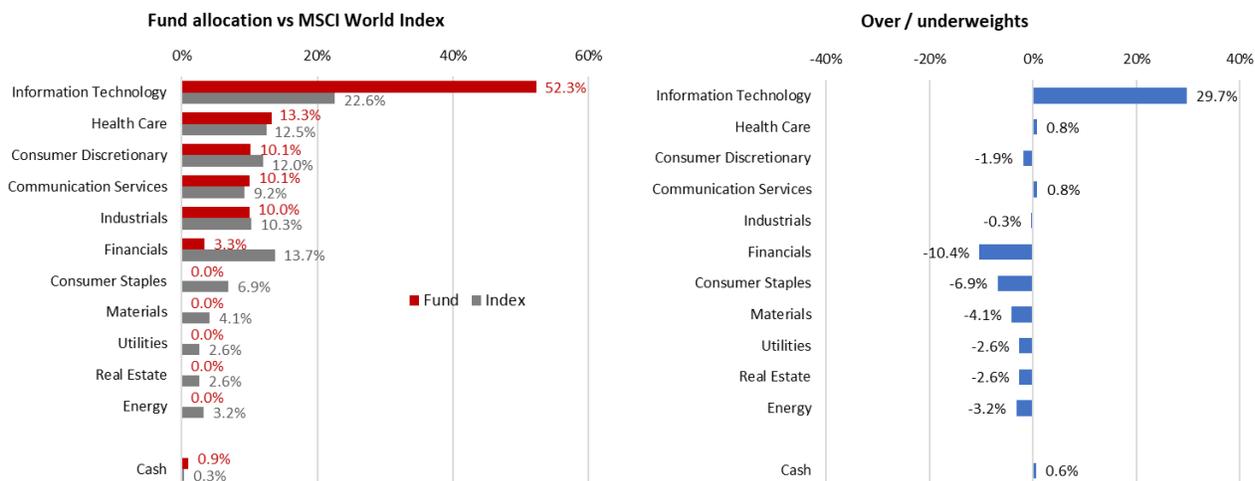


Figure 5: Guinness Atkinson Asset Management, Bloomberg (data as at 09.30.2021)

Key fund metrics today

Innovation: We seek companies that are exposed to secular growth themes, which should therefore be more insulated to cyclical cycles. We have thus far seen good evidence of this, such as for semiconductor companies as demand for chips enabling technologies from cloud computing to video streaming continue to increase in response to more consumers working from home.

Quality: We only invest in companies with good (and ideally growing) returns on capital and strong balance sheets. In the recent sell off a clear distinction was seen between businesses with strong vs weak balance sheets – companies which have taken on too much debt have been ‘propped up’ by low interest rates but a shock to revenues has the potential to alter this balance and the market quickly discounted this scenario.

Growth and valuation: We look to buy good growth companies at reasonable valuations and specifically we try to avoid paying too high a premium for expected future growth – as this is inherently less predictable. While valuations have optically become stretched, we believe companies that are able to continue growing, such as those exposed to our innovation themes, will continue to justify a greater premium.

Conviction: Although we run a concentrated portfolio of 30 stocks, we equally weight each position. This caps stock specific risk to approximately 3.3% thereby limiting the impact to the overall portfolio of a single company performing particularly poorly.

The table below illustrates these four key tenets of our approach in the portfolio today.

		Fund	MSCI World Index
Innovation	Research & Development/ Sales	10%	8%
	CAPEX (capital expenditures)/ Sales	6%	9%
Quality	Return-on-Equity	29%	8%
	Weighted average net debt / equity	12%	55%
Growth (& valuation)	Trailing 5-year sales growth (annualised)	13%	2%
	Estimated earnings growth (2022 vs 2021)	13.8%	7.3%
	FCF yield	3.5%	3.9%
	PE (2021e)	24.0	19.4
Conviction	Number of stocks	30	1630
	Active share	81%	-

Figure 6: Guinness Atkinson Asset Management, Bloomberg (data as at 09.30.2021)

We thank you for your continued support.

Portfolio Managers

Matthew Page, CFA

Dr Ian Mortimer, CFA

Summary performance

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For the third quarter of 2021, the Guinness Atkinson Global Innovators Fund provided a total return of -2.22% (USD) against the MSCI World Index net total return of -0.01% (USD). Hence, the fund underperformed the benchmark by 2.21% (USD). Year to date, the fund has produced a total return of 11.85% (USD) against the MSCI World 13.04% (USD).

Many of the positive economic trends seen in Q2 continued into July and August. Progress in vaccination programs allowed many developed markets to continue with the easing of social mobility restrictions. Inevitably, case numbers surged back in many countries, but without the same relative increase in hospitalizations and deaths seen previously, allowing governments to continue lifting restrictions and preventing further lockdown measures. With many investors expecting a continued and swift rebound in economic activity, positive market sentiment led equities higher, particularly in regions with strong vaccination rates.

