Moerus Worldwide Value Fund
MOWIX - MOWNX

Q2 2023 Quarterly Review & Outlook

Market Review – Q2 2023

The Second Quarter ("Q2") largely picked up where the First Quarter left off, with positive performance across most equity markets driven primarily by the significant outperformance of mega-cap Technology stocks relative to Value. This trend from earlier in 2023 continued in Q2, with the MSCI All Country World ("MSCI ACWI") *Growth* Index (+9.19%) outperforming the MSCI ACWI *Value* Index (+2.98%) by over 6 percentage points for the quarter, bringing its year-to-date outperformance (through June 30) to nearly 20 percentage points[i]. In addition to the frenzy surrounding all things perceived to be Artificial Intelligence (AI) related, such marked bifurcation in performance seems to also be driven, in part, by markets' continued reaction to fears/predictions of a potential economic slowdown/recession and the recent turmoil in the U.S. regional banking space – a reaction that, in aggregate, seems to have resulted in lower interest rate expectations (with the Federal Reserve leaving rates unchanged in June) and a potentially shorter timeline toward an eventual reversal in the Fed's policy stance. Seemingly implicit in this reaction is the market's assumption that lower interest rates and/or looser monetary conditions will favor Growth stocks over Value going forward, as they have throughout much of the post-Global Financial Crisis (GFC) era – a viewpoint that we remain quite unconvinced of, but which nonetheless prevailed across markets again in Q2.

Also noteworthy was the continued top-heaviness of benchmark index performance in Q2, including that of the Fund's benchmark, the MSCI ACWI (+6.18%), which once again meaningfully outperformed the equal-weighted version of the index (+0.22%) – reflecting the continued exceptional performance of mega-cap U.S. Growth stocks in 2023. Specifically, in Q2, the so-called "Magnificent Seven" (Apple, Microsoft, Alphabet, Amazon, Nvidia, Tesla and Meta) – which make up the top eight constituents of the MSCI ACWI (both classes of Alphabet stock make the list) – were up 26%, on average, with Nvidia leading the way (+52%) and Alphabet "lagging" (+16%). Soaring stock prices in the Tech space were fueled by the market's ongoing euphoria surrounding AI, which seemingly lifted the share prices of any company perceived to have exposure to the rapidly evolving technology – a development that is, to us, somewhat reminiscent of the Technology bubble of the late-1990s during the early days of rapidly growing internet usage. On the other hand, Value stocks in areas such as Natural Resources struggled by comparison amid recession fears. Driven by these factors, U.S. markets (S&P 500: +8.74%; NASDAQ Composite: +13.05%) markedly outperformed International markets (MSCI ACWI ex-USA: +2.44%), with emerging markets generally lagging (MSCI Emerging Markets Index: +0.90%).

Fund Performance & Attribution – Q2 2023

The Moerus Worldwide Value Fund Institutional Class ("the Fund") returned +9.08% in Q2, as compared to the MSCI ACWI Net, which returned +6.18%.[1] In short, in Q2 the Fund performed quite well in both *absolute* terms as well as *relative* to the benchmark, despite a general market backdrop that heavily favored Growth over Value strategies. Year-to-date (through June 30), the Fund returned +11.72%, as compared to the MSCI ACWI, which returned +13.93% – a satisfactory result for the Fund in an absolute sense, albeit one which trailed the benchmark in what was arguably a hostile first half of 2023 in relative terms for Value strategies. The Fund's five most significant contributors in Q2 were Natura & Co., Companhia Brasileira de Distribuição (CBD), IDFC First Bank, Arcos Dorados and Tidewater. The five largest detractors in Q2 were Osisko Mining, Canfor Pulp Products, Major Drilling Group, International Petroleum Corp. and Turkiye Sigorta.

