

GUINNESS ALTERNATIVE ENERGY FUND

MANAGER'S UPDATE: June 2010

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This report is primarily designed to inform investors or potential investors about recent developments in the alternative energy markets invested in by the Guinness Alternative Energy Fund. It also provides information about the Fund portfolio, including recent activity and performance. As such for regulatory purposes it falls within the definition of a financial promotion (Financial Services and Markets Act 2000 Article 4(1)) and we wish to draw your attention to the risk warnings on the last page of this document and the following statements:

This document sets out both facts relating to the alternative energy market and our own interpretation. Any investment decision should take account of the subjectivity of the comments contained in the report.

This document is provided for information only and all the information contained in it is believed to be reliable but may be inaccurate or incomplete; any opinions stated are honestly held at the time of writing, but are not guaranteed. The content of the document should not therefore be relied upon.

This document should not be construed as a recommendation to buy or sell individual securities.

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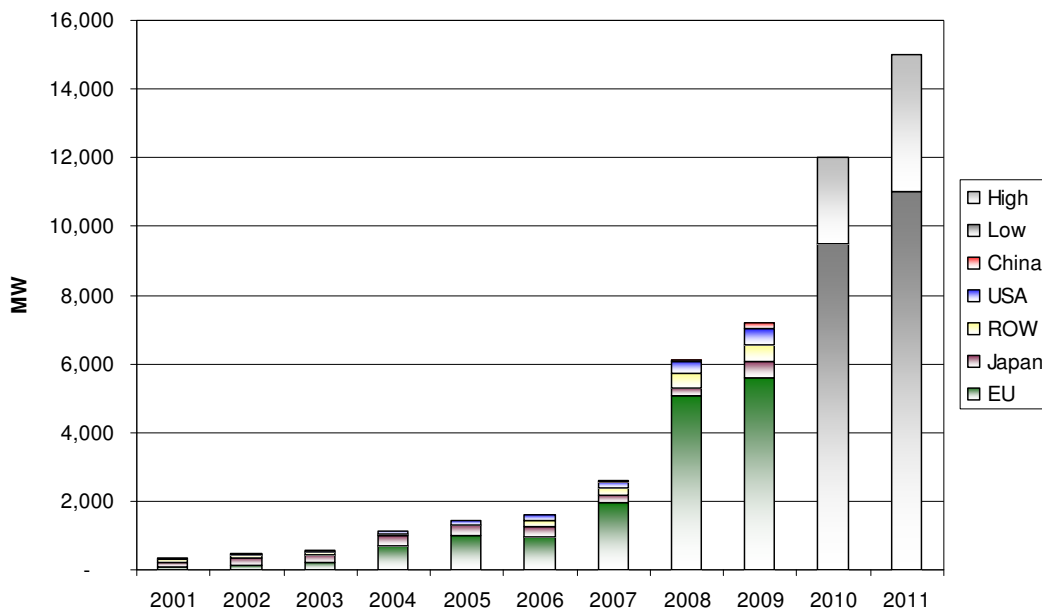
I LATEST NEWS

The Intersolar conference, held each year, is one of the key events for the solar industry and always produces some interesting outcomes. We have summarised the key takeaways.

Global demand for 2010 continues to increase with most module manufacturers claiming they were sold out for the third quarter of 2010 and a number sold out for the entire year. Wholesalers are finding it difficult to get hold of panels and consequently pricing appears to be looking flat into the third quarter despite the expected fall in the German feed-in tariff. Demand continues to be driven by Europe, with Germany, Italy and the Czech Republic the clear drivers of growth for 2010. Global demand for 2010 is likely to be in the 10-12 GW range which is significant growth from the 7.2 GW which the EPIA reports were installed in 2009.

There is currently very little visibility for volumes and pricing in 2011, although there are now significant pipelines of utility scale projects in the US and China. There is a consensus that the market is likely to continue to grow in 2011 but at a slower rate with likely demand being in the 11-15 GW range. The US, UK, Japan and Australia were all cited as markets that could show considerable growth in 2011.

