Moerus Worldwide Value Fund

MOWIX - MOWNX

Q3 2022 Quarterly Review & Outlook

MOERUS FUNDS

Market Review – 3Q 2022

The Third Quarter was another challenging period in what has been a tumultuous year for global markets, which continue to face numerous sources of uncertainty. Yet Q3 started strongly for markets amid growing hopes that a slowing economy might bring about a peaking of inflation and a "Fed pivot" sooner rather than later. That narrative prevailed in July and much of August, with markets performing strongly and the same primary beneficiaries of accommodative monetary policy in recent years (U.S., Technology, FAANG, Growth) significantly outperforming. However, the turning point in Q3 came with Federal Reserve Chair Jerome Powell's Jackson Hole speech, which was interpreted by many to be hawkish in nature and seemingly designed to highlight the Fed's determination to stay the course in tightening monetary conditions to reduce inflation. This led to declines across most areas of global markets that accelerated in earnest in September, following the release of August inflation readings in the U.S. that were higher than generally expected. In Europe, Russia's war in Ukraine saw a series of escalations in the conflict, while soaring energy costs across much of the region weighed on economic activity. In China, the government's aggressive COVID-suppression policies continued in some areas with draconian lockdowns that have, at times, disrupted the economy and global supply chains. This combination of factors has led to heightened fears of a global economic slowdown, while inflation has remained stubbornly high thus far.

Most areas of global markets declined in Q3. On a *relative* basis, the United States (S&P 500 Index: -4.9%; NASDAQ Composite: -3.9%) meaningfully outperformed International markets (MSCI ACWI ex-USA: -9.9%)[1], as investors seemed to flee to the perceived safety of the U.S. dollar, which strengthened significantly against most major currencies during the period. In general, due to the extremely strong July noted above, Growth stocks held up slightly better than Value stocks over the course of the Third Quarter (MSCI ACWI *Growth* Index: -5.9%; MSCI ACWI *Value* Index: -7.7%). But few areas of global markets were spared in the Third Quarter, especially during the sharp September selloff.

Fund Performance & Attribution – 3Q 2022

Against this challenging backdrop, the Moerus Worldwide Value Fund (Institutional Class; "the Fund") returned -3.44% in Q3. By comparison, the MSCI All Country World Index Net (MSCI ACWI) returned -6.82% in Q3. Thus the Fund declined on an *absolute* basis in Q3, albeit while outperforming the MSCI ACWI on a *relative* basis in Q3 and significantly outperforming the benchmark year-to-date through September 2022 (the Fund: -8.73%; MSCI ACWI: -25.63%). The five most significant positive contributors to performance in Q3 (in order of magnitude) were IDFC First Bank (IDFCFB), Bajaj Holdings & Investment (BJHI), Cameco, Emaar Properties and Arcos Dorados. The five most significant detractors from performance in Q3 were Spectrum Brands, Despegar.com, Standard Chartered, Aker ASA and Cromwell Property Group.

The majority of the Fund's negative absolute performance in Q3 was driven primarily, in our estimation, by a host of macroeconomic and geopolitical issues that continue to spark broad-based market volatility and risk aversion. Stubborn inflation, increasing interest rates/monetary tightening by the Fed, an energy crisis in Europe, China's COVID-zero policies, and a strong U.S. dollar have led to heightened fears of a recession or of a stagflationary environment. This backdrop, in turn, continued to weigh on the market at large and on numerous Fund holdings exposed to various market concerns, be they about consumer spending (e.g. Despegar.com), higher interest rates (e.g. some Real Estate holdings such as Cromwell), or a strong USD (e.g. our Precious Metals-related holdings), among others. These headwinds were partially offset by gains in select Fund holdings that drove relative outperformance in Q3, including our India-based holdings (e.g. IDFCFB and BJHI), Cameco, Emaar Properties and Arcos Dorados – all of which, in our view, have performed well as *businesses* (as distinct from *stocks*) and have attractive long-term fundamentals. As long-term investors, we believe heightened market volatility creates opportunities and allows us to selectively pick our spots as we look to uncover and/or add to what we believe are some of the Fund's most compelling investment opportunities for the long run.

