Moerus Worldwide Value Fund

Institutional: MOWIX | Investor: MOWNX

Annual Shareholder Letter: For the Fiscal Period Ended November 30, 2016

Welcome, and Thank You!

Dear Fellow Investors:

It is my pleasure to write to you today for the first time in regard to the Moerus Worldwide Value Fund (the "Fund"). In September 2015, Michael Campagna, John Mauro and I founded Moerus Capital Management, LLC ("Moerus"), with the principal goal of building an investment research-centric organization that puts its investors first and focuses above all else on generating attractive long-term returns, while maintaining a keen focus on mitigating downside risk. On July 1, 2016 we took the next step in this process by opening the Fund to outside investors following a month of ramping up operations.

Our plan was – and will always be – to achieve this goal simply by applying the deep value-oriented investment approach that I have utilized throughout my 25-year investment career (and over roughly a decade of working alongside my colleagues Michael, John, and Ian Lapey) across a global universe of securities, including developed, emerging, and frontier markets. While we do not consider the Moerus investment approach a very complicated one, we suspect that you may find it quite different from many of those more commonly seen in the investment world today. In the following pages, we hope to provide a brief introduction to our investment approach. In the months and years ahead, I hope to continue an ongoing dialogue starting with this first shareholder letter, sharing with you what we are seeing in the world and how we are approaching it from an investment standpoint. We welcome any questions and queries that you might have, and we thank you very much for your support, interest and continued curiosity.

Fund Performance

Firstly, a quick note on performance. We manage the Fund with the goal of achieving attractive risk-adjusted performance over the long term. While we are often judged over short periods versus an index, we note that our investment approach can, at times, endure periods of relative under-performance. While short term results may fluctuate, we fully expect that over the long-term we will achieve our overarching goal of good performance and expect that the Fund will outperform the indices investors typically measure us against. We hope that our investors have a similar perspective, taking a long-term view and looking to take advantage of near-term dislocations by increasing their allocations to the Fund – the same way we seek to do with the individual investments in the Fund.

As of November 30, 2016, the Fund's Fiscal Year End, the Net Asset Value of the Moerus Worldwide Value Fund ("the Fund") was $10.61 per share (for the Institutional Class), as compared to $10.00 per share when the Fund commenced operations on June 1, 2016. As of December 31, 2016, the Fund's Net Asset Value was $10.98 per share[1] (for the Institutional Class).

In the six months since inception (as of November 30, 2016), the Fund returned 6.10%[2]. Please note that the Fund's performance data is noted simply for informational purposes for our fellow investors. The Fund invests with a long-term time horizon of roughly three-to-five years or more, and to be clear, the Fund is not managed with any short-term performance objectives or benchmark considerations in mind. The investment objective of the Fund is long-term capital appreciation.

The Moerus Approach: A Brief Introduction

At Moerus, we apply a fundamental, bottom-up value-oriented investment process, with the goal of buying securities of companies very cheaply, *i.e.*, at substantial discounts to our conservative estimates of intrinsic value. In the simplest of terms, we try to buy into businesses for less than what we believe they are worth. We do not view our investments as stocks that go up and down in price every day in the notoriously short-term, fickle stock markets. Instead, we view the holdings in our portfolio as ownership interests in businesses and assets that have fundamental, long-term value. At times, due to short-term, temporary factors and/or shifts in market psychology or sentiment, this fundamental value is discounted or underappreciated by the financial markets. We aim to opportunistically take advantage of such times.

We plan to delve deeper into the finer details of our investment philosophy and approach (the nuts and bolts, so to speak) in future letters. In the following pages, we will highlight several of the key attributes of the Moerus investment approach at a more general level, as well as provide some examples of specific investments in the Fund.

The Fund is unconstrained by geographic, industry, or index-related considerations. We will never invest in any specific company, industry, or geographic region just because major indexes or other investors are invested there. Conversely, we will never avoid a company, industry, or country for the sole reason that it is not heavily represented in closely followed indexes. In our view, this simply makes good investing sense. If we were to limit our shopping to only a handful of "permitted" stores, or to only a few specific parts of town, we would increase the odds of missing out on better bargains that might be available elsewhere. We believe investing is no different. Simply put, we are willing to go wherever we believe the most compelling risk-adjusted investment opportunities reside, period.

