Moerus Worldwide Value Fund

Institutional: MOWIX | Investor: MOWNX

Annual Shareholder Letter: Twelve Months Ended November 30, 2023

Dear Fellow Investors:

We hope this Annual Shareholder Letter finds you and your families well. We are writing to update you on recent developments regarding the Moerus Worldwide Value Fund ("the Fund") over the twelve months ended November 30, 2023 (as referenced herein, "2023," "the year," or "Fiscal Year 2023"). In this Letter, we will discuss the Fund's performance against what was an interesting market backdrop, key themes and drivers of 2023 performance, notable investment activity in 2023, an update on recent corporate activity and its role in the Fund's portfolio, our outlook looking forward, and more.

We thank you very much for your support, and, as always, we welcome any feedback that you might have.

Fund Performance (as of November 30, 2023)*

Fund/Index	6-Months	1-Year	Average Annual Returns		
			3-Year	5-Year	Since Inception**
Moerus Worldwide Value Fund - Class N	13.46%	16.49%	15.87%	7.36%	6.36%
Moerus Worldwide Value Fund - Institutional Class	13.59%	16.79%	16.18%	7.63%	6.63%
MSCI AC World Index Net (USD)***	8.28%	12.01%	5.69%	9.07%	9.50%
MSCI AC World Index ex USA Net (USD)****	5.07%	9.26%	1.67%	5.06%	5.75%

** Performance data quoted is historical and is net of fees and expenses.*
***Inception date is May 31, 2016.*
**** The MSCI All Country World Index Net (USD) captures large and mid-cap representation across 23 Developed Market and 24 Emerging Market countries. With 2,946 constituents, the index covers approximately 85% of the global investable equity opportunity set. You cannot invest directly in an index.*
***** The MSCI All Country World Index ex USA Net (USD) 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. With 2,321 constituents, the Index covers approximately 85% of the global equity opportunity set outside the US. The Index 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.*

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

Investment performance reflects expense limitations in effect. Effective March 31, 2023, the Adviser 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 (excluding (i) any front-end or contingent deferred loads; (ii) brokerage fees and commissions; (iii) acquired fund fees and expenses; (iv) fees and expenses associated with investments in other collective investment vehicles or derivative instruments (including for example option and swap fees and expenses); (v) borrowing costs (such as interest and dividend expense on securities sold short); (vi) taxes; and (vii) extraordinary expenses, such as litigation expenses (which may include indemnification of Fund officers and Trustees, contractual indemnification of Fund service providers (other than the Adviser)), will not exceed 1.50% and 1.25% of the Fund's average daily net assets attributable to Class N shares and Institutional Class shares, respectively.

The Fund's Institutional Class returned +16.79% during its 2023 *Fiscal Year* – the twelve months ended November 30, 2023. By comparison, the MSCI All-Country World Index Net ("MSCI ACWI") returned +12.01% and the MSCI All-Country World Index ex USA Net ("MSCI ACWI ex USA") returned +9.26% during the same period[1]. In short, during the twelve months ended November 30, 2023 – a period in which mega-cap Growth stocks dramatically outperformed Value stocks and the broader market in general (more on that shortly) – the Fund nonetheless performed well on an *absolute* basis and meaningfully outperformed both the MSCI ACWI and the MSCI ACWI ex USA on a *relative* basis.

In the pages that follow, we will briefly discuss the general market environment, before delving into the noteworthy factors driving the Fund's performance in 2023. But prior to that, regarding the table and performance referenced above, we (as always) would like to emphasize that the short-term and Index performance data are included simply for informational purposes for our fellow investors. The Fund seeks to invest with a long-term time horizon of five years or more, and it 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, and we manage the Fund with the goal of achieving attractive risk-adjusted performance over the long term. Our investment approach is predicated upon taking a long-term view and striving to take advantage of near-term uncertainty by investing in depressed and/or unpopular businesses and assets at attractive prices. Short-term market or index performance, therefore, is never a primary focus for us, except insofar as it may offer us longer-term investment opportunities. With that, we will move on to a look back at the year that was 2023 in equity markets.

2023 Market Review

2023 was an interesting year for global equity markets – ultimately a positive one for most (in terms of index returns, at least), though not without some twists and turns, wild swings in market sentiment, and quite a bit of volatility and uncertainty at multiple points along the way. The year began with renewed hopes of a deceleration in inflation and an eventual Federal Reserve pause, if not pivot (driving a strong January), before global equity markets generally declined in February as headline January 2023 Consumer Price Index (CPI) statistics in the U.S. came in higher than consensus estimates, thus dampening those hopes. But the biggest story of the Fiscal First Half of 2023 came in March, as fears of banking contagion swept across global equity markets amid the announced winddown and liquidation of California-based, crypto-focused bank Silvergate Capital, followed shortly thereafter by the failures of Silicon Valley Bank and Signature Bank, as well as the arranged marriage of UBS to a teetering Credit Suisse. Recurring

[1] Source for Index returns: Bloomberg

concerns surrounding the U.S regional banking space persisted thereafter, highlighted by the seizure of First Republic and its sale to JPMorgan Chase.

Yet interestingly, despite heightened fears of a potentially broader-based banking crisis spreading, most benchmark indices finished March higher, driven primarily by Growth and Technology stocks amid renewed equity market hopes that the turmoil might bring a halt to the Federal Reserve's monetary tightening campaign – which had disproportionately weighed on high-priced stocks in those areas in 2022. On the other hand, Value stocks suffered by comparison, as the heightened recession fears that came along with the trouble among U.S. regional banks weighed on areas such as Financial Services and Natural Resources (given lower commodity prices). This generally continued for much of the remainder of the First Half.

The Fiscal Second Half began well enough with strong months of June and July for equity markets, as headline statistics suggested a slowdown in inflation in some areas of the economy, further bolstering hopes that the Federal Reserve's interest rate hikes would soon end. However, the tide turned in August as equity markets began to decline, seemingly negatively influenced by rising U.S. Treasury yields amid various developments (macroeconomic and other) that included the Bank of Japan adjusting its approach to yield curve control, Fitch's downgrade of U.S. sovereign debt, and increased attention being paid to high U.S. fiscal budget deficits, among others. Renewed strength in oil prices also likely dampened momentum in terms of declining inflation expectations, potentially pushing market forecasters' timelines to eventual rate cuts further out into the future. Those concerns persisted in September, with Saudi Arabia and Russia electing to extend their voluntary cuts in oil supply and with ten-year U.S. Treasury bond yields reaching their highest levels since 2007.

October was the third consecutive month of declines for most equity markets, amid heightened risk aversion and a surge in geopolitical and macroeconomic uncertainty sparked by the October 7th attack on Israel by Hamas and the ensuing war that erupted in response – a humanitarian catastrophe that has also resulted in fears of a larger regional/global conflict that could potentially result. U.S. Treasury bond yields remained elevated as the significant fiscal deficit spending and rising debt service costs of the U.S. government continued to garner increased attention from the market. Increased concerns about signs of a slowdown in certain segments of the U.S. economy, as well as sluggish economic activity in China and elsewhere, led to renewed fears of recession that weighed on areas such as Financial Services and Natural Resources (though precious metals were a notable exception).

The year closed, however, on a cheerful note with a very strong November for equity markets, as various economic data points were released (CPI, payrolls, PCE, et al.) that seemingly instilled a renewed conviction among many market participants of a 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 just a few weeks prior when expectations of a "higher for longer" scenario had prevailed, Treasury yields declined meaningfully in November, as the market seemed to increasingly consider a "Goldilocks" or "soft landing" scenario in which economic activity and inflation might slow enough to allow for a loosening in monetary policy, but without a "hard landing" that could potentially call into question the valuations of some of the most popular pockets of the market (most notably mega-cap Tech stocks). After the close of the Fund's Fiscal Year (November 30), December saw more of the same as Federal Reserve Chair Jerome Powell offered additional holiday cheer to markets, with the Federal Reserve holding interest rates steady for a third meeting and signaling that their focus is now turning towards when to begin cutting rates. Whether the implied declaration of "Mission Accomplished" in bringing inflation under control proves to be premature remains to be seen, in our view, but markets celebrated nonetheless, putting that question aside for 2024.

