



Alternative Energy Brief
July 2007

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Welcome to the July 2007 Guinness Atkinson Alternative Energy Brief.

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In this issue we run through the highlights of fund performance, comment on the evolving portfolio exposure and look at our top and bottom holdings for the month. We are seeing strong markets and ever increasing interest in the sector, which means we are continuing to focus on value stocks which can benefit from enthusiasm from the sector and may better weather any downturn.

Matt and Edward have been on visits to Germany and China to inspect solar facilities and we will add some colour based on those visits next month, and we have been looking closely at Brazilian ethanol markets and hope to add some colour on our findings over the coming months.

Fund performance

The Guinness Atkinson Alternative Energy Fund was up 3.51% in June which takes us to up 31.12% for the year to date (YTD) 2007. While we feel that neither of the two major indices in the area exactly reflect our approach, we have outperformed WilderHill Clean Energy Index (which is investible) by 11.73% YTD and we are 0.53% behind the WilderHill New Energy Global Innovation Index.

Total Returns as of 6/30/07

Total returns	June 07	YTD 07	1 Year	From inception:
Guinness Atkinson Alternative Energy Fund (03/31/06)	3.51%	31.12%	34.65%	20.32%
WilderHill New Energy Global Innovation Index	3.06%	31.65%	47.41%	41.29%
WilderHill Clean Energy Index	5.49%	19.39%	8.28%	-3.67%

Gross Expense Ratio 2.60%

Net Expense Ratio* 1.98%

* The expense ratio shown is from the most recent prospectus (April 30, 2007). The Fund has an expense cap in place and the advisor is contractually obligated to cap the total expenses at least through June 30, 2008. The Advisor has guaranteed total fund operating expenses (as a percentage of net assets) will not exceed 1.98% through June 30, 2008 or until such a later date as the Advisor determines.

All return figures represent average annualized returns except for periods of one year or less which are actual returns.

Performance data quoted represents past performance; past performance 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. Performance data current to the most recent month end may be obtained by visiting www.gafunds.com or calling 800-915-6566.

The funds impose a redemption fee of 2% on shares held less than 30 days. Performance data does not reflect the redemption fee. If reflected, total returns would be reduced.

Sector and geographic breakdown

Sector	% of Assets	Region	% of Assets
Solar	28.32%	Europe	44.23%
Wind	14.41%	North America	24.63%
Hydro	14.03%	Asia	11.56%
Efficiency	11.12%	Australia/NZ	8.62%
Fuelcell	6.53%	Latin America	6.19%
Biofuel	8.50%	Cash	4.77%
Geothermal	7.09%		
Biomass Energy	5.01%		
Wave/tidal	0.22%		
Cash	4.77%		
	100.00%		100.0%

Our current thinking is that the most favourable areas for investment are in Solar and Wind as companies in this area are already profitable and are experiencing strong demand-driven growth. We think that Hydroelectric and Geothermal are also attractive investment areas owing to their operating leverage. For Biofuels, we think that they will play their part over the longer term, but may not necessarily be appropriate for long term investing. Our belief is that feedstock prices (of all types) may rise as the incremental demand on feedstocks for fuel is “game-changing” for agriculture. We are therefore most interested now in biofuel investments that are vertically integrated (i.e. they produce their own feedstock).

The fund continues to have a European bias, with 44.23% of the fund reflecting the relatively higher maturity of the European solar and wind industries. We now have 26.37% invested across Asia, Australia/NZ and Latin America, in some very interesting opportunities that we believe are missed by many looking at the alternative energy industry. This gives us exposure to emerging markets growth and reflects the global nature of this industry – many of the “solutions” are specific to their relevant geographies, such as Geothermal in the Philippines and Hydro in more mountainous areas.

Liquidity analysis

Mkt Cap \$m	Positions	% of Assets	Position size	Positions	% of Assets
>1000	22	52.85%	Full	13	41.61%
500-1000	7	10.70%	Half	33	50.84%
250-500	7	11.26%	Research	17	2.78%
100-250	13	13.01%			
50-100	6	6.25%			
<50	8	1.16%			
Cash		4.77%	Cash		4.77%
Total	63	100.00%		63	100.00%

The liquidity of the portfolio remains good. Roughly half (52.85%) of the portfolio is in stocks with a market capitalisation of over \$1 billion and only 1.16% of the portfolio is invested in stocks with a market capitalisation below \$50 million. We are endeavouring to maintain a balance between holding larger capitalisation more liquid stocks and positions in smaller capitalisation less liquid stocks where the value and growth opportunity might be greater. We have segmented the portfolio into three types of holding: full, half and research. We currently hold 13 full units and 33 half units, with a further 17 research positions. This also enables us to benefit from a strict rebalancing discipline.

Stock performance

Top 5	Size	June	Bottom 5	Size	June
Geodynamics	Research	65.61%	Natural Fuel	Half	-24.38%
Westport Innovations	Half	64.67%	Railpower Tech	Research	-21.56%
Ceres Power	Half	30.20%	CMR Fuel Cells	Research	-20.53%
Solartron	Research	27.80%	Polyfuel	Research	-15.07%
Hydrogenics	Half	26.73%	Quantum Fuel	Half	-12.36%

June finally saw some payback for our persistence in the fuelcells area. Of the three fuelcell half units we hold, Ceres Power was up 30.20% and Hydrogenics was up 26.73%. Westport Innovations benefited from putting their results out and announcing the deployment of the first 20 trucks under the contract with LA Ports.

On the downside, Natural Fuel continued to suffer under high palmoil prices and Quantum Fuel announced a financing at a discount to the prevailing stock price, which dragged the stock back.

Trading

We made no significant changes to the portfolio in June other than adding a research position in Applied Intellectual Capital, who have an interesting energy storage technology.

Thank you for your continuing support.

Tim Guinness
Edward Guinness
Matthew Page
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Commentary for our views on global energy and Asia markets is available on our website. Please [click here](#) to view.

Total returns reflect a fee waiver in effect and in the absence of this waiver, the total returns would be lower.

This information is authorized for use when preceded or accompanied by a prospectus for the Guinness Atkinson Global Energy 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.

The Fund invests in foreign securities which will involve greater volatility and political, economic and currency risks and difference in accounting methods. The Fund is non-diversified meaning its assets may be concentrated in fewer individual holdings than diversified funds. Therefore, the Fund is more exposed to individual stock volatility than diversified funds. The Fund also invests in smaller companies, which will involve additional risks such as limited liquidity and greater volatility.

Fund holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security.

The WilderHill New Energy Global Innovation Index (NEX) is a modified dollar weighted index of publicly traded companies which are active in renewable and low-carbon energy, and which stand to benefit from responses to climate change and energy security concerns.

The WilderHill Clean Energy Index (ECO) is a modified equal dollar weighted index comprised of publicly traded companies whose business's stand to benefit substantially from societal transition toward the use of cleaner energy and conservation.

One cannot invest directly in an index.

Top Ten Holdings as of 6/29/07	% of Assets
PNO Energy Development Corp	3.32%
Renewable Energy Corp AS	3.31%
Q-Cells AG	3.27%
Suntech Power Holdings	3.27%
Ormat Technologies Inc	3.25%
Solarworld AG	3.25%
Gamesa Corp Tecnologica SA	3.20%
Vestas Wind Systems A/S	3.17%
Conergy AG	3.14%
Iberdrola SA	3.14%

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