Fund Outlook

We believe that, perhaps more so today than at any point in the recent past, individual investment selection and the fundamentals behind it (e.g. valuations, financial positions, and long-term prospects of the underlying businesses) are beginning to "matter" more in determining future investment outcomes in the current context, with inflation and geopolitical risks rising and the cost of capital increasing from the artificially low levels seen throughout the post-GFC era of Quantitative Easing (QE). In our view, this bodes well for the Fund longer-term because our approach has always remained focused on valuation and long-term fundamentals, even if that approach might not have been rewarded in recent years – a time in which seemingly endless liquidity appeared to meaningfully favor Growth and attractive "story stocks," in some cases regardless of valuation or underlying business fundamentals.

[1] Source: Bloomberg for Index returns.

Numerous sources of uncertainty across global markets continued to result in meaningful market volatility in Q3 and will remain a factor in the near-term. Future developments in Ukraine remain unpredictable and could potentially fluctuate rapidly, either for the better or for the worse. Russia's invasion of Ukraine (and the West's response) have had and will continue to have investment-related implications that impact the availability and/or prices of various commodities, perhaps most notably affecting food and energy. The crisis has, in turn, exacerbated pre-existing supply chain bottlenecks and inflationary pressures. Central banks have begun to respond to rising inflation by raising interest rates and tightening monetary conditions. Thus far, the response to rising inflation has varied by geography. In the U.S., the Fed announced a third consecutive 75-basis point (0.75%) rate hike as it also attempts to shrink its balance sheet. Central Banks in Latin America have been more aggressive in increasing interest rates (e.g. Brazil), whereas others, while less proactive, have recently begun to move ahead with increases (e.g., Australia and the Euro Zone). The Bank of Japan, however, has (to date) resisted calls to raise rates despite rising inflation and a depreciating yen. The combination of inflation, interest rate hikes, higher energy costs, relative USD strength, and Chinese COVID lockdowns has sparked increased fears of recession.

If inflation persists and rate hikes continue, we believe that "longer duration" equities such as high-priced Technology and other Growth stocks might be particularly vulnerable to further share price declines given their rich valuations that are dependent on projected, uncertain cash flows in the *future*, which are worth less *today* in a higher rate environment. These types of stocks had *benefited* disproportionately from the historically low inflation/low interest rate environment we have seen in recent years, and thus we believe they stand *vulnerable* in the event a lasting "regime change" is under way – one in which inflation levels and interest rates experienced over the next ten years might well be higher than those experienced in the prior decade. On the other hand, we believe tangible asset-centric businesses that trade at inexpensive valuations, here and now, based on conservative estimates (the type we target in the Fund) are apt to hold up better in such an environment longer-term. However, if a recession indeed occurs, these tangible asset-centric businesses likely will also be adversely affected in the short-term; for example, the near-term outlook for commodity prices could dim in such a scenario, potentially impacting Natural Resource-related stocks. We have seen some signs of this in recent months, as increased fears of a recession led to declines in commodity prices and related equities. But importantly from a longer-term perspective, although a recession might result in declining commodity *demand*, we believe such a decline is apt to be cyclical and temporary. On the other hand, on the *supply* side, we do not believe we have seen many meaningful solutions proposed, to date, for some of the longer-term supply-side issues that have contributed to higher Natural Resource prices, such as relatively reduced capital investment over several years that has resulted in inadequate levels of reserve replacement for many commodities. Put another way, in the *short-term*, central banks might be able to slow the economy, inflation, and in turn, commodity prices, by tightening monetary conditions enough to cause *demand* destruction; however, it is not obviously clear to us how they might solve the *longer-term* problem of inadequate *supply* of non-Russian sources of oil, natural gas and other commodities to Europe and the rest of the world through monetary machinations alone (without supportive, complementary governmental and regulatory policy).