However, events in September outweighed much of this positive sentiment, sending global equity markets sharply downwards and wiping out much of the positive ground made during the first two-months of the quarter. Covid-19 continued to disrupt emerging markets, leading to supply-chain disruptions globally. In the US, the Federal Reserve grew increasingly hawkish, confirming the Central Bank’s intentions to announce tapering in November’s meeting, with an expected end-date of mid-2022. Rate hikes are now expected sooner than previously thought, with Fed Officials evenly split on a rate hike in 2022. Concerns about a potential US Central Bank default, a result of the impending debt ceiling, worried markets further. In Europe, where consumer activity reached pre-pandemic levels, soaring gas prices contributed to eurozone inflation reaching its highest level in 13 years, piling pressure on a scale-back of loose monetary policy. China was the worst performing market during the period, with a sustained regulatory offensive impacting stocks early on in the quarter and concerns over the ability of property group Evergrande to service its debts causing a sharp sell-off during September.

Overall, developed markets were slightly up over the quarter, but Chinese equities poor performance significantly dragged down Emerging Markets. For the first time in four months, value returned to favor, outperforming growth during September. A sharp rotation out of “high duration” growth stocks and into “reflation trade” value stocks wiped out almost all the gains growth had made during the first two months of the quarter. The return of value also wiped out any relative gains growth had previously made year to date, with the two factors performing equally since January. The return of value coincides with the Fed’s September FOMC meeting, where they indicated that tighter monetary policy through tapering “may soon be warranted”, alongside potential rate hikes

Relative performance of MSCI Growth vs MSCI Value



Source: Bloomberg

during 2022, reducing the potential attractiveness of growth stocks more distant cash flows.

Guinness Atkinson

Global Innovators Fund

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Covid brings an element of uncertainty to the potential impact on health systems when entering the winter months, but elevated amounts of household savings will mitigate against a significant slow-down in the economic recovery. Our focus on higher quality growth stocks are well placed due to their more consistent growth, strong balance sheets, and in the case of Global Innovators, secular themes underlying their long-term prospects. We expect the higher levels of inflation we are currently seeing as being unlikely to persist into the long-term, but even if they did, we believe the secular growth trends and innovation themes that our companies are exposed to are unlikely to be slowed down by a higher level of inflation or rising interest rates. We may see some volatility in equity prices as markets adjust their outlooks for interest rate policies but we believe the fundamental outlook for our companies remain very robust.

During the quarter, relative portfolio performance can be attributed to the following:

- Strong stock selection within Healthcare names was the primary driver of positive performance for the quarter. Danaher and Thermo-Fisher were the funds top two performing holdings over the period.
- Underperformance was driven in part by our remaining position in China, Anta Sports, which fell 19.6% over the quarter following a significant sell-off in the region.
- The fund has an overweight exposure to the IT sector. From an asset allocation perspective, this drove good performance in July and August, however a sharp decline in the sector over September offset this benefit. Semi-conductor manufacturing stocks, such as Lam Research and Applied Materials particularly struggled during the final month of the quarter.
- While growth stocks had performed better year to date, September saw a return to outperformance from value, negatively impacting the fund. Not surprisingly, the sectors that are most sensitive to the economic cycle – such as Energy and Financials – performed best over the quarter and created a drag on the portfolio. In the Fund, we have no exposure to the Energy sector or Banks as we see little innovation occurring here.
- Over both the short and long-term, it is pleasing to see that the Fund’s strategy remains well positioned across all periods versus its IA Global Equity sector peers.

as of 09.30.2021 (in USD)

1 year	3 years annualized	5 years annualized	10 years annualized
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Global Innovators, Investor Class¹	28.46%	20.22%	19.04%	18.12%
Global Innovators, Institutional Class²	28.79%	20.53%	19.33%	18.29%
MSCI World Index NR	28.82%	13.13%	13.73%	12.67%

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.

All returns after 1 year annualized.

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)

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 1.24% for the Investor class and 0.99% for the Institutional 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 09/30/2021:

1. Comcast Corp - A Shares	3.37%
2. Danaher Corp	3.30%
3. NVIDIA Corp	3.30%
4. NIKE Inc	3.30%

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5. Taiwan Semiconductor Manufacturing Co	3.29%
6. Apple Inc	3.29%
7. Facebook Inc	3.29%
8. ABB Ltd	3.28%
9. Medtronic PLC	3.28%
10. Adobe Inc	3.28%

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.

MSCI World Growth Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of large and mid cap securities exhibiting overall growth style characteristics across developed markets.

MSCI World Value Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of large and mid cap securities exhibiting overall value style characteristics across developed markets.

MSCI World Healthcare Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of health care securities. The Index captures large and mid cap segments across developed markets. Securities are classified Health Care as per the Global Industry Classification Standard.

The Purchasing Managers' Index (PMI) is an index of the prevailing direction of economic trends in the manufacturing and service sectors.

Earnings per share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock.

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.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. Indexes are available for the U.S. and various geographic areas.

The Federal Open Market Committee (FOMC) is responsible for open market operations. FOMC consists of twelve members-- seven members of the Board of Governors of the Federal Reserve System; the president of the Federal Reserve Bank of New York; and four of the remaining eleven Reserve Bank presidents, who serve one-year terms on a rotating basis.

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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.

Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity. Because shareholders' equity is equal to a company's assets minus its debt, ROE is considered the return on net assets.

Active Share is the percentage of portfolio holdings in a Fund that differs from the benchmark index.

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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