Moerus Worldwide Value Fund

MOWIX - MOWNX

Q4 2023 Quarterly Review & Outlook

Performance (%) (As of December 31, 2023)	QTR	YTD	1 Yr	3 Yr	5 Yr	Since June 1, 2016
Moerus Worldwide Value Fund (Inst.)	10.43%	24.80%	24.80%	16.26%	10.25%	7.47%
MSCI All Country World Index ex USA (Net)[1]	9.75%	15.62%	15.62%	1.55%	7.08%	6.37%
MSCI All Country World Index (Net)[2]	11.03%	22.20%	22.20%	5.75%	11.72%	10.06%

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. For performance current to the most recent month-end, please call 1-844-663-7871.

The Fund has contractually agreed to reduce its fees and/or absorb expenses of the Fund, until at least November 6, 2024, to ensure that total annual fund operating expenses after fee waiver and/or reimbursement (exclusive of any taxes, brokerage fees and commissions, 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 Class Shares. The Gross Expense Ratio is 1.75% for Institutional Class Shares.

Fund Performance – Q4 2023

The Moerus Worldwide Value Fund Institutional Class ("the Fund") returned +10.43% in the Fourth Quarter ("Q4"); by comparison, the MSCI All Country World ex USA ("MSCI ACWI ex USA") Net Index returned +9.75%, and the MSCI All Country World ("MSCI ACWI") Net Index returned +11.03%. In short, the Fund generated strong returns in *absolute* terms and also outperformed the MSCI ACWI ex USA, albeit while slightly lagging the MSCI ACWI in *relative* terms. For the full year (twelve months ended 12/31/23), the Fund returned +24.80%, outperforming both the MSCI ACWI ex USA (+15.62%) and the MSCI ACWI (+22.20%). We'll return to the Fund's performance after a brief review of markets in Q4.

Market Review – Q4 2023

The Fourth Quarter was a strong period for most equity markets, although Q4 began inauspiciously enough. October saw the third consecutive month of declines for most equity markets, driven by factors including elevated U.S. Treasury bond yields amid concerns about fiscal spending and a surge in geopolitical uncertainty sparked by the October 7th attack on Israel by Hamas and the ensuing war in the Middle East. Thereafter, equity markets surged in November, driven by economic data points (CPI, payrolls, PCE, et al.) that instilled a renewed conviction for many in the disinflation narrative and the end of Federal Reserve interest rate hikes, with market expectations for rate cuts in 2024 growing considerably. In a wild swing in sentiment from a few weeks prior, when expectations of a "higher for longer" scenario had prevailed, Treasury yields declined meaningfully, as the stock market increasingly considered a "Goldilocks" or "soft landing" scenario in which economic activity and inflation might slow enough to allow for rate cuts, but without a "hard landing" that could potentially call into question the valuations of some of the most popular pockets of the equity market (e.g., mega-cap Tech). In December, Federal Reserve Chair Jerome Powell offered additional holiday cheer to equity markets, with the Fed holding rates steady for a third meeting and signaling a shift in focus towards the question of when to begin cutting rates. Whether the implied declaration of "Mission Accomplished" in reining in inflation proves to be premature remains to be seen, but markets celebrated nonetheless. In sum, these factors drove gains across equity markets, with most advancing meaningfully in Q4.

On a *relative* basis in Q4, in general terms, "Growth" stocks (MSCI ACWI *Growth* Index: +12.74%) outperformed "Value" (MSCI ACWI *Value* Index: +9.16%) in Q4, while U.S. stocks (S&P 500: +11.68%; NASDAQ Composite: +13.84%)

[1] *The MSCI All Country World Index ex USA (Net) is an unmanaged index consisting of 46 country indices comprised of 22 of 23 developed markets (excluding the US) 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.*