The Fund's strong absolute performance and outperformance of the MSCI ACWI in Q2 despite a market environment that heavily favored Growth over Value was driven, in no small part, by a number of company-specific events within the portfolio and corporate activity that we believe is favorably contributing to the Fund's returns. Starting with the list of the Fund's top contributors: Natura & Co., a Brazil-based beauty products retailer, announced the sale of its luxury cosmetics brand Aesop to L'Oréal S.A. for $2.5 billion, an asset sale that we believe is well-priced and is likely to transform the balance sheet for the better, allowing the company to reduce debt and invest in its other brands. CBD, the Brazil-based grocery retailer, continued to progress towards its pending spin-off of a majority of its stake in Colombian retailer Almacenes Exito

[1] **Past performance does not guarantee future results. The performance data quoted represents past performance and current returns may be lower or higher. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. 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.**

S.A. ("Exito"). We believe this event could potentially unlock substantial value, as we estimate that the total equity market capitalization of CBD at present *implies a discount to the market value of CBD's ownership stake in Exito alone*, with zero or even negative value currently attributed to CBD's other assets. Additionally, in late-June CBD received an unsolicited bid for its stake in Exito – which was rejected on valuation grounds, but which could potentially provoke alternative bids. In short, we believe there is considerable value inherent in CBD that could potentially be recognized, either by the market itself or via corporate activity (e.g., spin-offs, asset sales, a takeover). Offshore Energy Services holding Tidewater continued its strong recent performance, driven by continued improvement in business activity levels and a tightening market for Offshore Support Vessels, but the company also continues to build long-term business value (in our view) through well-priced asset acquisitions from distressed or motivated sellers. The most recent example of this was Tidewater's acquisition of 37 vessels from Solstad Offshore at a discount to our estimate of replacement cost.

Similarly, other meaningful positive contributors to Fund performance in Q2 included holdings Westaim Corp. and Spectrum Brands, both of which were also driven by corporate events that we believe were value-accretive. Canada-based Holding Company Westaim recently sold a portion of its 37% stake in Skyward Specialty Insurance Group, which was listed via an IPO earlier this year. Westaim intends to use some of the proceeds to repurchase its own shares – an excellent value proposition, in our view, considering that prior to the announcement of the stake sale, the value of Westaim's shares of Skyward alone was roughly equivalent to Westaim's entire equity market capitalization, attributing little-to-no value to its other assets. U.S.-based consumer products holding Spectrum Brands recently completed the sale of its Hardware & Home Improvement (HHI) business to Assa Abloy at what we view as an attractive price. Interestingly, the $3.6 billion of net proceeds that Spectrum Brands received from the sale of its HHI unit was greater than the equity market capitalization *in its entirety* of around $3.2 billion. Spectrum Brands intends to use the cash from the asset sale to reduce debt and repurchase shares, and it will still have its three remaining divisions, which we believe are quite valuable.

By *sector*, the largest positive contribution to the Fund's performance in Q2 (as in Q1) came from its Financial Services holdings, despite the U.S regional banking turmoil that weighed, at times, on sentiment towards the entire sector in the first half of 2023. The Fund does not own any U.S. commercial banks; the Fund's Financials holdings are a heterogeneous group of investments operating across different geographies (North America, Europe, India and Latin America) and types of business (including Banks, Holding Companies, and Insurance Companies) that collectively offer, in our opinion, opportunities to invest in well-capitalized businesses with attractive long-term prospects at meaningfully discounted valuations. In Q2, leading positive contributors among the Fund's Financials holdings included our Indian Financial Services holdings (IDFC First Bank, Edelweiss Financial and Bajaj Holdings), Westaim, and banks UniCredit and Standard Chartered – both of which were recapitalized some years ago and have been utilizing what we believe are their robust capital positions to return significant capital to shareholders (dividends and share buybacks at steep discounts to book value). The only sector that detracted from Fund performance in Q2 was our collection of Materials holdings, reflecting declines in many Natural Resource-related equities amid recession fears.

By *geography*, the largest positive contribution to performance came from the Fund's Latin American holdings, led by Brazil (Natura, CBD) but also including strong results from across the region, including from Arcos Dorados, the exclusive McDonald's master franchisee throughout much of Latin America and the Caribbean – a business whose performance has been remarkably strong, in our view, since the initial pandemic shock. India was another leading contributor in Q2, while Canada was the primary detractor (due largely to Materials-related declines).