We are patient, long-term investors. In general, for each investment we envision a holding period in the range of three-to-five years, although we are willing to hold investments for even longer periods as long as the investment case remains attractive. Because the majority of other market participants are much more focused on the short or immediate term, we believe that our long-term investment horizon allows us to take advantage of significant stock price declines due to temporary factors which are unlikely to meaningfully or permanently harm the long-term, fundamental value of the underlying business. Sources of temporary adversity that sometimes offer us opportunities over the longer term include: poor recent business results; a challenging near-term outlook facing a company, industry or geography; macroeconomic or capital markets shocks; and company-specific missteps (the corporate equivalent of slipping on a banana peel) which can be overcome in time. From an investor's standpoint, sometimes the greatest opportunities appear when a business hits a bump in the road or when the skies above seem darkest.

The Fund's portfolio is built with a bottom-up focus. As noted above in discussing our unconstrained approach, we invest and build the portfolio based simply and completely upon our judgment of what the most attractive individual investment opportunities are at that point in time. We will not, for example, first hypothesize that "Brazil's

[1] Note the NAV is exclusive of the $0.052 per share distribution made in December, as the NAV was adjusted downward in conjunction with the distribution on December 21, 2016.

[2] Performance figures cited are for the Institutional Class and are net of fees. Please see disclosures at the end of the letter for more information.

economy is going to rebound" or "the Auto industry's growth is going to accelerate," and then look to find investments in each area that reflect those top-down predictions. Additionally, we will never invest in a security just because we "need to be invested" in certain industries or geographies so as to not be "too different" from benchmark indices or our closest peers. Instead, the Fund consists of investments which are selected based upon their individual merits and fit within the overall portfolio, not top-down or external factors. We are not afraid of being very different from the broader markets if the search for attractive opportunities takes us in that direction. As a result, we expect our portfolio's overlap with indices to typically be very low and country/sector exposures to be very different from various indices, as we continue to pursue attractive opportunities wherever and whenever they exist.

While macro-myopic, we strive to be macro-aware. Although our investment approach is resolutely bottom-up in nature, we do not, and cannot, simply ignore or neglect to consider the broader macroeconomic landscape that might be relevant to our potential investments. Far from it. Ignorance is not bliss when it comes to macro factors that could potentially harm any investment portfolio if we are caught wrong-footed. We strive to develop a deep awareness and understanding of the wide range of macroeconomic risks (and opportunities) that might come with any prospective individual investment.

Macro-awareness at Moerus does not involve forecasting the future. We do not spend time, nor do we place much, if any, emphasis on top-down forecasting of future macroeconomic unknowns. The reason is that historically, most macroeconomic forecasters have failed to consistently predict future economic conditions and, most importantly, the turning points in such conditions. Instead, in our experience, we have found most macroeconomic forecasting to be biased towards an extrapolation of recent trends. The collapse in crude oil prices from north of $100 per barrel in mid-2014 to a low in the $20s by early 2016 provides a glaring example of the general inability of forecasters to accurately predict significant shifts in direction. More recent examples from the political world, such as the Brexit vote, the U.S. presidential election, and the U.S. stock market rally that followed Election Day have further highlighted the limits of forecasting and more importantly, the vulnerability of any investment program that relies on forecasts. Lacking the assistance of a crystal ball that might improve our chances, we choose not to spend our time on predicting the future.

Instead, macro-awareness for us means spending a significant amount of time considering the risks to which the Fund's investments might be exposed. In particular, we assess the sensitivity of the Fund's investments to extremely adverse scenarios that tend to elude most extrapolative top-down forecasts. Not trusting our own (or anybody's) ability to reliably predict such events, we instead focus our efforts on seeking to mitigate the downside risks to the Fund from future unknowns by constantly evaluating the potential for, and the magnitude of, any "tail risk" events. An investment-by-investment assessment of the vulnerability of its business model or balance sheet to such adverse shocks in advance, before any adversity strikes, allows for a more robust awareness and understanding of the risk profile facing each prospective investment before we invest, and of the ongoing risks facing the portfolio after we invest.

The Moerus investment approach is very risk averse, but the risk we strive to limit and avoid is that of a permanent loss of capital to the business (and by extension to the portfolio). To that end, we spend much of our time carefully considering potential risks to the business at the individual security level as well as at the level of the entire portfolio. Risk is an extremely critical topic that we have written about extensively (see our *Perspectives on Risk* memo for more detail on this). But in general, we consider risks at various levels: those that are internal to each individual business (such as balance sheet/financial risks, a vulnerable business model or corporate governance issues); those that are external or outside of each business itself (examples include government intervention or the aforementioned macro shocks); and those that affect the overall portfolio (such as large aggregations of overlapping risks among holdings).