All told, 2023 was a good year for most equity markets in terms of *benchmark index performance numbers*. However, headline index performance falls far short of telling the whole story, as performance of the broader market at large was much more muted and bifurcated between the "chosen few" and many of the rest. Growth stocks dramatically outperformed Value stocks in 2023 as measured by index performance, with the MSCI ACWI *Growth* Index (+20.69%) beating the MSCI ACWI *Value* Index (+3.59%) by over 17 percentage points for the year. Also noteworthy was the remarkably concentrated, top-heavy nature of the benchmark index performance in 2023 as compared to the performance of the average stock in various indexes. For example, during the Fund's Fiscal Year (the twelve months ended November 30, 2023), the S&P 500 Index returned +13.81%, whereas the S&P 500 Equal Weighted Index returned just +1.52%. The Fund's benchmarks told a similar story, as the MSCI ACWI's performance during the same period (+12.01%) meaningfully outpaced its equal-weighted version (+2.89%), while the MSCI ACWI ex USA (+9.26%) significantly outperformed its equal-weighted version (+2.72%).

This characteristic of the market in 2023, particularly in the U.S., is related to the incredible outperformance of mega-cap Growth stocks, which have become increasingly significant components of benchmark indices in recent years. For example, consider the performance of the seven largest constituents (the so-called "Magnificent Seven") of the MSCI ACWI over the twelve months ended November 30, 2023: Apple (+29%), Microsoft (+50%), Alphabet (+32%), Amazon (+51%), Nvidia (+176%), Meta (+177%) and Tesla (+23%)[2]. In 2023, these stocks seemed to benefit disproportionately from not just the lowered interest rate expectations that resulted from, first, the regional banking industry turmoil in early 2023, and then by indications of decelerating inflation later in the year, but also from periodic investor flight to (perceived) safe havens at times. Such a perception is somewhat understandable, as the group is (generally speaking) comprised of great businesses that generate a lot of cash and have performed very well in recent years. Still, with valuations that are quite stretched, in our view (again, in general), we have avoided popular mega-cap Growth stocks due to what we believe are excessive levels of what we call "price risk" given the optimistic expectations that we think are currently being priced in (we have written about this topic often in recent years). Put more simply, we believe that even the greatest *businesses* could potentially be risky *stocks* if your purchase price is too high. As such, we have eschewed such stocks on valuation grounds. As you know, we will not invest in names we view as risky merely due to benchmark considerations or simply because they are "what's working" at the moment. We continue to believe valuation (among other fundamentals) will ultimately matter more in driving risk-adjusted returns going forward over the long run than they have in recent years (a topic we will return to later). Our views notwithstanding, that subset of the market soared in 2023, with the rally fueled further by the ongoing euphoria surrounding Artificial Intelligence (AI), which seemingly lifted the share prices of any company perceived to have exposure to the rapidly evolving technology – a development that was somewhat reminiscent of the Technology bubble of the late-1990s when internet usage began to proliferate.

In summary, Fiscal 2023 was a positive year for most benchmark indices, both in the U.S. (S&P 500 Index: +13.81%; NASDAQ Composite: +25.14%) and International markets (MSCI ACWI ex USA: +9.26%), though the MSCI Emerging Markets Index (+4.21%) lagged during the period. However, the headline benchmark performance numbers do not tell the whole story, as they were driven by the significant outperformance of

[2] Source: Bloomberg Total Return Analysis (rounded to nearest percentage point).

a small subset of the market (mega-cap Growth and Technology), whereas the performance of the broader market (including many Value stocks) was much more muted than the index returns might suggest.

The Fund's Fiscal 2023 Performance Drivers

Against this backdrop, the Moerus Worldwide Value Fund (Institutional Class; "the Fund") returned +16.79% during the twelve months ended November 30, 2023[3]. By comparison, the MSCI ACWI returned +12.01% and the MSCI ACWI ex USA returned +9.26%. Considering the context described above, in a period in which (in general terms) Growth stocks soared while Value stocks and the broader market in general lagged far behind, the Fund performed well nonetheless, producing satisfactory *absolute* performance and meaningfully outperforming both the MSCI ACWI and the MSCI ACWI ex USA on a *relative* basis. The five most significant positive contributors to the Fund's performance in Fiscal 2023 (in order of magnitude) were **Tidewater**, **Türkiye Sigorta**, **Despegar.com**, **UniCredit**, and **Arcos Dorados Holdings**. The five most significant detractors in Fiscal 2023 were **Canfor Pulp Products**, **Dundee Corp.**, **Cromwell Property Group**, **Enerflex**, and **Nutrien**.

The Fund's positive absolute performance and its outperformance of the MSCI ACWI and MSCI ACWI ex USA in 2023 was driven, in part, by continued improving fundamentals and company-specific developments among Fund holdings in areas such as Offshore Energy Services, Financial Services (most notably in Turkey and Italy) and in Latin America. These Fund holdings tend to operate in industries and/or geographies that had been out of favor with investors and/or starved of investor capital for years – precisely the types of situations we are often attracted to. Whereas so many of the more popular corners of equity markets have been, in our view, "priced for perfection" in recent years, many of the Fund's holdings, in contrast, couldn't do anything right in the market's eyes for quite some time, despite what we believe to be sound and improving longer-term fundamentals. In our view some of these holdings more recently began to approach inflection points in terms of business fundamentals. Below, we will highlight what we thought were some of the more notable factors driving the Fund's performance in 2023.

Tidewater

Offshore Energy Services provider **Tidewater** was the single largest positive contributor to the Fund's performance in Fiscal 2023, with its shares up 98% in USD terms during the period, driven by continued meaningful improvements in business activity levels. We have written about Tidewater at length in a number of recent Shareholder Letters, so we won't delve too deeply into the investment thesis again here. In short, the Offshore Support Vessel (OSV) market – a space that had been left for dead by investors after a multi-year depression in activity and a series of restructurings – appears to be tightening meaningfully, with a much-improved vessel supply/demand balance that is resulting in material improvements in pricing across geographies and vessel classes. We believe Tidewater, which is the largest and (in our view) the financially strongest player in the OSV space, stands uniquely well-positioned to benefit from an inflection point in the industry's fortunes after a long, dark period. Looking back, Tidewater underwent a debt restructuring and emerged from bankruptcy in 2017, with what we saw as the strongest balance sheet in

[3] **Past performance does not guarantee future results. The performance data quoted above 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.**

an industry of distressed competitors that had been severely weakened by a sharp industry downturn. Since then, the company has used that strong financial position to make three sizeable acquisitions, including two since 2022 (the most recent one completed in July 2023) in which they acquired vessels from financially distressed and/or otherwise motivated sellers, at what we believe are attractive prices that seem likely to serve the company well as industry conditions continue to recover. In doing so, we believe Tidewater has upgraded their fleet, generated cost synergies, and meaningfully improved their competitive position in the OSV industry, helping to drive the stock's strong recent performance as industry activity levels recover.

Financial Services

By *sector*, the largest positive contribution to Fund performance in 2023 came from its Financial Services holdings, despite a difficult March 2023 that initially saw most bank stocks sell off in sympathy with the U.S. regional banking turmoil. 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 different 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 2023, almost all of the Fund's Financials holdings positively contributed to performance, with meaningful gains coming from a majority of holdings in areas that included Insurance (e.g., Türkiye Sigorta, Conduit Holdings), Banking (e.g., UniCredit, IDFC First Bank), and Holding Companies (e.g., Westaim Corp., Exor NV). Of this group, the most significant contributors to 2023 performance were Türkiye Sigorta and UniCredit.