All of the above is to say that it is difficult to predict what impacts all of these varied macro and geopolitical factors might have on the market and on the Fund in the near-term. Fortunately, attempting to predict the unpredictable is not our focus. Instead, we remain focused on the long run, for which we believe the Fund is well positioned, given our focus on what we believe to be well-financed, deeply discounted investment opportunities in areas better suited in a relative sense for a higher inflation, higher interest rate environment – one in which capital is no longer costless and where the fundamentals and valuations of actual businesses begin to matter more than the "story stocks" that rode a wave of liquidity and accommodative capital market conditions for many years. These areas include Natural Resources, Latin America (a long-depressed, deeply discounted region whose local currencies might benefit to some extent from higher resource prices) and Financial Services, which could potentially benefit to varying degrees from higher interest rates. This was not by design, *per se*; rather, it was the result of where we've been finding what we believe to be the most attractively priced, bottom-up opportunities in recent years, in some of the most out-of-favor areas (bargain prices come with unpopularity).

In our opinion, the stocks in the Fund largely trade at depressed valuations and offer attractive margins of safety, positioning the Fund well to benefit over the long run. For one statistical indicator of the disparity in valuations between the Fund and the broader market, as of September 30, 2022, the Price-to-Book ratio (P/B)[2] of the Fund was 0.71x, as compared to 2.39x for the benchmark MSCI ACWI[3]. We believe that current market volatility will continue to periodically offer us opportunities to invest at very modest prices in attractive businesses/assets, which we believe bodes well for the Fund's potential over the long run.

[2] Companies use the price-to-book ratio (P/B ratio) to compare a firm's market capitalization to its book value. It's calculated by dividing the company's stock price per share by its book value per share. The ratio refers to the underlying companies in the Fund's portfolio and does not represent or predict the performance of the fund.

[3] Source: MSCI Fact Sheets – as of September 30, 2022

FUND PERFORMANCE

Trailing Returns (as of September 30, 2022):	One Month	Three Months	Year-to-Date	One Year	Annualized Three Years	Annualized Five Years	Annualized Since Inception[1]
Moerus Worldwide Value Fund (Class Inst.)	-7.86%	-3.44%	-8.73%	-5.58%	1.83%	-1.96%	2.75%
Moerus Worldwide Value Fund (Class N)	-7.88%	-3.45%	-8.90%	-5.81%	1.58%	-2.20%	2.49%
MSCI All-Country World Index (Net)[2]	-9.57%	-6.82%	-25.63%	-20.66%	3.74%	4.44%	7.09%

Monthly Returns:	Oct 2021	Nov 2021	Dec 2021	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022
Moerus Worldwide Value Fund (Inst.)	3.44%	-6.24%	6.67%	1.80%	0.92%	7.99%	-4.09%	2.41%	-13.27%	5.16%	-0.34%	-7.86%
Moerus Worldwide Value Fund (N)	3.45%	-6.26%	6.63%	1.80%	0.93%	7.92%	-4.09%	2.42%	-13.36%	5.26%	-0.43%	-7.88%
MSCI All-Country World Index[2]	5.10%	-2.41%	4.00%	-4.91%	-2.58%	2.17%	-8.00%	0.12%	-8.43%	6.98%	-3.68%	-9.57%

Gross Expense Ratios: Class Inst.: 1.68%; Class N: 1.93% Net Expense Ratios: Class Inst. 1.41%; Class N: 1.66%

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, 2023, 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 1.65% and 1.40% for Class N and Institutional Class Shares Respectively.

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.

Top ten holdings as of 9/30/22 as a % of the Fund's net assets: Tidewater (3.80%), Exor NV (3.55%), Cia. Brasileira de Distribucao (3.28%), Arcos Dorados Holdings Inc. (3.24%), IDFC First Bank Ltd (3.22%), Aker ASA (3.15%), Yamana Gold Inc (3.13%), Westaim Corp (3.11%), Standard Chartered PLC (3.04%), Straits Trading Co Ltd (3.03%).

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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