[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.*

outperformed International equity markets (MSCI ACWI ex-USA: +9.75%; MSCI Emerging Markets Index: +7.86%). The benchmark MSCI ACWI (+11.03%) outperformed its equally-weighted version (+7.70%), as large-cap Tech stocks outperformed. As such, Q4 saw a resumption in perhaps two of the most noteworthy prevailing trends of 2023: the significant outperformance of Growth stocks over Value, and the relative top-heaviness of benchmark index performance. Both were driven in no small part by the substantial outperformance of mega-cap U.S. Tech stocks (an increasingly significant component of benchmark indices in recent years) amid the market's euphoria surrounding Artificial Intelligence (AI). To wit, for the *full-year 2023*, the MSCI ACWI *Growth* Index (+33.22% in 2023) outperformed the MSCI ACWI *Value* Index (+11.81%) by over 21 percentage points, while the MSCI ACWI (+22.20%) meaningfully outperformed the equal-weighted version of the same index (+8.88%) in 2023. On a related note, by geography, U.S. markets (S&P 500: +26.26%; NASDAQ Composite: +44.70%) dramatically outperformed International equity markets (MSCI ACWI ex-USA: +15.62%; MSCI Emerging Markets Index: +9.83%) in 2023, driven (again) by mega-cap U.S. Growth and Tech.

Fund Attribution – Q4 2023

Against this backdrop, the Fund generated strong performance on an absolute basis, while outperforming the MSCI ACWI ex USA and modestly underperforming the MSCI ACWI on a relative basis in Q4. For full-year 2023, the Fund performed well in absolute terms and meaningfully outperformed the benchmark indices, despite the general market environment heavily favoring mega-cap Growth over Value strategies and the broader market. The Fund's five most significant positive contributors in Q4 were Despegar.com, Almacenes Éxito, Grupo Financiero Galicia, International Petroleum, and Arcos Dorados. The five largest detractors in Q4 were Türkiye Sigorta, Dundee Corp., Enerflex, IDFC First Bank, and Nutrien. Considering the context described above, in a period that was generally kinder in relative terms to Growth and U.S.-focused strategies than to Value and International, the Fund performed quite well in Q4. This was driven, in part, by improving fundamentals and company-specific developments within the Fund, most notably in Q4, among its Latin American holdings. It was also driven by corporate activity (e.g., asset sales, M&A, share buybacks) that we believe favorably contributed to the Fund's returns in ways that we believe are less dependent on top-down market factors or market sentiment favoring our particular investment style in a relative sense (the latter was clearly not the case in 2023).

By far, the most noteworthy contributor to the Fund's performance in Q4 was its collection of investments in Latin America. We have written often about the attractiveness of the Fund's holdings in Latin America, including last quarter in these pages, when we noted that the region includes many of our most exciting long-term opportunities. In general, Latin America had been shunned (or simply ignored) by investors for the past several years amid various sources of macroeconomic, political, and pandemic-related adversity that weighed both on the region's equity markets and its local currencies. But we believe such out-of-favor, capital-starved areas, which make up the investment world's graveyards and ghost towns *of the moment*, often provide compelling opportunities to the *long-term* investor who is patient and price-conscious. What's more, we believe such investors are increasingly rare today in a momentum-driven world that is getting longer on instant gratification and shorter on attention span – making for less competition as we hunt for opportunities in what we believe are fertile grounds from a longer-term perspective. Indeed, we believe Latin America represents another case in which, in the heightened fear of the moment, babies were thrown out with the bathwater. The Fund is invested in a collection of leading, domestically/regionally focused companies – operating in areas that include consumer products, travel, banking, and retail – that we believe have performed quite well as businesses and are well-positioned in their markets, only to have those results either obscured or overshadowed by short-term, top-down market concerns.