Türkiye Sigorta was the second-largest contributor overall to performance in 2023. Türkiye Sigorta is, in our view, a high-quality Turkish non-life insurance company with a number of attractive attributes, including a leading position in a market that is underpenetrated, offering meaningful long-term growth potential given an expanding economy. A strike against it (in the market's eyes), however, was merely that it operates in Turkey. This country has seen a dearth of foreign investment capital in recent years, as investors fled *en masse* amid raging inflation and unorthodox economic policies that arguably threw fuel on the fire; inflation in Turkey hit a 24-year high of over 85% in October 2022. For an insurance company, such an environment dramatically increased the costs of paying out claims on virtually anything it had written insurance policies against, while the premiums charged were based on much lower inflation rates and could only adjust upward with a time lag (when existing policies expire). Although this resulted in insurance underwriting losses (and weighed on the stock price), we believed it also created an interesting opportunity.

We built the Fund's position in Türkiye Sigorta in early 2023, thinking that the adverse impact on profitability would be transitory and, with time, would be addressed as insurance policies reset at higher prices better reflecting current inflation rates. This has now begun to play out; in fact, over the first nine months of 2023, Türkiye Sigorta's gross premiums rose by 140% year-over-year and the company began generating insurance underwriting *profits* rather than *losses*. In addition to underwriting insurance, the other way insurance companies make money is from the earnings generated by their investment portfolios. On that topic, following elections in May 2023, the Turkish Central Bank started to adopt a more orthodox approach to monetary policy and began raising interest rates aggressively (to say the least) from roughly 8.5% in May to 42.5% as of December 2023. Needless to say, this has resulted in a sharp increase in the income Türkiye Sigorta will earn going forward on its investment portfolio, which primarily consists of fixed income securities. In sum, the materially improved prospects for both underwriting profitability and prospective investment returns drove significant gains in shares of Türkiye Sigorta in 2023.

Another of the Fund's Financials holdings, Italian bank **UniCredit SpA**, was the fourth-largest positive contributor overall to performance in 2023. UniCredit's strong performance in 2023 was driven by solid recent business performance that has included a series of quarterly earnings results that meaningfully exceeded consensus estimates in terms of revenue, operating expenses, and profitability. Perhaps most notable of all has been the company's meaningful returns of capital to shareholders, which seem poised to continue going forward, with a recently released guidance of at least EUR 6.5 billion in planned capital returns in 2024 (via dividends and buybacks, subject to regulatory and shareholder approvals) – or nearly 15% of UniCredit's current market capitalization. In our view, UniCredit's strong performance in 2023 is the result of years of hard work; in a former life, the bank ran into trouble, eventually requiring a 2017 recapitalization, which could perhaps be described as somewhat of a cathartic process that helped along the process of cleaning up excesses from a prior era and prior management team. Since then, UniCredit has, in our view, created value for shareholders through various forms of corporate activity, with significant progress made in disposing non-core assets, building a strong capital position, and creating a competitive cost position in its various markets as a result of its ongoing cost reduction programs. Also, as noted earlier, UniCredit has been repurchasing shares at meaningful discounts to Net Asset Value (NAV), which we believe can be quite accretive to shareholder value over time. Further, after years of extremely low interest rates that weighed on its business, UniCredit has benefited from higher interest rates in the Euro Zone (relative to its recent history), which has had a favorable impact on its margins.

Latin America

Looking at the Fund's performance by *geography*, the most meaningful positive contribution to performance came from the Fund's holdings in Latin America. In general, the region had seemingly been shunned (or perhaps simply ignored) for the past several years amid various sources of pandemic-related, macroeconomic, and political uncertainty that weighed both on local equity markets and on Latin American currencies. Over the years, we have written often in these pages about Latin America, including in our November 2021 Annual Shareholder Report[4] where we discussed in greater detail how, despite the adversity – and indeed, partially because of the unusually attractive valuations that came with that adversity – we believed Latin America to be a source of some of the Fund's most exciting long-term investment opportunities. We won't repeat our case here, but in short, we believe that such backdrops of unusually heightened fear sometimes result in babies being thrown out with the bathwater, temporarily offering longer-term investors attractive opportunities that could potentially prove quite lucrative over the long run. As such, over the past several years, we invested in a number of leading, domestically/regionally focused companies 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 a protracted period of poor *stock market* sentiment and local currency weakness. The Fund's collection of Latin American investments operate across various areas, including consumer products, travel, banking, and retail.

Fast forward to 2023: in Brazil, Chile, and Colombia (albeit to a lesser extent), policymakers – who had been more proactive and preemptive than much of the rest of the world in aggressively *increasing* interest rates to rein in inflation – have seen inflation subsequently decline, allowing them to recently begin *reducing* rates. For example, Brazil's central bank had raised its benchmark interest rate from 2% in early 2021 to 13.75% through the middle of 2023, before recently cutting rates to 11.75% at present; similarly, Chile's central bank raised rates from 0.50% in early 2021 to 11.25% in mid-2023, before beginning interest rate cuts, to 8.25% currently. Colombia, whose central bank was the latest of the three to begin

[4] https://www.sec.gov/Archives/edgar/data/1644419/000158064222000740/moerus-annual.htm

raising rates, from 1.75% in late 2021 to 13.25% in 2023, cut rates for the first time in over three years in December 2023 (to 13%). Meanwhile on the political front, it seems that the level of perceived political risk – which had risen after elections of left-wing candidates in each of these countries led to investor fears of a less business-friendly environment – has, in our view, begun to subside as actual events on the ground since then have, in general, been less concerning for investors than had originally been feared from the headlines at the time (this is perhaps most true in Chile and perhaps least so in Colombia).

Likely bolstered by these macroeconomic and political developments, investor sentiment towards Latin America seems to have turned somewhat for the better – in our view, allowing for the attractions of each of the Fund's businesses to begin to shine through and perhaps garner increased investor attention. Virtually all of the Fund's Latin American holdings were positive contributors to Fund performance in 2023, many meaningfully so, led by appreciation in **Despegar.com** and **Arcos Dorados Holdings**, the third and fifth-largest overall positive contributors, respectively. Shares of **Despegar.com**, the largest Online Travel Agency (OTA) in Latin America, performed very well in Fiscal 2023 (returning +48% in USD) amid an ongoing recovery in travel-based activity from pandemic-era depths that had weighed mightily on the business in recent years. The recovery in Latin American travel demand appears to be gaining momentum, with gross bookings during Despegar's most recent quarters up meaningfully (including up 25% year-over-year in Q3 2023), revenues reaching record quarterly levels in Q3 2023, and much improved profitability driven not only by briskly growing demand for its services, but also by the cost reductions implemented by the company during and since the pandemic. In addition, during the pandemic-era, management utilized what we believe to be a major competitive advantage in the company's strong financial position – Despegar holds over $220 million of net cash on its balance sheet as of September 30, 2023 – to consolidate its leadership in and further strengthen its position across Latin America both through acquisition (particularly in Mexico and Brazil) and through attrition as smaller, financially weaker competitors have been compromised (some permanently) from the freefall in travel-related activity experienced during the pandemic. We believe these developments are likely to serve Despegar well in the years to come.

Shares of **Arcos Dorados**, the largest McDonald's franchisee in the world, and the exclusive McDonald's franchisee throughout much of Latin America and the Caribbean, were up 58% in USD terms in 2023. We have written often in past Shareholder Letters about Arcos Dorados and its attributes that we find attractive, most recently in our November 2022 Annual Shareholder Report[5]. The stock's strong year since then was driven by the performance of the underlying business, which continues to impress us. This was most recently highlighted by the release of Arcos Dorados' Q3 2023 results in November 2023, which included systemwide comparable sales growth of over 37% year-over-year for the quarter – driven by strong sales volumes and market share performance across the region – while total revenues grew roughly 43% year-over-year in constant currency terms and 22% in USD terms. Truth be told, however, the quarter's recent results did not represent a major change in direction for the business. Rather, Arcos Dorados had, in our view, been producing quite impressive business results over the past couple of years, but the stock market seemed not to notice, with investors seemingly remaining focused instead on the aforementioned political and macroeconomic concerns surrounding much of Latin America in recent years. After an initial recovery from the pandemic shock in early 2020, Arcos Dorados' business performance improved materially, gathered strength in the latter half of 2021, and accelerated, in our view, in 2022 and 2023. After this extended run of strong business performance, the market appears to be starting to take notice (albeit belatedly, in our view).