Unlike many, however, we <u>do not</u> strive to limit and avoid day-to-day fluctuations or volatility in stock prices (*i.e.*, market risk); in fact, we embrace such risk as a source of longer-term opportunity. Yes, securities prices will rise and fall depending on the day, sometimes rapidly and dramatically. But if over time we are ultimately able to successfully select investments at deep discounts to what they are fundamentally worth, we believe that the discrepancy between market price and fair value is likely to be ultimately recognized, either by "Mr. Market" or via events such as takeovers, asset sales, liquidations, etc. Importantly, by focusing heavily on the risk factors facing each potential investment, we aim to construct a portfolio that possesses the wherewithal and staying power to weather difficult conditions in the short term, surviving in order to thrive over the long run when conditions improve and when we believe intrinsic value will be recognized. Thus short-term volatility is, for us, a friend rather than foe, as it periodically provides bargains offered by panicked sellers and/or opportunities to sell if securities become significantly overvalued.

We believe that buying as cheaply as possible is a key principle of risk mitigation, in addition to being critical to maximizing potential long-term, risk-adjusted returns. Sure, it's easy to declare the proverbial "Buy low, sell high" as your investment strategy, and no investor will ever tell you that he or she bought a stock at an expensive price. But cheapness means different things to different value investors, and the specific valuation methodologies that value investors employ comprise a key area in which they distinguish themselves from each other. Not all discounts are equal – a 30% discount for one investor can mean something entirely different from a 30% discount for another.

The Moerus approach to valuation aims to employ a conservative, asset-based methodology that heavily weighs what is known here and now. The general goal is to identify potential investments that represent bargains based on what we know today, without relying on optimistic assumptions about the future. Due in part to our skepticism regarding the ability to forecast accurately, our valuation estimates focus much more often on actual balance sheet-based data than on the income statement and current or estimated future earnings or cash flows. We have written about our valuation methodology in much greater detail elsewhere (see our memo, *Moerus Capital: An Introduction*), but in general we try to slice and dice a company's balance sheet and value its components conservatively, with net assets typically valued at a significant discount to what we believe a reasonable strategic or financial buyer would pay for them under normal circumstances in an arms-length, cash transaction.

Our philosophy is that if done well, such a conservative methodology often yields a "bedrock" (lower bound) valuation, and that buying at a steep discount to this value may provide a "storm-tested" cushion against unexpected adversity. In our opinion, if we are able to invest in a business at a significant discount to the value that it might fetch if it were to sell all of its assets, such a discounted price could provide a margin of safety that can mitigate downside risk over the long term (provided that the investment's overall risk profile is favorable). In addition to downside protection, we believe that buying at a deep discount to a conservative, bare bones, liquidation-based valuation also may provide significant upside potential in the event of positive developments or if market sentiment and/or business conditions improve, simply because these possibilities are not often "priced in" at such discounted levels.

In our opinion, the Moerus approach to valuation is unlike those of many investors who estimate intrinsic value through various forms of discounted cash flow (DCF) analysis. In general, DCF analysis involves forecasting cash flows years into the future and making assumptions that, if subsequently adjusted, could meaningfully change the end result (estimated intrinsic value, or what the stock is worth). In our view, weighing earnings and cash flows (both current and future) heavily in valuing potential investments can be problematic because historical results are not always indicative of future results for a host of reasons, and also simply because, again, it is difficult to forecast accurately. That said, there are times in which we deem it appropriate to weigh earnings or cash flows more heavily in estimating the value of a business. But in those cases we try to incorporate little, if any, expectations or assumptions of future growth, use conservative capitalization rates or multiples of earnings or cash flows, and maintain a wariness of cyclically elevated or unsustainable current earnings. Conservatism is a recurring theme.