In Q4, Latin America accounted for four out of the top-five and seven out of the top-nine positive contributors to Fund performance. In general, investor sentiment towards the region seemed to improve, as perceived political risk (elevated after past elections) began to subside somewhat. Meanwhile, central banks in Brazil, Chile, and Colombia, which had aggressively raised interest rates to rein in inflation, began cutting rates in 2023. The improved general sentiment, in our view, allowed for the attractions of each of the Fund's businesses to begin to shine through and perhaps garner increased investor attention. All of the Fund's Latin American holdings positively contributed to performance in Q4, many meaningfully so. In some cases, gains were driven by significant improvements in business conditions, as was the case for Despegar.com, the largest Online Travel Agency in Latin America, whose bookings, revenues, and profits have surged amid an ongoing post-pandemic recovery in travel-based activity that appears to be gaining momentum. Similarly, Arcos Dorados, the largest McDonald's franchisee in the world, continues to produce impressive results, most recently in Q3 2023 when it grew revenues by 43% year-over-year in constant currency terms and 22% in USD terms. In other cases, value was unlocked via corporate event-driven activity. You may recall that a Fund holding, Brazilian grocery retailer Companhia Brasileira de Distribuição ("CBD"), recently spun-off the majority of its holding in Colombia-based retailer Almacenes Éxito ("Éxito"). Prior to the spin-off, the total equity market cap of CBD *implied a discount to the market value of CBD's ownership stake in Éxito alone at that time*, thus attributing a "negative value" for CBD's entire Brazilian grocery business and other non-core assets. Not long after the spin-off, Éxito was the subject of a tender offer at a roughly 42% premium to its previous closing price, while CBD sold some non-core assets and (not surprisingly) is *not* trading at the nonsensical negative stock price that was implied prior to the spin-off. Both Éxito and CBD were significant contributors in Q4.

All told, Latin America was far and away the major theme driving the Fund's performance in Q4. For example, the three largest positive contributors by *sector* were all led by Fund holdings from the region: Consumer Staples (Éxito, CBD, and Natura & Co.), Consumer Discretionary (Despegar and Arcos Dorados), and Financials (Grupo Financiero Galicia). Similarly, the three largest contributors by *country* were Argentina, Colombia, and Brazil. On the negative side, there were no notable themes in what was a largely positive quarter in absolute terms; there were no detractors from performance by *sector*, for example. In terms of relative performance, the Fund outperformed the MSCI ACWI ex USA, while slightly lagging the MSCI ACWI in Q4. The latter was driven not by what the Fund owns, but rather by what it does *not* own – namely, U.S. mega-cap Technology stocks, which outperformed in Q4. We continue to believe that some of the more popular corners of equity markets are "priced for perfection" in what is an imperfect world, thus incorporating levels of downside price risk that we believe are considerable in the event the future does not live up to such great expectations.

Fund Outlook

While many predict and debate the near-term future of the economy, we do not rely on such forecasts, which prove time and again to be notoriously unreliable; just think of the confidence with which many prognosticators predicted a recession coming into 2023. In the short-term, virtually anything is possible, and reasonable arguments could be made for various scenarios. Some have pointed to signs in recently released economic data that arguably suggest that the Federal Reserve's interest rate hikes might be starting to bite and beginning to slow the economy and inflation rates, potentially allowing for long-awaited rate cuts in 2024. But for markets that increasingly priced in a "Goldilocks" scenario in late-2023, how much of a slowdown is "just right" before it becomes *too much* of a slowdown? Given the distress seen among U.S. regional banks in 2023 – whose balance sheets and capital positions have come under greater scrutiny as a result – it seems reasonable to assume some banks may have a reduced willingness to lend – a *de facto* tightening. A retrenchment in bank lending, combined with borrowing rates now being much more expensive for governments, corporates, and consumers – all as debt refinancings loom in the coming years – could potentially weigh heavily on economic activity. On the other hand, others may point to an economy and labor market that held up much better than many expected in 2023 and suggest that a resurgence in inflation could be right around the corner if/when the Fed pivots. Stagflation is still another plausible scenario. For some of the more popular areas of the market that we believe are (in general) priced for perfection, the "Goldilocks scenario" could very well prove to be a challenging needle to thread.