[5] https://www.sec.gov/Archives/edgar/data/1644419/000158064223000733/moerus_ncsr.htm

Longer-term, we continue to believe Arcos Dorados remains well-positioned to continue its impressive market share growth within Latin America's highly fragmented (but growing) Quick Serve Restaurant (QSR) industry. These market share gains seem to have accelerated since the onset of the pandemic, driven by what we believe to be a number of the company's competitive advantages, including an unmatched free-standing restaurant footprint (which is key in servicing Drive-Through and Delivery orders) and Digital platform, as well as its scale, financial position, and brand. We also believe the long-term growth potential of Arcos Dorados' business is meaningful, given the under-penetration of the Latin American QSR market relative to developed countries. Yet despite these attractive attributes and despite its recently strong performance, Arcos Dorados shares continue to trade at a wide discount to many global peers, despite what we believe are Arcos Dorados' structural advantages and superior long-term growth opportunities.

The Fund's Latin American holdings remain materially undervalued, in our view, and continue to represent what we believe are some of the Fund's most attractive investment opportunities going forward.

Corporate Activity

Another positive driver of the Fund's performance in 2023 was a number of company-specific events within the portfolio and corporate activity that we believe is favorably contributing to the Fund's returns. Examples of leading positive contributors that underwent significant corporate activity during the year, which we believe is or will be accretive to shareholder value include: **Tidewater** (acquisition of Solstad's PSV fleet); **UniCredit** (share buybacks at discounts to estimated NAV); **Westaim Corp.** (sale of Skyward Specialty Insurance shares and share buybacks at discounts to NAV); **Natura & Co.** (sale of its Aesop business and pending sale of The Body Shop); and **Spectrum Brands** (sale of its Hardware & Home Improvement segment), among others in the portfolio. This is a topic that we highlighted in our May 2023 Semi-Annual Shareholder Report[6], and we will return to it later with an update on recent developments.

Detractors

Moving on to detractors from performance in 2023, they tended to fall into two discrete buckets, both of which were arguably adversely impacted, either directly or indirectly, by a higher interest rate environment and its spillover effects. First, the Fund's Materials holdings were collectively, by *sector*, the largest detractor from Fund performance over the year. These largely Natural Resource-related holdings as a group detracted from performance on a net basis, with gains in select precious metals related holdings (e.g., **Wheaton Precious Metals** and **Yamana Gold**) more than offset by declines in other Materials-related areas such as Forest Products (**Canfor Pulp Products**), Agriculture (**Nutrien**), Metals, and other resource-related areas of the Fund, many of which declined amid generally weaker commodity prices given recession-related demand concerns driven by rising interest rates.

The only other group that detracted from performance by *sector* on a net basis was the Fund's Real Estate-related holdings, with the positive contributions of **Hammerson** and **Emaar Properties** more than offset by declines in **Cromwell Property Group** and **Sino Land**, both of which were negatively affected by a higher interest rate environment that adversely impacted property values and led to poor investor sentiment surrounding the sector. The most material detractor from performance by *geography* was Canada, though this was more driven by declines in the aforementioned Materials and Natural Resources-related holdings than by anything Canada-specific.

[6] https://www.sec.gov/Archives/edgar/data/1644419/000158064223004056/moerus-semiannual.htm

Although these holdings experienced some declines in 2023, a somewhat challenging period for many Real Estate and Natural Resource-related equities, we continue to believe the Fund's portfolio of holdings in these areas, in general, represent some of the Fund's more attractively valued longer-term opportunities. In our view, for the better part of the past decade-plus, these real, tangible asset-centric holdings have been devoid of investor attention, and perhaps more importantly, starved of investor capital – which has resulted in what we believe to be discounted valuations that bode well for potential risk-adjusted returns over the long run.

Notable Investment Activity in the Fund

The Fund's Fiscal 2023 was another busy period. Among the new positions initiated in the Fund during the year, Latin America continues to be a source of opportunity for the Fund. New positions added to the Fund from the region during the First Half of 2023 included shares of **LATAM Airlines Group S.A.** and **Natura & Co. Holding S.A**. Outside of Latin America, we added a new position in the Natural Resources space during the First Half, in shares of **Teck Resources Ltd**.; we discussed the investment cases for all three of these new positions in detail in our May 2023 Semi-Annual Shareholder Report. Additional new positions added to the Fund during the Second Half of 2023 included shares of **John Wood Group PLC**, whose investment case we will highlight below.

John Wood Group PLC

Based in the United Kingdom, **John Wood Group PLC** ("Wood Group") is a global leader in consulting and engineering in the energy and materials markets. Wood Group provides services that include project management, engineering design, and technical consulting solutions, especially across energy capital programs. The company's skill set allows it to serve clients in the oil & gas, industrial refining, power generation, chemicals, and renewable energy sectors. We believe Wood Group has built a reputation for deep domain expertise and technical know-how over decades-long relationships with blue chip customers. More recently, Wood Group established itself at the forefront of the energy transition by developing expertise in areas such as decarbonization, carbon capture, hydrogen, and the processing and extraction of the critical materials needed to reduce global emissions.

Over the years, Wood Group diversified by making acquisitions, most notably its 2017 acquisition of Amec Foster Wheeler ("AFW"); however, this process entailed taking on debt and, in the case of AFW, came with an asbestos-related liability. In the years that followed, Wood Group's business suffered due to liabilities associated with the acquisition of AFW (both known and unknown at the time of acquisition), fixed price contracts that did not properly account for a higher inflationary environment, and a poor balance sheet. But following the entry of a new management team during 2021, liabilities associated with the AFW acquisition were remediated (or priced and provisioned for), fixed price contracts were replaced with less risky cost-reimbursable contracts, and non-core assets were sold to repair the balance sheet.

Interestingly (but perhaps not surprisingly), this new and improved Wood Group attracted attention, with Apollo Global Management launching a series of five takeover bids that eventually culminated in an offer of GBP 2.40 pence per share earlier in 2023. However, a deal was ultimately not consummated, and the shares fell back to the pre-bid price of around GBP 1.50. At that point we became interested in what we see as the still highly reputable, but now much cleaned up, version of Wood Group. In summary, following a number of years of restructuring, we believe Wood Group has emerged as a more narrowly focused company that operates in attractive areas, with a much improved balance sheet and a stock price which had declined over a number of years from nearly GBP 9.00 per share at the start of 2017 to around GBP 1.50 for much of 2023. By our measure, the business trades at a significant discount to our estimate of its NAV, despite quickly improving fundamentals and favorable future growth opportunities presented by the world's ongoing energy transition.

New Positions Acquired via Spin-off: Almacenes Éxito S.A. and Nuvama Wealth Management Ltd.

Also during the Second Half of 2023, two new positions were added to the Fund by way of spin-off from existing Fund Holdings. In one case, Brazilian grocery retailer **Companhia Brasileira de Distribuição** ("CBD"), distributed to its shareholders the majority of its holding in **Almacenes Éxito S.A.** ("Éxito"), of which CBD owned 96.6% prior to the spin-off. In the second case, India-based **Nuvama Wealth Management Ltd.** was spun out of existing Fund holding **Edelweiss Financial Services Ltd.** and began trading independently in September 2023. We will return to each of these cases shortly in our update on corporate activity in the Fund.