Generating ongoing reported earnings is not the only way that a corporation can build value over time, and we often find value in underappreciated companies and management teams that create value over the long run through non-earnings-centric means. Such sources of value creation include, among many others, the shrewd buying and selling of businesses and/or assets, repurchasing shares at a material discount to intrinsic value, and even issuing shares at a material premium to intrinsic value. Unlike reported earnings from ongoing operations, however, these non-earnings related means of value creation tend to be one-off in nature, lumpy and difficult for analysts to predict or model. As a result, companies that have a track record of adding significant value in this way – including some of the Fund holdings which we are about to discuss – are occasionally undervalued by the market, providing opportunities for us.

Investment Activity in the Fund

Following six months of operation, as of November 30, 2016, the Fund had 34 holdings, including investments in companies across various industries across North America, Europe, Asia, and Latin America. While for the purposes of brevity we cannot discuss all of them in these pages, below we will provide a brief snapshot of what we find interesting about five of our holdings (in alphabetical order). Given our long-term investing style, we suspect that we will have the opportunity to discuss many more of our holdings with you going forward in letters to come.

Aker ASA ("Aker") is an Oslo-based holding company, controlled by Norwegian billionaire Kjell Inge Røkke, which consists of a collection of assets related to energy and exploration on the Norwegian continental shelf, global oil services, shipping and ship building, and fisheries. A succession of interesting events took place in 2016 that prompted us to take a closer look at Aker.

First, Aker sold its fish farming and fish processing businesses at what we viewed to be attractive prices, bringing a significant amount of cash onto its holding company balance sheet. Next, in June 2016, Aker's Det Norske oil and gas exploration and production (E&P) holding merged with BP's Norwegian unit. In what we believe was a quite clever transaction, Aker opportunistically took advantage of the collapse in oil prices – and perhaps a desire among global oil majors to tighten their belts and look for alternatives for their non-core assets – creating one of the largest E&P companies in Norway with an attractive production profile, a large new field expected to come online in 2019, and significant operating leverage to potentially recovering oil prices. In a third transaction that was of particular interest to us, Aker participated in the recapitalization of Solstad Offshore, a large player in the market for offshore supply vessels (OSV) that provide transport to and from deep-water drilling platforms. As you might imagine, the decline in oil prices put this fragmented industry in a great state of disarray, with massive overcapacity and many distressed competitors. Via Solstad, Aker appears to be trying to drive consolidation in the industry – in fact, Solstad recently announced the purchase of a large competitor. If demand eventually returns and/or the industry structure becomes less fragmented, lending itself to less irrational pricing, the potential for value creation in a newly consolidated industry could be meaningful.

In our mind, Aker represents an example of what we discussed earlier: a company that could potentially create substantial value not from reported, recurring earnings, but through the well-priced sale of assets that are "in fashion" (the fisheries businesses) and the acquisition of assets that are not (oil-related businesses in mid-2016). The Fund was able to invest in this well-financed company at a significant discount to the market value of Aker's listed holdings (net of debt), the share prices of which were quite depressed given their energy exposure. Thus in our opinion, Aker's valuation is attractive on an "as is" basis, while increased production, a normalization in oil prices, and/or a rationalization of the OSV industry could provide considerable upside potential.

Almacenes Exito S.A. ("Exito") is a Colombian-listed retailer. With over 2,600 stores and over $10 billion of sales across Brazil, Colombia, Uruguay, and Argentina, Exito is the largest retailer on the continent of South America with a leading market share in each country, except Argentina, where it is the largest in the province in which it operates. The company's stores sell a range of goods, but food-related items account for the majority of sales.

Following a large transaction announced in July 2015, Exito was transformed from being the dominant retailer domestically in Colombia into the largest retailer in South America. Exito acquired control of Grupo Pão de Açúcar ("GPA"), a Brazilian retailer that was previously controlled by Exito's parent company. GPA is the dominant retailer in Brazil, with leading market share and six brands across the country. By bringing GPA under the control of Exito, Casino (Exito's parent company) has created the largest retailer in South America, with a footprint that serves 75%

of the continent's population. This combination of the businesses is further enhanced by Exito's ability to extract cost savings and synergies across the different countries and brands under which it now operates.