Solar Annual Installed Capacity by Region with Global Estimates for 2010 and 2011



Source: EPIA and Guinness Atkinson Estimates

A potential constraint to growth in 2010 is the shortage in supply of inverters. The inverter is a key component of a solar installation which converts the Direct Current (DC) power output of the solar installation into Alternating Current (AC) which is necessary in order for the power to be used in the home or exported to the grid. This bottleneck is largely a result of a global shortage of semiconductor and electronic components due to semiconductor manufacturers reducing production capacity in 2009 due to the economic and financial crisis. However, expectations are that the situation will improve in the second half of this year.

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The European economic situation has had a knock on effect on the solar sector with investor sentiment falling in the last month. Some concerns exist as to the potential knock on effects of austerity measures in the EU on national incentive schemes. However, we believe the market reaction is overdone. Most of the key markets have already rationalised their incentives schemes to focus on value for money and job creation while realising the need to meet their EU renewable energy targets of 20% by 2020. A valid concern is the weakening of the Euro. This has eroded some of the cost advantage of some Asian solar manufacturers in favour of European manufacturers but we continue to hold a portfolio of Asian and European solar stocks to mitigate this risk. The Asian manufacturers also have different levels of exposure to the Euro and the recent sell-off in these stocks has been indiscriminate of this fact. We therefore consider the sell-off as largely driven by short-term sentiment and believe we can find good value in this sector for the long-term.

II FUND INFORMATION

Portfolio sector and geographic breakdowns

Sector	% of Assets	Region	% of Assets
Solar	48.99	Europe	40.83
Wind	26.65	North America	33.80
Efficiency	9.72	Asia	20.45
Geothermal	8.11	Latin America	3.53
Hydro	3.53	Australasia	0.13
Biomass Energy	1.75		
Cash	1.26	Cash	1.26

The portfolio is quite concentrated in the wind and solar sectors, with 49.99% in solar and 26.65% in Wind. We believe these sectors have the best long-term growth potential of the alternative energy space.

Within the solar sector we have exposure to thin film solar panel manufacturing via our holding in First Solar and are otherwise invested across the silicon photovoltaic value chain.

For our wind exposure we are invested in turbine manufacturers and wind farm developers.

Efficiency is an area where the Obama stimulus plan will likely provide a wealth of opportunity. However, the biggest beneficiary is the eventual energy user. We have interesting investments in ground source heat pumps and heat recycling, with some exposure to transmission grid growth.

We are invested in three geothermal companies, of which one is the principal builder of systems, Ormat, the second is a Philippine utility and the third (research) position is invested in a hot rock project in Australia. We expect geothermal to become a more important part of alternative energy plans as a result of its low costs and established technology.

Our biomass investment is in one Canadian independent power producer with a portfolio of biomass plants. We think there are some interesting niche biomass projects and we are interested in those companies that do not have constraints on future biomass supply, but are cautious about the upside from stocks in the sector at the moment given specific project exposure of the investments available.

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We have no holdings in biofuels. We monitor the sector closely, but have concerns about overcapacity and negative margins in the US ethanol refining sector.

We have no investments in fuelcells, tidal or wave power companies, but remain interested in these areas.

The Fund has 40.83% of its holdings in companies domiciled in Europe, reflecting the more mature European industry. North America accounts for 33.80% of The Fund of which 6.82% is in Canada. The Fund's 23.98% of emerging markets holdings is principally in Asia, with our investment in Chinese companies making up 18.05% of The Fund.