Notable Selling Activity

The most noteworthy selling activity that took place in the Fund in 2023 included the sale of long-time holding **NN Group**, as well as the eventual elimination of two much more recently added holdings (**Banco Itaú Chile** and **Yamana Gold Inc.**) – all of which were profitable investments for the Fund and were discussed in greater detail in our May 2023 Semi-Annual Shareholder Report. Of those three, the Fund's positions in both Banco Itaú Chile and Yamana Gold Inc. – each of which had been relatively recent additions to the portfolio – were eliminated essentially as a result of a tender offer (in the case of the former) and a takeover bid (in the case of the latter), both of which were made at meaningful premiums to their respective share prices (and the Fund's cost bases) prior to the offer. Although the Fund's investments in both Banco Itaú Chile and Yamana Gold proved short-lived (both were added in 2022), the aforementioned transactions surfaced shareholder value, leading us to decide to exit each position (in addition to that of long-time holding NN Group) in favor of what we believe to be more compelling long-term investment opportunities at this time.

Another notable sale was that of the Fund's position in **Emaar Properties PJSC**, which we eliminated during the Second Half of 2023. We first invested in shares of Emaar Properties – a United Arab Emirates-based developer, owner, and manager of real estate – during the pandemic, which resulted in much-diminished traffic and commerce in Dubai, where many of its properties and other business activities are located. During that time, Emaar Properties shares fell to the point where they were trading at a nearly 40% discount to our estimate of NAV, despite the company having what, in our opinion, was a strong financial position that would provide survivability to make it through the pandemic-sparked downturn. At the time, we believed this was a very attractive entry point for a company that has a well-earned reputation for delivering some of the highest-quality properties globally (including the world's tallest building, the Burj Khalifa), owns market-dominant retail assets (including the world's largest shopping mall), operates a well-established hospitality brand, and appears to be extremely well-positioned to benefit from the continued long-term emergence of Dubai as a global financial, business and tourism destination.

Since then, Emaar Properties has performed quite well, driven by a rebound in property prices, strong fundamentals in its core businesses, positive corporate developments, and continued progress in the financial markets in Dubai. At the company level, Emaar Properties saw strong growth in revenue and profit within its core property development business, reflecting significant pent-up demand following the pandemic, while its malls and hospitality businesses also saw recoveries as more tourists returned to Dubai and consumer spending rose. Also, in 2021 Emaar Properties completed its merger with its majority owned, formerly publicly-listed subsidiary, Emaar Malls PJSC, which we saw as a positive step that could better enable Emaar Properties to more fully realize the value of the malls subsidiary under its full ownership. Additionally, the UAE has taken a number of steps that Emaar Properties stands well-positioned to benefit from, including amendments (announced in April 2022) to the long-term residency visa scheme to simplify the eligibility criteria and encourage longer-term residency. Not surprisingly, driven by all of these factors, Emaar Properties' stock appreciated significantly. While we continue to view the company quite favorably, given its strong performance and meaningfully increased share price since our initial purchase, we decided to profitably exit the Fund's position in 2023 – deciding to redeploy the proceeds towards other investment opportunities that we believe are more compelling at this point in time.

Update: Corporate Activity as a Driver of Value Creation in the Fund

As described earlier, the Fund's strong performance in 2023 – in both *absolute* terms and *relative* to its benchmark indexes – was achieved despite a general market backdrop that we would argue made for a somewhat challenging year in a relative sense for Value-oriented, price-conscious investment strategies, such as the one we strive to employ in managing the Fund's portfolio. Namely, given the shift to more of a risk-on mood and the concentrated Tech leadership seen in 2023, the extent of the market's bifurcation proved to be quite pronounced; as measured by benchmark performance, Growth stocks dramatically outperformed Value stocks in 2023 overall, with the MSCI ACWI *Growth* Index (+20.69%) up substantially while the MSCI ACWI *Value* Index (+3.59%) lagged behind by over 17 percentage points.

That the Fund performed well despite a difficult relative environment for our investment style is partially attributable, in our view, to a characteristic of our investment approach that we highlighted in detail halfway through the year in our May 2023 Semi-Annual Shareholder Report: namely, the potential for individual corporate events and developments to positively affect the Fund's rates of return, over and above overarching market sentiment or economic developments around the world that investors tend to focus on. We believe that our investment approach, which entails striving to own a collection of undervalued, asset-rich companies, provides the added benefit of the potential for value-accretive corporate events – carried out by the company itself or by external actors (e.g., a bidder). In short, we believe this approach offers potential upside in a couple of different ways: either through the stock market eventually coming around to recognize and adequately reflect the value that we believe is present in our holdings; or, failing that, through corporate events that could crystallize such value when equity markets don't.

In our last Shareholder Letter, we pointed out that roughly 36% of Fund assets at the time (as of 5/31/23) had either announced or were actively undertaking some sort of significant corporate activity, ranging from M&A to significant returns of capital to shareholders (e.g., share repurchases), spin-offs, sales of assets or a complete division, as well as others. Since then, the Second Half of 2023 saw no shortage of corporate event-driven activity and developments surrounding the Fund's investments. As such, we thought it appropriate to update you on such events in the portfolio that have occurred since we last wrote.

Spin-offs in the Fund

One way in which companies can sometimes create value for shareholders is by spinning off one or more of their businesses into independent, separately traded entities. Doing so could be value-accretive in cases in which the pre-existing company is being valued in the market for less than what the sum of its individual components would be worth if they were listed separately. In addition to the possibility of being valued by the market at higher multiples separately than they had been valued together, spin-offs could also potentially allow for management teams to better give the respective businesses that they are charged to manage (post-separation) their undivided attention and strategic focus.

As noted earlier, two new positions were added to the Fund by way of spin-off from existing Fund Holdings during the Second Half of 2023. First, existing Fund holding, Brazilian grocery retailer **Companhia Brasileira de Distribuição** ("CBD"), distributed to its shareholders the majority of its holding in **Almacenes Éxito S.A.** ("Éxito"), of which CBD owned 96.6% prior to the spin-off. **Éxito** is the largest retailer in Colombia, the largest food retailer in Uruguay, and one of the largest in Argentina. As discussed in our prior Shareholder Letter, what made the transaction quite interesting and attractive, in our view, is that, based on Éxito's share price at the time, the total equity market capitalization of CBD prior to the spin-off *implied a discount to the market value of CBD's ownership stake in Éxito alone* – essentially attributing zero or even "negative value" to CBD's entire leading Brazilian grocery retail business, as well as its 34% stake in Cnova NV (a French e-commerce retailer). Furthermore, we noted that we believed Éxito's market value, in turn, was depressed, due largely to the stock's very limited public float and trading liquidity – something that would change post spin-off with a likely dramatic increase in public float and trading liquidity. Given what appeared to us to be a compelling valuation disconnect, we believed the spin-off could potentially unlock considerable value for CBD shareholders,

Indeed, shortly after the spin-off was successfully completed, Éxito was the subject of a cash takeover bid by El Salvador-based supermarket operator Grupo Calleja, in a deal which (as of this writing) is expected to be completed in early 2024. Grupo Calleja's bid was priced at a roughly 42% premium to Éxito's previous day closing price. The transaction, though pleasing, is somewhat of a bittersweet outcome for us, as Éxito is a company we have long admired since our first visit with them in 2004, and we would have preferred to own it for a number of years and enjoy the benefits of its growth and long-term compounding of value. Nevertheless, needless to say, the cash takeover bid at such a significant premium to market price created considerable value within a short period of time for Éxito shareholders, including the Fund.

Secondly, India-based **Nuvama Wealth Management Ltd.** ("Nuvama") was spun out of existing Fund holding **Edelweiss Financial Services Ltd.** ("Edelweiss") and began trading independently in September 2023. Edelweiss offers a broad range of financial services, including life and non-life insurance, a Non-Bank Financial Company (NBFC) that provides financing to retail and commercial borrowers, and wealth management. Nuvama is the wealth management arm that was spun out of Edelweiss. Nuvama offers a suite of wealth management, asset management and capital markets services to a client base that includes affluent, high and ultra-high net worth individuals, family offices, and corporate and institutional clients.