Fund Outlook

Looking ahead, there are numerous paths the global economy could take, with market prognosticators actively debating the near-term future of the economy, inflation, and interest rates. These are debates in which we neither participate, nor base any investment decisions upon, as we are not willing to risk your capital or our own on our (or anybody's) ability to accurately forecast macro variables. But although we won't try to predict an inherently uncertain future, we strive to be aware of various macro scenarios and how they could potentially impact the Fund. We believe there are various plausible scenarios for the economy in the months ahead. One scenario that some commentators have been predicting for months is a meaningful economic slowdown/recession resulting from the series of interest rate hikes made by the Federal Reserve since 2022. This could, in turn, result in reduced rates of inflation that might allow the Fed to halt or even reverse course. The recent regional banking turmoil seemed, in the eyes of many, to potentially shorten the timeline of this outcome, with markets once again favoring high-priced Growth and Technology stocks that benefited from the unusually low interest rates seen throughout much of the post-GFC era. Indeed, recent statistics suggest inflation may be slowing somewhat in certain areas, and in June the Fed paused its rate hikes. Yet, defying the recession forecasts of many, the economy has remained impressively resilient thus far, perhaps supported by heavy fiscal stimulus, a relatively healthy consumer, and a fairly tight labor market. If the economy were to continue to defy expectations of a meaningful slowdown, inflation could remain higher than some might expect. Furthermore, it is unclear whether some of the primary factors that we believe drove the initial surges in inflation – for example, years of underinvestment in Natural Resources (Energy, Agriculture, Metals, etc.) critical to supporting economic growth – have been addressed adequately enough in terms of long-term solutions on the supply-side. Thus, even if a meaningful recession were to eventuate and the Fed then reverses course, it is possible that inflation in those same areas of the economy could subsequently reemerge, if/when *demand* eventually recovers and *supply* once again struggles to keep up. Alternatively, stagflation is yet another possible scenario. Simply put, we do not know if inflation will go up or down from here, nor will we base any investment decisions on our ability to predict whether or not a recession might occur.

With that said, we do believe it is reasonably likely that inflation in the future, while subject to cyclical volatility, may not be as low (in general and on average) as it had been throughout much of the recent past, for numerous reasons. Although monetary policy has become less accommodative recently, this only came after many years of monetary stimulus that then went into hyperdrive during the pandemic – leading to a dramatic expansion of the money supply. On top of *monetary* stimulus, the pandemic also sparked a wave of massive *fiscal* stimulus, with the government currently engaging in heavy deficit spending despite a relatively resilient economy and healthy labor market, and with spending tied to recent infrastructure legislation and the "Inflation Reduction Act" likely making its way through the economy in the months/years ahead. Furthermore, we have observed increased ructions in international trade, with many governments seemingly becoming increasingly interventionist in matters of trade and economic policy. In Europe, Russia's invasion of Ukraine continues, and with it, an ongoing potential for disruptions in the markets for oil, gas, agricultural and other commodities. Increased geopolitical tensions have, to some extent, begun to reverse momentum away from globalization and increased global economic cooperation, trends which we believe had played a meaningful role in the relatively benign rates of inflation experienced over the past 30-plus years. We believe that these factors and others, taken in aggregate, point to an increased probability of a period ahead in which inflation rates, although potentially volatile, waxing and waning cyclically – may very well remain higher than they had been in the recent past, in general and on average.