Top Ten Holdings as of 31 May 2010	% of Assets
Waterfurnace Renewable Energy	4.16
Energy Development Corp	4.12
First Solar	4.06
STR Holdings	3.91
LSB Industries	3.88
Ormat Technologies	3.86
JA Solar	3.78
Renewable Energy Corp	3.73
PV Crystalox	3.64
Hansen Transmissions	3.54

Liquidity analysis as at 31 May 2010

Mkt Cap \$m	Positions	% of Assets	Position size*	Positions	% of Assets
>1000	17	54.01	Full	27	86.19
500-1000	7	20.06	Half	6	10.47
250-500	4	13.44	Research	2	0.32
100-250	5	9.57			
50-100	1	1.44			
<50	1	0.24			

*the portfolio is usually divided into "units of holding" of three sizes: a full unit being approx. 3%-4% of the Fund. Half units are approximately half the size of full units, and research holdings will typically be smaller than this. This enables us to benefit from a strict rebalancing discipline.

The liquidity of the fund remains excellent, with 54.01% of the fund in companies with a market capitalisation over US\$1,000 million. The fund now has 27 full units and 6 half units.

Valuation as at 31 May 2010

Valuation metrics	09	10	11
P/E	21.01	15.37	12.16
P/Sales	1.05	0.92	0.83
EV/Sales	1.47	1.29	1.17
EPS growth	-52.12%	36.68%	26.34%
Sales growth	2.70%	13.43%	10.95%
% NAV +ve eps	70.98%	91.71%	98.19%

Source: Guinness Asset Management estimates, Bloomberg.

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P/Es and EPS growth based on total portfolio value but include negative earnings at zero.

See Glossary on page 8 for definitions of these valuation metrics.

We think that The Fund's earnings multiple of 15.37x 2010 P/E is attractive given the strong growth potential for 2010 and beyond. The Fund P/E falls to 12.16x in 2011 which we believe does not reflect the expected growth in the industry for the next few years.

The percentage of holdings with positive eps increases from 91.71% in 2010 to 98.19% in 2011. On an EV/Sales basis, The Fund is trading on 1.29x 2010 sales, falling to 1.17 2011 sales. These are not multiples that reflect the long term growth potential of the sector, notwithstanding that there may be delays in some projects in the sector while the financing market recovers.

We think that the table above emphasizes how the alternative energy companies in which we are invested are companies that are achieving real sales and earnings today and can be analyzed using conventional financial metrics - they do not require a "new paradigm" to justify valuations. Projected future sales and potential earnings growth over the long run suggest a path to higher returns.

Fund performance (May 2010)

The Guinness Alternative Energy Fund (B shares) was down 17.45% in May 2010.

Past performance should not be taken as an indicator of future performance.

Performance stated below is in US dollars; returns in other currencies may be higher or lower as a result of currency fluctuations.

Total returns as at 31 May 2010 (in US dollars)

	YTD 10	1 Year	Annualised since launch	2009 calendar year	2008 calendar year
Guinness Alternative Energy Fund, B shares (inception 19.12.07)	-25.5%	-17.3%	-34.7%	38.7%	-67.4%
WilderHill Clean Energy Index ¹	-20.3%	-11.9%	-36.5%	29.8%	-69.9%
WilderHill New Energy Global Innovation Index ²	-23.7%	-16.8%	-28.6%	41.2%	-60.5%
MSCI World Index	-6.4%	14.3%	-11.1%	32.3%	-40.4%

The fund was launched on 19.12.07 and therefore no longer-term performance data are available.

Source: Bloomberg, bid to bid, (inclusive of all annual management fees but excluding any initial charge or redemption fee) gross income reinvested, annualised where the period is longer than 1 year. Performance would be lower if initial charge and/or redemption fee were included.

¹ The WilderHill Clean Energy Index is a modified equal dollar weighted index comprised of publicly traded companies whose businesses' stand to benefit substantially from societal transition toward the use of cleaner energy and conservation.

² The WilderHill New Energy Global Innovation Index is a modified dollar weighted index of publicly traded companies active in renewable and low-carbon energy, and which stand to benefit from responses to climate change and energy security concerns.