We believe this transaction is a positive development that could help facilitate shareholder value creation at both Nuvama and Edelweiss. For Nuvama, the company has an anchor shareholder in the form of PAG, a large, leading Asia Pacific-focused private equity firm, which we believe has both the resources and geographic reach to help fund and support Nuvama's ambitions to grow the business over the long run. As for Edelweiss, the company has spent the past 15 years or so growing beyond its original capital markets business and investing in new areas to create and build a diversified business platform, accessing new lines of business and a larger share of its customers' wealth. Having completed the spin-off of Nuvama in 2023, we believe that Edelweiss, with the passage of time, has ample potential to unlock considerable additional value through, for example, the sale or separation and independent listing of its other businesses, which we think could more fully realize the value that has been built up over the years under Edelweiss' watch.

Asset Sales

Another way that companies can create value for shareholders is through the sale of an asset or business unit. Provided that it takes place at a good price, such asset sales can sometimes unlock value that was not being fully recognized within the whole company (as implied by its stock price), while strengthening the financial position of the remaining company and generating capital that could be either redeployed into remaining businesses or returned to shareholders (e.g., through share repurchases or dividends). Since we last wrote on the topic, there have been a number of recent developments related to asset sales in the Fund.

In August 2023, Brazil-based beauty products retailer **Natura & Co. Holding S.A.** completed the sale of its luxury cosmetics brand Aesop to L'Oreal for $2.5 billion in cash. We believed the sale would be a transformative, positive event for Natura – a company whose core business and brands are very attractive, in our view, but found itself saddled with debt and integration issues resulting from past acquisitions. Yet, despite the announced deal achieving a higher price than initially expected, and despite the fact that the proceeds from the sale were expected to (and indeed did) result in Natura having a net cash balance sheet, the stock price initially declined following the announcement of the transaction in April 2023, as many industry analysts (who are focused on near-term earnings projections) felt that they were selling their best, fastest-growing brand. We felt that the market reaction following the announcement of the sale was inconsistent with the pending sale (in our view) being a positive development for the company, and, in the First Half of 2023, we initiated a position in shares of Natura in the Fund. Post-Aesop sale, we believe Natura is in an interesting position where the balance sheet issues are largely resolved, the core remaining businesses are valuable, and the stock is trading at a modest valuation. Most recently, in November 2023 Natura announced that it had entered into a binding agreement to sell The Body Shop – a business that Natura management had previously deemed non-core and was looking to sell – for GBP 207 million (including an earn-out of GBP 90 million). If completed, such a sale would likely bolster Natura's balance sheet strength even further and allow for additional focus and financial resources to invest in the company's core brands and operations.

Another Fund holding, Canada-based Holding Company **The Westaim Corporation** ("Westaim"), continued its sales of shares of Skyward Specialty Insurance Group ("Skyward"), a U.S.-listed specialty insurance company. Specifically, in November 2023, Westaim sold another nearly $105 million worth of Skyward shares via a Follow-On Offering of stock, bringing the total proceeds raised in sales of Skyward shares by Westaim since June 2023 to roughly $190 million. You may recall that Westaim's two principal assets had comprised a 37% economic stake in Skyward (prior to the recent sales) and an ownership interest of an unlisted asset management business (Arena Group) and associated investment vehicles. Westaim has long traded at a significant discount to its NAV, in our opinion, perhaps reflecting its long-term investments in what had historically been exclusively private, early-stage businesses (albeit ones which we think have been progressing nicely). However, this changed in January 2023 with the IPO of Skyward, whose shares subsequently appreciated meaningfully in the stock market. By the end of May 2023, the value of Westaim's stake in Skyward shares alone was roughly equivalent to Westaim's entire equity market capitalization.

Since then, with the sales since the start of June 2023 (through November), Westaim has sold around 52% of the Skyward shares they had originally held (they still hold the remainder), with the roughly $190 million in proceeds raised to date amounting to over half of Westaim's entire market cap as of November 30, 2023. Westaim has also been repurchasing shares, given its Board's view that the current share price does not reflect their underlying value. We agree with that assessment; given the substantial discount to estimated NAV at which Westaim currently trades, we believe repurchasing shares is likely to create value for shareholders over the long term. We believe Westaim will continue to offer meaningful potential for additional value creation through a variety of possibilities, including the sale of additional Skyward shares, the repurchase of its shares at a discount to NAV, and/or investment in the further growth and development of its asset management business.

Asset Acquisitions from Distressed and/or Motivated Sellers

On the flip side of things, sometimes value can be created by *acquiring* assets or businesses. Now, to be clear, we believe a healthy amount of skepticism towards acquisitions, in general, is warranted; we believe that not a small number of the Mergers & Acquisitions seen in the headlines are of dubious strategic and/or financial merit and risk destroying shareholder value rather than creating it. However, there are times when quality assets or businesses that would make an attractive acquisition candidate for strategic and financial reasons become available at bargain prices for one reason or another – perhaps there is a distressed or otherwise motivated seller who needs to raise capital quickly, for example. In such a scenario, an asset-rich company with a strong financial position could seize the moment and acquire assets for less than they are worth from a longer-term perspective. In doing so, the opportunistic buyer may also be able to grow its footprint and operational reach, remove a competitor from the market, extract cost synergies, and/or diversify its business across different business lines or geographies.

For example, as noted earlier, leading Latin American online travel agency **Despegar.com** took advantage of its cash-rich balance sheet, as well as the toll that the pandemic had been taking on the OTA industry, to make acquisitions that further grew its presence in Mexico and Brazil in recent years – most notably acquiring a leading competitor in Mexico in 2020 at what we believe is an exceptionally modest valuation, and with no cash paid up front, reflecting the extreme adversity facing the industry during the pandemic. Likewise, OSV owner and operator **Tidewater** has taken advantage of its own strong financial position, and a multi-year period of depressed OSV industry activity, to make three notable acquisitions since 2018, including two since 2022 – one from a Hong-Kong based conglomerate that was looking to exit the OSV space, and most recently, one in 2023 from a Norwegian seller looking to reduce debt levels ahead of a needed debt refinancing. The latter acquisition was completed in July 2023; we believe it was attractively priced, offers additional cost synergies, and further strengthens Tidewater's competitive positioning. We believe these opportunistic acquisitions will serve Despegar and Tidewater well as travel-related spending and OSV activity, respectively, continue to recover from what had been abnormally depressed periods.

Share Repurchases at Discounts to NAV

Sometimes the most value-accretive acquisition a company can make is that of its own shares. The key word there is "sometimes"; as in the case of acquisitions, not all share buyback plans are created equal. If a company is repurchasing shares when its stock is overvalued in the market, or it is increasing its debt levels to fund such buybacks – or both at the same time – share repurchases could very well impair shareholder value longer-term rather than create it. On the other hand, we believe that asset-rich, well-financed companies could potentially grow their NAV per share over time considerably through stock buybacks – provided they are done only when the shares are trading for less than they are worth and done without imprudently leveraging the balance sheet. *If those conditions hold*, we believe share repurchases can often create value for remaining shareholders, in a way somewhat akin to how you would get wealthier over time if you had the opportunity to purchase dollar bills for 70 cents and do so repeatedly. Numerous Fund holdings have been doing just that, in our opinion; holdings that repurchased their own shares in 2023 included **Exor**, **International Petroleum**, **Jefferies**, **Nutrien**, **Spectrum Brands**, **Standard Chartered**, **Tidewater**, **UniCredit**, and **Westaim**. In some cases the share repurchases (at discounts to our estimates of NAV) either coincided with or followed the sale of individual assets at much better valuations, in our view. The was the case for Westaim (share buybacks following the sale of Skyward shares) as well as Spectrum Brands, which completed the sale of its Hardware & Home Improvement (HHI) segment to Assa Abloy in June 2023 for roughly $3.8 billion in net proceeds. Spectrum Brands subsequently entered into an accelerated share repurchase agreement for $500 million worth of shares (with an additional $500 million approved by its Board).