As for potential implications for the Fund, we therefore believe that security selection and the fundamentals behind it (e.g., valuations, financial positions, long-term prospects) are apt to matter more in determining investment outcomes in the current context, with inflation awakened from a multi-decade slumber, geopolitical risks rising and the cost of capital increasing from the artificially low levels of many of the past 15 years. Although there will certainly be volatility along the way, we believe this bodes well for the Fund longer-term because our investment approach has always remained focused on valuation and long-term fundamentals, in an effort to uncover potentially compelling *longer-term* bargains that become available as a result of *short-term* volatility. We believe certain stock-specific attributes that we seek in a given investment, some of which seemed irrelevant in determining investment outcomes in recent years amid seemingly endless waves of liquidity, began to matter more in 2022 and, notwithstanding a resurgence in "story stocks" in 2023, are apt to continue to matter in the future. These attributes include discounted valuations that price in skepticism rather than optimism, as well as financial position strength and a business model whose sustainability is not at the mercy of the whims of capital markets. Another important attribute we seek is ample potential for long-term value creation via corporate activity (e.g., well-priced acquisitions and sales of assets, repurchasing shares at discounted prices, spin-offs, etc.). We believe such corporate activity (if done well) can drive long-term value creation while investors "wait" for those efforts to eventually be rewarded either by the market, a takeover, or other means. On that subject, we believe this is an exciting time for the Fund's collection of idiosyncratic investments that, in our view, are rich with possibilities for event-driven value creation, which could potentially positively impact Fund performance in a way that is not entirely reliant upon market conditions.

In conclusion, while volatility is to be expected, we intend to remain focused on the long run and we believe the Fund is well positioned, given our focus on what we believe to be well-financed, deeply discounted investment opportunities in areas that seem better suited in a *relative* sense for an environment in which we believe valuation and fundamentals may reassert their critical role in determining long-term, risk-adjusted investment returns. Over the long run, we believe that the attractive valuations, sound long-term fundamentals, potential for value-accretive corporate activity, and staying power of many Fund holdings offer attractive portfolio-level benefits and bode well for the Fund's prospective risk-adjusted returns – particularly in a world where broader benchmark indices continue to trade at what we see as rich valuations and are increasingly concentrated in what we view as highly correlated areas.

Many thanks for your continued support, interest, and curiosity.

FUND PERFORMANCE

Trailing Returns (as of June 30, 2023):	One Month	Three Months	Year-to-Date	One Year	Annualized Three Years	Annualized Five Years	Annualized Since Inception[1]
Moerus Worldwide Value Fund (Inst.)	8.56%	9.08%	11.72%	25.76%	22.75%	4.92%	6.35%
MSCI All-Country World Index (Net)[2]	5.81%	6.18%	13.93%	16.53%	10.99%	8.10%	9.73%

Monthly Returns:	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023
Moerus Worldwide Value Fund (Inst.)	5.16%	-0.34%	-7.86%	6.28%	9.79%	-0.09%	9.70%	-3.61%	-3.13%	0.63%	-0.16%	8.56%
MSCI All-Country World Index (Net)[2]	6.98%	-3.68%	-9.57%	6.03%	7.76%	-3.94%	7.17%	-2.87%	3.08%	1.44%	-1.07%	5.81%

Calendar Year Returns:	2017	2018	2019	2020	2021	2022
Moerus Worldwide Value Fund (Inst.)	19.35%	-19.46%	15.27%	-10.06%	18.33%	6.40%
MSCI All-Country World Index (Net)[2]	23.97%	-9.41%	26.60%	16.25%	18.54%	-18.37%

Institutional Share Class Performance: Gross Expense Ratio: 1.75% / Net Expense Ratio: 1.26%

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 funds advisor has contractually agreed to reduce its fees and/or absorb expenses of the fund, until at least March 31, 2024, 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 as litigation) will not exceed 1.25% for Institutional Shares.

1. Inception date of the Moerus Worldwide Value Fund is June 1, 2016.
2. 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 6/30/23 as a percentage of the Fund's Total Net Assets: Cia. Brasileira de Distribuição (5.37%), Despegar.com Corp. (5.05%), Tidewater Inc. (4.17%), Spectrum Brands Holdings Inc. (3.90%), Exor NV (3.73%), Westaim Corp. (3.66%), Conduit Holdings Ltd. (3.57%), Natura & Co. Holding SA (3.55%), Enerflex Ltd. (3.50%), and Arcos Dorados Holdings Inc. (3.45%).

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

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[i] Source for index and stock returns: Bloomberg