



**Alternative Energy Brief**  
**March 2008**

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Welcome to the March 2008 Guinness Atkinson Alternative Energy Brief.

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## Fund performance

The Guinness Atkinson Alternative Energy Fund was up 2.42% in March as markets continued to remain difficult. Year to date through March 31, 2008, we are outperforming our two benchmarks.

While the outlook for the broad markets remains choppy in our opinion, the valuations for alternative energy are looking highly attractive and the growth prospects are if anything stronger than they have been. The high oil price, the high gas price, rising coal prices and even now rising electricity prices are all improving the market for alternative energy companies, and we think that when some of the liquidity related issues shake out over the next 12-24 months and companies are valued on their fundamental prospects the sector should outperform. Few of the companies we are invested in need to raise capital in the markets to support that growth over the next 12 months and the financing market for alternative energy remains sturdy because of government backing to cash flows.

### Total Returns as of 03/31/08

Total returns	Mar 08	YTD 08	1 Year	From inception
Guinness Atkinson Alternative Energy Fund (inception 03/31/06)	2.42%	-16.49%	5.07%	4.56%
WilderHill New Energy Global Innovation Index	1.25%	-17.66%	16.44%	17.51%
WilderHill Clean Energy Index	-4.03%	-29.31%	10.23%	-4.80%

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](http://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	32.98%	Europe	54.44%
Wind	31.41%	North America	22.82%
Hydro	13.73%	Asia	12.34%
Efficiency	8.18%	Australasia	5.49%
Geothermal	7.95%	Latin America	5.88%
Biofuel	3.34%		
Biomass Energy	2.68%		
Fuelcell	0.66%		

Solar remains the highest weighted sector with 32.98% of the assets of the fund. We think that the next 5 years should carry the solar industry to a position where the holy grail of grid parity is achievable. Investments in solar cover all elements of the value chain from silicon producers to cell and module manufacturers. We hold 31.41% in wind and our positions in wind are split evenly between turbine manufacturers and wind farm developers. Turbine manufacturers are benefiting from tight market conditions, and wind farm developers are well placed because of faster approval cycles and increasing asset values. Hydro forms lower risk bedrock to the portfolio. The overarching idea behind holding these is because of their low operating cost which means that increases in electricity prices and payments for carbon credits go straight to the bottom line. Geothermal Power, at 7.95% of the fund, has similar dynamics, and is similarly location constrained, but is at a much earlier stage of implementation. We remain circumspect about biofuels which account for 3.34% of the fund now, although we are monitoring valuations carefully for an attractive re-entry point. We prefer biofuels stocks that have some form of vertical integration (ie they manage their own feedstock production). Biofuel refining stocks have most potential as shorter term trading ideas. Fuelcells remain some way from mass commercialization and we currently hold only niche investments which we hope will give us access to some of the early winners. Biomass Energy accounts for 2.68% of the fund. There are a number of opportunities in this space, but the growth potential and returns are less attractive.

Europe accounts for 54.44% of the assets in the fund versus 22.82% in North America. This reflects the earlier development of the European wind and solar industries. We have 23.71% in Asia, Australia and Latin America and are continually looking for international opportunities that are under the US investor's radar screen.

## Liquidity analysis

Mkt Cap \$m	Positions	% of Assets	Position size	Positions	% of Assets
>1000	24	63.33%	Full	16	52.43%
500-1000	4	7.99%	Half	26	43.27%
250-500	6	10.29%	Research	13	5.27%
100-250	14	16.08%			
50-100	2	1.40%			
<50	5	1.88%			

The liquidity of the portfolio remains good. The percentage of the portfolio that is in stocks with a market capitalization of over \$1 billion has grown to 63.33% and only 1.88% of the portfolio is invested in stocks with a market capitalization below \$50 million. The universe of high quality large cap alternative energy stocks has been growing both organically and from new issues, although there has been little issuance to date in 2008. We are endeavouring to maintain a balance between holding larger capitalization more liquid stocks and positions in smaller capitalization 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 16 full units and 26 half units, with a further 13 research positions. This enables us to benefit from a strict rebalancing discipline.

## Stock performance

Top 5	Size	Feb	Bottom 5	Size	Feb
Natural Fuels	Research	70.05%	Composite Technologies	Half	-34.72%
Novera Energy	Half	50.14%	Solaria Energia	Half	-33.28%
VRB Power Systems	Research	22.90%	Suntech	Full	-31.99%
CPFL Energia	Half	21.60%	Futurefuel	Research	-31.25%
Cemig	Half	19.46%	ITM Power	Research	-30.29%

Of the top performing positions, Natural Fuels and VRB Power Systems are two highly volatile small research positions that bounced back from previous losses. Novera Energy is a small UK company in which we have held a half unit from the outset which received a bid from 3i at 90p which drove the stock price up 50.14%. CPFL Energia and Cemig are two Latin American Hydropower positions which benefited from a turnaround in Latin American markets over February

Of the losers, Composite Technology fell further as pre earnings companies continued to suffer. There was no specific newsflow. Solaria published good earnings numbers, but did not defend their position well on their conference call. This combined with a number of investors not understanding their accounting treatment of revenues saw the stock price plummet. Suntech has been hard hit by the general move down in solar stocks and continues to be one of our favorite holdings. Futurefuel is suffering as a biofuels producer because of high feedstock prices. The company did not invest the capital it had

in new plant as it saw the margins in the industry deteriorate and so has a reasonably strong balance sheet for now. ITM Power was hit as the long term nature of its business plan makes it hard to value.

## **Trading**

After visiting the company, we sold our Westport position on valuation grounds. Westport is in a strong position to capture a decent market in gas engines, but we took profit as any execution errors will likely pull the price back. We exited three further small research holdings – Agcert, Polyfuel and Alkane.

Thank you for your continuing support.

Tim Guinness  
Edward Guinness  
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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.

Cash flow measures the cash generating capability of a company by adding non-cash charges (e.g. depreciation) and interest expense to pretax income.

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.

<b>Top Ten Holdings as of 03/31/08</b>	<b>% of Assets</b>
Q-Cells AG	4.19%
Solaria Energy Y NPV	4.11%
Suntech Power Holdings Co., Ltd.	4.04%
SunPower Corporation	3.78%
Nordex AG	3.47%
Solarworld AG	3.40%
Solon AG Fuer Solartechnik	3.35%
Renewable Energy Corporation AS	3.33%
Wacker Chemie AG	3.20%
Iberdrola Renovables	3.19%

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