Takeovers in the Fund

If a company's discounted valuation persists in the market for long enough, it sometimes becomes a target for strategic or financial buyers (provided that no material structural impediments to a change in control exist). Because we generally prefer to invest for the long run, in assets and businesses that could potentially compound value over many years, at times takeovers could be a mixed blessing – particularly if, for example, a buyer swooped in at a time of temporary adversity to buy the business for less than its longer-term worth. Still, in many cases a bidder must offer a substantial premium to the stock price in order to get management and enough existing shareholders to agree to a sale. As such, in our history, takeovers have offered us another potential road to value realization in cases in which the stock market, for one reason or another, has not come around to more appropriately reflecting the value of a business. Indeed, the Fund saw some takeover-related activity in 2023, and as noted earlier, its positions in both **Banco Itaú Chile** and **Yamana Gold Inc.** were eliminated essentially as a result of a tender offer (in the case of the former) and a takeover bid (in the case of the latter) – both of which were made at meaningful premiums to their respective share prices (and the Fund's cost bases) prior to the offer – while **Éxito** (post spin-off from CBD) in October 2023 was the subject of a cash takeover bid at a roughly 42% premium to market.

Prospects for Event-Driven Value Creation Looking Forward

In summary, 2023 has been an active year for the Fund's holdings in terms of corporate activity. Further, we continue to believe that the portfolio is rich with potential for event-driven value realization looking forward. For example, in addition to the activities already in progress among holdings that we have discussed, a couple other Fund holdings have been in the news recently.

In our last Shareholder Letter, we discussed Canadian natural resources group **Teck Resources** ("Teck") – which we had added to the Fund earlier in 2023 – highlighting what, in our opinion, was the company's considerable potential for event-driven value realization. In November 2023, Teck announced that it has reached an agreement with Glencore and Nippon Steel to divest its entire metallurgical coal business (Elk Valley Resources) for cash proceeds of US$8.6 billion (plus free cash flow generated until the deal's projected closing in the Third Quarter of 2024). If the sale is completed, Teck intends to use the proceeds to strengthen its balance sheet, return capital to shareholders, and reinvest into its significant copper reserves. Shortly thereafter, Teck announced that the Toronto Stock Exchange had approved its request to establish a normal course issuer bid, under which Teck may repurchase up to roughly 7.8% of its Class B shares over the following twelve months. We continue to believe that, given the size and quality of reserves Teck possesses, especially in its base metals business (notably copper and zinc), thoughtful corporate activity could potentially surface considerable value for the shareholders.

Another Fund holding, United Kingdom-based Retail REIT **Hammerson**, saw its share price rise significantly in November 2023 driven, in part, by an (unconfirmed) press report suggesting that the company may be talking to investors about potentially buying Hammerson's roughly 40% interest in its Value Retail (outlet malls) business for roughly GBP 1 billion. To be very clear, the report is speculative and has not been confirmed by the company, and it remains to seen whether any transaction will ultimately occur. That said, we believe a potential sale of Value Retail at somewhere around the rumored valuation would be attractive, especially relative to what we believe is currently a deeply discounted valuation for Hammerson in its entirety, while also further strengthening the company's improving balance sheet.

One point we'd like to emphasize: we do not know whether anything will come of the speculation regarding Hammerson potentially making an asset sale, nor do we know if Teck's agreed upon sale of its metallurgical coal business will be successfully completed. We only put forward Teck and Hammerson as examples because they have been in the news of late. But the timing of any eventual value realization – not just at these two holdings but across the Fund – is always uncertain and often unpredictable. Although we have conviction in the underlying value proposition of the Fund's investments, it is quite often unclear to us precisely *when* that value will be either unlocked via corporate activity or eventually more fully appreciated by the securities markets.

However, the uncertainty regarding timing notwithstanding, we believe that an investment approach focused on finding well-financed, asset-rich businesses whose shares are undervalued – if well-executed – may lend itself well to the creation of a portfolio that possesses ample potential candidates for value creation via corporate events. If we are successful in identifying and assembling a portfolio of well-financed, undervalued investment opportunities, with management teams that we believe are creating shareholder value rather than destroying it over time, we believe that corporate activity could serve the Fund well (as it did in 2023) over the *long-term* on a *portfolio* basis – with some holdings further along in the path towards value realization, while still others are earlier in their journey, sowing the seeds for future value creation. Furthermore, we believe such opportunities for event-driven value realization might not necessarily be highly correlated with, nor heavily reliant upon, top-down macroeconomic factors or the whims of stock market sentiment and whatever might be the flavor of the day in the market's eyes.

Fund Outlook

Looking forward, the near-term future for the economy, inflation and interest rates continues to be subject of much debate in the financial media. Recession or no recession? Hard landing or soft? Will inflation continue to slow from here, allowing the Federal Reserve to end their interest rate hikes and begin reversing course in 2024? Or will inflation remain stubbornly high, necessitating a "higher for longer" rate environment? Might 1970s-style stagflation be in our future? Simply put, there are various plausible scenarios that could conceivably play out, and while making short-term predictions might be entertaining, we believe basing investment decisions upon those forecasts is ill-advised. We don't participate in such debates, nor are we willing to risk capital on our ability (or anybody's) to accurately forecast macroeconomic variables. Given our long-term time horizon and investment approach, we're not as concerned with the very short-term outlook, except insofar as it might result in longer-term opportunity. But although we can't, and won't, try to predict an inherently unpredictable future, we strive to be aware of various macro scenarios and how each could impact the Fund over the long run.

Regarding the *near-term* future of the economy, virtually anything is possible, and predictions continue to prove notoriously unreliable, in our view; just think of the many forecasters who seemed nearly certain coming into the year that we would see a recession in 2023. In recent months, there have been some signs in various economic data recently released suggesting that the series of interest rate hikes in rapid succession by the Federal Reserve might be starting to bite and beginning to result in a slowdown in inflation rates, potentially allowing for interest rate cuts in 2024. The Federal Reserve's rate hike campaign had some casualties in the form of some bank distress (particularly among U.S. regional banks) earlier in

2023, and it seems reasonable to assume some banks may pull back in terms of willingness to lend – a *de facto* tightening. A secondary impact has been the balance sheets of banks (notably U.S. regionals) being placed under greater scrutiny regarding the interest sensitivity of their assets and liabilities, which might result in write-downs that could possibly impair regulatory capital at some of the more vulnerable banks.

Other than a brief swoon in sympathy with U.S. bank stocks in March 2023 at the height of the turmoil, we have seen no substantive actual business impact on the Fund's bank stocks. All of the Fund's bank stocks are non-U.S., and therefore have, in our opinion, been fairly far removed from the worst of the excesses that took place in the U.S. banking space. Further, we believe the Fund's bank holdings are strongly capitalized, meaningfully undervalued, and rich with potential for value-accretive corporate activity. That said, a retrenchment in bank lending in the U.S. could contribute to a slowdown in its economy, which might have indirect impacts elsewhere in the portfolio. Such an environment, in which banks pull back on lending, borrowing has become more expensive for governments, corporates, and consumers as a result of the Federal Reserve's rate hike campaign, and debt refinancings (potentially at much higher rates) loom in the coming years, could potentially weigh on economic activity in general, testing the "Goldilocks" or "soft landing" narrative that many of the more expensive areas of the market are counting on, in our view – even if it results in a *cyclical* decline in inflation and the lower interest rates in the near-term that the market is waiting for.