While this purchase from the parent was clearly far from uncontroversial, the valuation at which Exito made the acquisition was reflective of a far from buoyant environment. Because of a range of various issues (corporate governance questions connected with the transaction, a misalignment between the new business and the old shareholder base, a slowdown in both Colombia and Brazil, and being removed from the MSCI Colombia Index) we were able to acquire shares of Exito at what we consider to be a very modest valuation multiple. Interestingly, this valuation multiple is also being applied to a business that has seen significant challenges in both Brazil and Colombia over the past year, meaning that the price paid was even more modest in relation to the longer-term potential of the business. While many of the company's issues are real, they are, in our opinion, largely solved, resolvable or transitory. To us, the combination of these two market-leading businesses into South America's dominant retailer at prices reflecting a cyclical downturn, coupled with the business' good financial position and cash-generating ability, positions Exito extremely well for the long term.

Copa Holdings S.A. ("Copa"), based in Panama, is a leading Latin American provider of airline passenger and cargo service. From its Panama City hub, Copa currently offers roughly 355 daily scheduled flights among 74 destinations in 31 countries in North, Central and South America and the Caribbean, and provides access to around 170 other destinations through codeshare arrangements with other airlines. In our opinion, Copa has long stood out as the most efficiently, profitably and prudently run Latin American airline. This in itself is no small feat, given the industry's relative proneness to macroeconomic shocks. Airplanes, obviously, are very expensive, and because they have typically been bought and sold in U.S. dollars (USD), Latin American airlines have historically borrowed in USD to match their USD-based assets (airplane fleets). However, much of the revenue they generate is denominated in local currencies, be it the Brazilian real, Colombian peso, Mexican peso, *et al.* The combination of the need for relatively high debt levels due to the industry's capital intensity, coupled with currency mismatches between the companies' financial liabilities and their revenues, has resulted in a potent macroeconomic brew that periodically has proven toxic for Latin American airlines during periods of macroeconomic stress.

Indeed, there is a long list of Latin American airlines that have run into trouble over the years as a result of a generally familiar pattern. Aggressive capacity building takes place during the good times when above-average passenger growth rates seem unlikely to ever slow. Then at some point the inevitable cyclical economic slowdown arrives, reducing consumer incomes and therefore the demand to fly, usually resulting in more empty seats and lower ticket prices at the same time that local currencies are weakening relative to the USD, which makes USD-denominated debts more difficult for LatAm airlines to service with their local currency revenue base. Thus the severe macroeconomic stress that much of Latin America has experienced over the past few years has been particularly tough on airlines.

The silver lining from our perspective, however, is that because Latin American airlines have been faced with such headwinds (no pun intended) over the years, the number of survivors operating in the industry is relatively few, and a well-run survivor such as Copa should be able to operate relatively profitably under normal conditions. In fact, Copa has remained highly cash generative and indeed has even repurchased shares during what have been very difficult times for the industry – remember that although lower fuel prices are, *all else equal*, generally good for airlines, the importance of natural resources to much of Latin America has meant that the collapse in oil prices (and resource prices generally) has had dramatically adverse spillover effects on the broader economy and consumer spending, especially in Brazil and Colombia.

We believe Copa's strong performance against a very challenging backdrop is a testament to its operating cost management, modern fleet, and well-located hub at Tocumen International Airport in Panama City. On the latter point, Tocumen International is strategically located to provide convenient connections to destinations in the Caribbean and North, Central, and South America that do not generate enough demand to justify direct service. Copa therefore is able to dominate many of these thin, underserved markets from its hub in Panama. Despite Latin America's troubles in recent years, the region continues to offer meaningful potential for above-average growth when the macro backdrop normalizes. The cyclical downturn in the region enabled the Fund to invest in this high quality company at what we believe is an unusually modest valuation relative to normalized cash flow and profitability.

Global Logistic Properties Limited ("GLP") is a Singapore-listed real estate company. With a portfolio spanning over 573 million square feet, GLP has the largest market share in the industry in China, Japan, and Brazil, and is the second largest in the US. It is the third-largest operator of modern logistics facilities globally. These modern logistics facilities are of particular interest as they are not just simply boxes. Today's e-commerce and logistics customers require technologically-advanced facilities in strategic locations, something of which there is limited supply – especially in China and Brazil. In addition, the size and geographic span of these operations in the countries where it is the largest operator of logistics services give rise to network economies that would be hard to replicate for new industry entrants without the application of a considerable amount of capital.

GLP employs a very unique business model that allows it to extract value from all parts of the industrial real estate life cycle. The company owns an operating portfolio of logistics properties, owns land and develops new logistics facilities, and operates an investment management operation that is one of the largest in industrial real estate. The operating portfolio generates recurring cash flows and keeps GLP closely involved with the markets in which it operates, its clients, and future sources of demand; the development business draws on the existing client base to do build-to-suit and demand-led developments – generating attractive profits; and the fund management business allows GLP to leverage its considerable expertise across a much broader asset base – generating substantial recurring fee income from its managed funds.