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Portfolio changes

We did not make any changes to the portfolio in May.

Stock performance* (over May 2010)

Top 5	Size	May	Bottom 5	Size	May
PV Crystalox	Full	-1.3%	Trina Solar	Full	-32.4%
Composite Tech	Half	-4.0%	Renewable Energy	Full	-28.9%
Innergex	Half	-6.6%	Yingli	Full	-27.5%
LSB Industries	Full	-7.9%	Solarworld	Full	-26.8%
STR Holdings	Full	-8.0%	Suntech Power	Full	-25.5%

*price change in US dollars.

World markets were rocked in May as concern emerged over the health of European member state's finances. This inevitably affected alternative energy stocks as investors' risk appetites for growth sectors waned. Due to the reasons described at the top of this report our "Bottom 5" performing stocks were all in the solar sector. We strongly believe our pureplay, global, high conviction approach to investing in alternative energy is the best way to get exposure to the growth in the alternative energy industry over the long run but our performance will be volatile over the short-term. Our pureplay approach means we will only invest in companies that have at least half of their business in non-fossil fuel electricity generation or efficiency, which means these companies are more exposed to fundamental changes or sentiment shifts in the industry than a non-pureplay company like General Electric for example.

Thank you for your continuing support.

Edward Guinness
Matthew Page
June 2010

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Glossary

P/E: The P/E is the ratio of the share price to the earnings per share (eps).

Earnings per share: The Earnings per share is calculated as the earnings attributable to shareholders divided by the number of shares outstanding.

P/Sales: P/Sales is the ratio of the share price to the sales per share.

Sales per share: Sales per share is calculated as the total sales of a company divided by the number of shares outstanding.

EV/Sales: EV/Sales is the Enterprise value of a company divided by the total sales of the company.

Enterprise Value: Enterprise value is equal to the Market Capitalisation of a company plus net debt.

Market Capitalisation: Market capitalisation is equal to the share price multiplied by the number of shares outstanding.

Net Debt: Net Debt is equal to total debt minus total cash.

NAV: Net Asset Value is the total value of all assets in the fund including cash.

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IMPORTANT INFORMATION

Past performance is no guide to future performance.

The value of this investment and any income arising from it can fall as well as rise. This will be as a result of market, currency and exchange rate fluctuations as well as other factors both directly and indirectly related to the stocks in which it is invested. You may lose money in this investment. The Fund's Prospectus gives a full explanation of the characteristics of the Fund and is available at www.guinnessfunds.com.

The Guinness Alternative Energy Fund is a sub-fund of Guinness Asset Management Funds PLC (the "Company"), an open-ended umbrella-type investment company, incorporated in Ireland and authorised and supervised by the Irish Financial Services Regulatory Authority. The Fund has been approved by the Financial Services Authority for sale in the UK. The Company and the Fund have been recognised in the UK by the FSA pursuant to section 264 of the FSMA.

This document is not an invitation to make an investment or an offer for sale. The documents required to make an investment, including the Prospectus, are available, free of charge, from Guinness Asset Management, in London; Capita Financial Services in Dublin or at www.guinnessfunds.com

RISK FACTORS

The Guinness Alternative Energy Fund is an equity fund. Investors should be willing and able to assume the risks of equity investing. The value of the Fund's portfolio changes daily and can be affected by changes in currencies, interest rates, general market conditions and other political, social and economic developments, as well as specific matters relating to the companies in whose securities the fund invests. In addition the investment universe of the fund is relatively narrow and the volatility of the Fund may therefore be higher than it would be for a more broadly invested equity fund.

The stocks of alternative energy and related companies are especially affected by government policy, which in turn is influenced by incremental demand for energy, concerns regarding climate change and energy security. The long-term trend in electricity prices also influences the economic viability of alternative sources of energy. Some alternative energy companies are developing large scale infrastructure projects and are therefore dependent on availability of credit to fund these projects.

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