But importantly, as distinct from the *near-term*, over the *longer-term*, we continue to believe it is reasonably 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 (GFC) era. The numerous reasons why we believe this include, to start, a dramatic expansion in money supply resulting from many years of *monetary* stimulus that then expanded into uncharted territory in response to the pandemic – which also sparked a wave of massive *fiscal* stimulus on top of that, with the U.S. government currently engaging in heavy deficit spending. This is despite an economy and labor market that have held up so far and a relatively resilient consumer who benefitted from COVID-era transfer payments and a multi-year opportunity (pre-2022) to lock in low mortgage rates. Given recent infrastructure legislation, the Inflation Reduction Act, and defense spending in a conflict-filled world, fiscal profligacy seems unlikely to abate anytime soon. Further, we remain unconvinced that some of the primary drivers of the recent surge in inflation – for example, years of underinvestment in Natural Resources needed to support long-term economic growth – have been adequately addressed in terms of long-term, supply-side solutions. In other words, a *cyclical* reduction in inflation that allowed for a Federal Reserve pause and possibly a pivot in 2024, absent sufficiently meaningful solutions to some of the *structural* causes of recent inflationary pressures, could potentially reverse course, with inflation seeing a resurgence if/when economic activity begins to regain momentum. Alternatively, stagflation remains yet another possibility.

Additionally, the geopolitical landscape unfortunately continues to provide much more bad news than good. In the Middle East, Hamas' horrific October attack on Israel and the ensuing war that has erupted in response is a humanitarian catastrophe that has the potential to spiral into an even larger regional/global conflict, with significant risks to the supply of oil and gas that the market has not yet, in our view, adequately taken into account. One recent result of the conflict has been a number of Yemen-based Houthi attacks on commercial vessels in the Red Sea, which forced many ships to take the long route around Africa rather than a much shorter journey via the Suez Canal. This comes at the same time that traffic through the Panama Canal – another major artery for international trade – has slowed down considerably because of 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.

Conflict-related disruptions to shipping could potentially continue to adversely impact supply chains, proving inflationary. Further, needless to say, the larger and the longer the military conflicts are, the heavier the funding needs of the countries that are directly engaging in or financing the conflicts; in addition to being humanitarian disasters, wars are also very expensive and tend to have an inflationary impact. Further, even among countries between which we have fortunately not seen outright military conflict, intensifying geopolitical rivalry has led to increased ructions in international trade, with many governments seemingly becoming more interventionist in matters of trade and economic policy. In sum, these factors (among others) point, in our view, towards an increased probability of a future in which inflation rates – although volatile, waxing and waning cyclically – may very well remain higher than they had been in the recent past, in general and on average over the long-term.

We continue to believe that security selection and the fundamentals behind it are apt to matter more in determining investment outcomes in a world with heightened geopolitical risk, higher inflation rates, and the cost of capital increasing from the artificially low levels of the past 15 years. Volatility along the way notwithstanding, 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. In short, we strive to uncover potentially compelling *longer-term* bargains that become available due to *short-term* volatility and uncertainty. Notwithstanding a resurgence in "story stocks" in 2023, we continue to believe certain stock-specific attributes that we seek in a given investment, many of which were overlooked in recent years amid a flood of liquidity and easy money, are likely to matter much more in determining future investment outcomes.

These attributes include discounted valuations that price in adversity rather than optimism, as well as financial position strength and a business model that is not dependent on easy capital markets – thereby providing the wherewithal to survive and even take advantage of challenging times. 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 cheaply, 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. As detailed earlier, 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 might not be highly correlated with or heavily reliant upon day-to-day market psychology or top-down economic factors. On that point, we would again argue that corporate activity favorably contributed to the Fund's performance in 2023, a somewhat challenging year for many Value-oriented strategies *relative* to Growth strategies and benchmark indices.

In conclusion, we continue to believe that given an ever-changing world, we are potentially in the early stages of a process in which valuation and company-specific fundamental factors may reassert their critical roles in determining long-term, risk-adjusted investment returns. While volatility is to be expected, we embrace it as a periodic source of long-term opportunity. We continue to believe the Fund is well positioned longer-term, given our focus on what we believe to be well-financed, deeply discounted investment opportunities in areas we believe are better suited in a relative sense for a changing world – one in which inflation and interest rates might not return to the abnormally low levels experienced over the past 15 years and, as a consequence, 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.

One Last Update

Finally, you may have noticed that we have been referencing two indexes by way of comparison to the Fund's performance: the MSCI ACWI and the MSCI ACWI ex USA. The former (MSCI ACWI) is a *global* index (i.e., which includes the United States), while the latter (MSCI ACWI ex USA) is an *international* index (i.e., which excludes the U.S.). As you know, at Moerus we look for deep value opportunities worldwide, with no preconception as to which geography we are invested in, as long as the security meets our investment criteria. That is how we have operated since day one when the Fund started in 2016.

Over the years since then, a disproportionate number of the Fund's investment opportunities have come from outside the U.S. rather than from here at home – again, not by design, but merely as a result of where we believe we have found the best bargains from a long-term perspective. As a result, if we look at the eight Fiscal Year-end periods since the Fund's inception (November 30, 2016, through November 30, 2023), the weighting of U.S. securities in the Fund has ranged from a low of 9.5% of assets to a high of 14.5% over the history of the Fund. As of November 30, 2023, the weighting of U.S. securities in the Fund is 8.3% – well below that of a typical "global fund," or the 62.7% that is currently in the MSCI ACWI as of the same date. Most observers would categorize a similar fund as an "international" fund, including Morningstar, which categorizes the Fund as "Foreign" rather than "Global."

As such, we have updated the Prospectus and SAI so that the Fund will be categorized as an *international* fund rather than as a *global* fund, for purposes of comparison that, in our opinion, better reflects the geographic weightings of the Fund since inception. Accordingly, we have added the MSCI ACWI ex USA as an additional benchmark index for comparison. It's important to emphasize that *nothing* will change in the way we manage or have managed the Fund, other than a changed universe of comparable funds and the index against which the Fund is measured, both of which more accurately reflect the Fund's predominantly non-U.S. composition.

As always, many thanks for your continued support, interest, and curiosity. We look forward to writing you again later in the year. Best wishes for a healthy, happy, safe, and prosperous 2024.

Sincerely,

Amit Wadhwaney, Portfolio Manager

The MSCI Emerging Markets Index captures large and mid-cap representation across 24 Emerging Markets (EM) countries. With 1,437 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI ACWI Growth Index captures large and mid-cap securities exhibiting overall growth style characteristics across 23 Developed Markets countries and 24 Emerging Markets countries. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend, and long-term historical sales per share growth trend.

The MSCI ACWI Value Index captures large and mid-cap securities exhibiting overall value style characteristics across 23 Developed Markets countries and 24 Emerging Markets countries. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price, and dividend yield.

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

The Moerus Worldwide Value Fund is distributed by Foreside Fund Services, LLC, Member FINRA.

Date of first use of this material: February 2024

Moerus Worldwide Value Fund

MOWIX - MOWNX

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)***	9.75%	15.62%	15.62%	1.55%	7.08%	6.37%
MSCI All Country World Index (Net)****	11.03%	22.20%	22.20%	5.75%	11.72%	10.06%

Gross Expense Ratios: Class Inst.: 1.76%; Class N: 2.00%

Net Expense Ratios: Class Inst.: 1.26%; Class N: 1.51%

Past performance does not guarantee future results. The performance data quoted above 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's adviser 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% and 1.50% for the Institutional Class and Class N shares respectively.

** Performance data quoted is historical and is net of fees and expenses. All performance percentages greater than one year are annualized.*

*** Inception date of the Moerus Worldwide Value Fund is June 1, 2016.*

**** The MSCI All Country World Index ex USA Net (USD) 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. With 2,321 constituents, the Index covers approximately 85% of the global equity opportunity set outside the US. The Index 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.*

***** The MSCI All Country World Index Net (USD) captures large and mid-cap representation across 23 Developed Market and 24 Emerging Market countries. With 2,946 constituents, the index covers approximately 85% of the global investable equity opportunity set. You cannot invest directly in an index.*

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 12/31/23 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%).

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

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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