Instead of preoccupying ourselves with predicting what has often proven unpredictable, we remain focused on identifying *longer-term* opportunities that become available to the Fund as a result of *short-term* volatility and adversity (e.g., the Fund's Latin American experience). We also strive to be aware of a range of potential macro scenarios, how each could impact the Fund, and what opportunities they could make available for the Fund over the long run. As distinct from the *near-term*, over the *longer-term*, we continue to believe it is likely that future inflation, while subject to cyclical volatility (both up and down), might generally and on average remain higher than it had been for much of post-Global Financial Crisis era. We've outlined the numerous reasons why we believe this in recent updates, including: a massive expansion in money supply resulting from years of *monetary* stimulus (before and especially during the pandemic); massive *fiscal* stimulus and deficit spending in the post-pandemic era, including infrastructure legislation, the Inflation Reduction Act, and defense spending in a conflict-filled world; and years of relative underinvestment in key Natural Resources. Additionally, the geopolitical landscape unfortunately continues to go from bad to worse. War in the Middle East continues to be at risk of spiraling into an even larger regional/global conflict, with significant risks to the supply of oil, gas, and other goods that the stock market has not yet, in our view, adequately taken into account. Houthi attacks on commercial vessels in the Red Sea have forced many ships to take the long route around Africa rather than a much shorter journey via the Suez Canal – at the same time that traffic through the Panama Canal (another major artery for international trade) has declined due to drought. Meanwhile, in Europe, Russia's invasion of Ukraine continues, and with it, the potential for further disruption in the markets for oil, gas, agriculture, and other commodities. In addition to hot wars, intensifying geopolitical rivalry has led to increased government intervention in matters of trade and economic policy. In sum, these factors point, in our view, towards an increased probability of a future in which inflation may remain higher than it had been in the recent past, in general and on average over the long-term (cyclical fluctuations in both directions notwithstanding).

We continue to believe that security selection and fundamentals are apt to matter more in determining investment outcomes in such a world, one of heightened geopolitical risk, higher inflation, and the cost of capital increasing from the easy money days of the past 15 years. We believe this bodes well for the Fund longer-term because our investment approach has always remained focused on valuation, fundamentals, and ideally, the ability to withstand the more adverse of the potential paths the economy might take in order to thrive over the long run. Notwithstanding a resurgence in "story stocks" in 2023, we continue to believe certain stock-specific attributes that we seek, many of which were overlooked in recent years amid a flood of liquidity, are likely to matter much more in determining future investment outcomes. These attributes include discounted valuations that price in adversity rather than perfection, a business model that is not dependent on easy capital markets, and the financial position strength to survive and even take advantage of challenging times. Another important attribute we seek is ample potential for event-driven value creation via corporate activity that (if done well) isn't necessarily highly correlated with, nor heavily reliant upon, the whims of stock market sentiment or top-down economic factors. Indeed, corporate activity favorably contributed to the Fund's outperformance in 2023 – a challenging year for many Value strategies *relative* to Growth strategies and benchmark indices. We believe the Fund's collection of idiosyncratic investments remain, in our view, rich with possibilities for event-driven value creation.

In conclusion, we continue to believe the Fund is well positioned in a *relative* sense for a changing world – one in which low-cost capital might be harder to come by. In a world in which 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 (e.g., mega-cap Tech), we continue to believe that the attractive valuations, sound long-term fundamentals, and staying power of many Fund holdings, as well as their potential to unlock value via corporate activity, offer attractive portfolio-level benefits and bode well for the Fund over the long run. Many thanks for your continued support, interest, and curiosity.

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

Top ten holdings as of 12/31/23 as a % of the Fund's net assets: Despegar.com (5.39%), Tidewater Inc. (4.07%), International Petroleum Corp (3.63%), Cia. Brasileira de Distribuição (3.57%), Hammerson PLC (3.56%), Grupo Financiero Galicia SA (3.47%), Natura & Co Holdings SA (3.30%), Aker ASA (3.11%), Conduit Holdings Ltd (3.03%), and Exor NV (3.02%).

Click here for a current Fund factsheet:
https://www.moeruscap.com/literature/

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You should carefully consider the Moerus Worldwide Value Fund's investment objectives, risks, charges and expenses carefully before you invest. This and other important information about the Funds are contained in 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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