Shares of GLP became available at a discount to our conservative estimate of NAV as concerns grew around slower growth in spending by Chinese and Brazilian consumers last year and supply in China in particular increased, resulting in the lowering of expectations for what had historically been a high-growth business and for the valuation attributed to it. At the same time, we believe that the market misunderstood several transactions on the fund management side of the business, which significantly increased the company's global footprint by moving it into the US market in a significant way, but did not increase its invested capital significantly. Because of these near term issues, we were able to buy shares in GLP at an attractive discount to the in-place value of the business today, attributing almost no value to the vast potential of the fund management business.

Straits Trading Company Limited ("Straits") is a Singapore-based holding company with investments across a range of industries, but it is primarily focused on Real Estate, Hospitality, Resources and Financial Services. Straits is a company that we have been familiar with as a team for years, and we are particularly attracted to the quality of its management team.

Straits is a company in the midst of a significant transformation. Over the past three years, the company has been transitioning itself from the capital-intensive business of direct ownership of lower-yielding assets into the more capital-light model of an asset manager. The company has systematically sold down its direct ownership stakes in many assets and reinvested the capital into similar business lines as a financial investor with elements of control. To wit, starting in 2013 the company undertook three large transactions to unlock the value in its businesses. First, Straits sold its stake in WBL Corporation, a diversified holding company in which it was initially a sizable but passive shareholder. Second, Straits contributed its hospitality portfolio into a joint venture with the Far East Organization, in return for a 30% ownership stake of what is now one of the largest hospitality companies in Asia; and third, the company purchased a 20.1% stake in the listed Singaporean asset manager ARA Asset Management Limited ("ARA"), coincident with Straits contributing its real estate assets into a new joint venture with ARA. These three transactions have given Straits ownership positions in businesses which are multiples larger than the portfolio of assets it had previously controlled directly. Not only have these transactions materially increased the size of Straits' businesses, but they are, in their new form, considerably more scalable entities with materially reduced capital intensity.

Straits represents an exciting situation where we are able to invest – at a significant discount to the current value of the underlying assets and alongside a savvy control investor – in the transformation of this business into what could become a key player in the region. Should Straits successfully effect this transformation (which we fully believe it will), the business will be significantly more valuable – as the company would have recurring income streams across a significantly larger, and growing, asset base – and we believe that the valuation will reflect this in due course.

Until Next Time

We hope that the above discussion of five of the Fund's investments begins to paint a reasonable picture for you of how we plan to deploy the Fund's capital in the years ahead, and we look forward to continuing to provide you with further color on these and additional Fund investments in future letters. Hopefully these examples have been illustrative of a number of general attributes of our investment approach at Moerus that you should expect to remain in place going forward, including the following:

- Our unconstrained approach will take the Fund far and wide in the search for compelling risk-adjusted value, wherever it may be – from the Norwegian continental shelf (Aker), to grocery store shelves in Colombia and Brazil (Exito), to logistics facilities in China (GLP). Over time the specific locations will change, but the Fund's ability to go wherever bargains reside will not.
- Our long-term focus allows us to take advantage of attractive pricing brought about by periods of what we view as temporary adversity, such as the collapse in oil prices and the pain that it has inflicted on energy-related industries as one example. Importantly, the Fund's investments will be limited to only those businesses that we believe have the staying power to persevere through tough times in order to profit when difficult conditions abate.
- The Fund will be invested in businesses that we deem to be valued unusually cheap as-is, based on what we know here and now. However, over and above this, we believe that the Fund has the potential to benefit from the value created by transformational events that might not be visible in the current, reported earnings, but could nonetheless prove to be quite material over time. Examples include Aker taking advantage of distress in the oil industry to create the largest E&P company in Norway, and Exito morphing from a Colombian retailer to a large pan-Latin American retailer that we think will benefit handsomely if and when the region recovers.

Many thanks again for your continued support, interest, and curiosity. We look forward to writing you again later in the year. In the meantime, best wishes for a happy, healthy, and prosperous 2017!

Sincerely,

Amit Wadhwaney, Portfolio Manager

IMPORTANT INFORMATION

Investing in mutual funds involves risks including the possible loss of principal and there can be no assurance that any investment will achieve its objectives. International investing involves increased risk and volatility due to currency fluctuations, economics and political conditions, and differences in financial reporting standards.

The preceding information is not being provided in a fiduciary capacity, and it is not intended to be, and should not be considered as, impartial investment advice.

Investors should carefully consider the Moerus Worldwide Value Fund's (Fund) investment objectives, risks, charges, and expenses before investing. This and other important information about the Fund are contained within the prospectus, which can be obtained by calling 1-844-MOERUS1, or visiting www.moeruscap.com. The prospectus should be read carefully before investing.

Date of first use of this material: February 7, 2017

Fund Performance (as of December 31, 2016)* **Fund/Index**	**6 Months**	**Since Inception****
Moerus Worldwide Value Fund - Class N	8.31%	17.93%
Moerus Worldwide Value Fund - Institutional Class	8.48%	18.25%
MSCI AC World Index Net (USD) ***	6.55%	10.29%

Gross Expense Ratios: Class Inst.: 1.44%; Class N: 1.69%   Nets Expense Ratios: Class Inst.: 1.40%; Class N: 1.65%

Past performance does not guarantee future results. The performance data quoted represents past performance and current returns may be lower or higher. Returns are shown net of fees and expenses and assume reinvestment of dividends and other income. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Investment performance reflects expense limitations in effect. In the absence of such expense limitations, total return would be reduced.

The Fund's adviser has contractually agreed to reduce its fees and/or absorb expenses of the fund, until at least March 31, 2017, to ensure that total annual fund operating expenses after fee waiver and/or reimbursement (exclusive of any taxes, brokerage fees, commission fees, borrowing costs, acquired fund fees and expenses, fees and expenses associated with investments in other collective investment vehicles or derivative instruments, or extraordinary expenses such litigation) will not exceed 1.40% and 1.65% for the Institutional Class and Class N shares respectively.

** Performance data quoted is historical and is net of fees and expenses.*
*** Inception date of the Moerus Worldwide Value Fund is June 1, 2016.*
**** The MSCI All-Country World Index (Net) is an unmanaged index consisting of 47 country indices comprised of 23 developed and 24 emerging market country indices and is calculated with dividends reinvested after deduction of withholding tax. The Index is shown solely for comparison purposes and the underlying holdings of the Index may differ significantly from the portfolio. The Index is a trademark of MSCI Inc. and is not available for direct investment.*

Investing involves risk, including possible loss of principal. Equity securities are subject to market, economic and business risks that may cause their prices to fluctuate. Investments made in small and mid-capitalization companies may be more volatile and less liquid due to limited resources or product lines and more sensitive to economic factors. Fund investments may be concentrated in a particular country geographic region, sector, industry, or group of industries, and the value of Fund shares may rise and fall more than more diversified funds. Foreign investing involves social and political instability, market illiquidity, exchange-rate fluctuation, high volatility, and limited regulation risks. Emerging markets involve different and greater risks, as they are smaller, less liquid, and more volatile than more developed countries. Frontier market countries generally have smaller economies and less developed capital markets than even traditional emerging markets, and, as a result, the risks of investing in emerging market countries are magnified in frontier market countries. Currency risk is the risk that the values of foreign investments may be affected by changes in the currency rates or exchange control regulations. Significant investments in cash or cash equivalents may run the risk that the value of the cash account, including interest, will not keep pace with inflation. Please see the prospectus for details of these and other risks.

Current and future portfolio holdings are subject to change and risk.

Top ten holdings as of 12/31/16 as a percentage of the Fund's net assets: Coats Group PLC (3.49%), Organizacion Terpel SA (3.46%), Almacenes Exito SA (3.22%), Mediobanca SpA (3.20%), Gran Tierra Energy, Inc. (3.06%), HRG Group, Inc. (3.03%), Bolsa de Valores de Colombia (3.01%), Standard Chartered PLC (2.95%), Guoco Group Ltd. (2.91%), and Global Logistic Properties Ltd. (2.88%).

The Moerus Worldwide Value Fund is distributed by Foreside Fund Services.

MOERUS
CAPITAL MANAGEMENT

Moerus offers additional investing opportunities and vehicles for U.S. institutional investors and non-U.S. individual/institutional investors. If you would like further information, please contact us at:

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