Moerus Worldwide Value Fund

Annual Shareholder Letter: Twelve Months Ended December 31, 2022

For standardized performance and holdings current to the most recent quarter end please see page 17.

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.

The Moerus Worldwide Value Fund is distributed by Foreside Funds Services a member of FINRA.

Moerus Worldwide Value Fund

Annual Shareholder Letter: Twelve Months Ended November 30, 2022

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, 2022 (as referenced herein, "2022" or "the year"). In this Letter, we will discuss Fund performance, notable investment activity in the Fund in 2022, and our thoughts on a changing investment climate and its implications for the Fund.

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, 2022)*

Fund/Index	1-year	Average Annual Returns 3-year	5-year	Since Inception**
Moerus Worldwide Value Fund - Class N	13.29%	5.77%	1.09%	4.88%
Moerus Worldwide Value Fund - Institutional Class	13.60%	6.05%	1.34%	5.14%
MSCI AC World Index Net (USD) ***	-11.62%	6.63%	6.42%	9.12%

** Performance data quoted is historical and is net of fees and expenses.*
***Inception date is May 31, 2016.*
**** The MSCI AC World Index Net (USD) captures large and mid-cap representation across 23 Developed Market and 24 Emerging Market countries. With 2,893 constituents, the index covers approximately 85% of the global investable equity opportunity set. You cannot invest directly in an index.*

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. Please call 1 (844) MOERUS1 or visit www.moerusfunds.com for most recent month end performance.

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 and commissions, borrowing costs, acquired fund fees and expenses, fees and expenses associated with investments in other collective investment vehicles or derivative instruments, or extraordinary expenses such as litigation) will not exceed 1.65% and 1.40% for Class N and Institutional Class Shares, respectively.

With regard to the table above, as always, please note that the short-term and Index performance data are noted 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 said, we will briefly highlight the noteworthy factors driving short-term performance during the period under review. The Fund's Institutional Class returned +13.60% during its 2022 *Fiscal Year* – the twelve months ended November 30, 2022. By comparison, the Fund's benchmark, the MSCI All-Country World Index Net ("MSCI ACWI (Net)") returned -11.62% during the same period[1]. In short, during the twelve months ended November 30, 2022, despite a darkening general market backdrop that saw most corners of global markets decline, the Fund performed well on an *absolute* basis and meaningfully outperformed the MSCI ACWI on a *relative* basis. We will

[1] Source for Index returns: Bloomberg.

first briefly discuss the market environment, before discussing the significant drivers of Fund performance in 2022.

2022 Market Review

Needless to say, it was a challenging year on many fronts for global markets. 2022 began with the market turning its attention back to inflation and potentially higher interest rates after Omicron variant-related fears that had arisen late in 2021 moderated in the U.S. and some other geographies. Then, in late February 2022, markets were jolted by the Russian invasion of Ukraine, which sparked an enormous human and humanitarian catastrophe and unleashed a wave of uncertainty across financial markets that were left scrambling to assess risk exposures, the potential fallout, and spillover effects.

In the months that followed, markets were confronted by numerous additional sources of uncertainty around the world. In the U.S., persistently high inflation readings – exacerbated meaningfully by the crisis in Ukraine – provoked interest rate hikes, as well as a much more hawkish tone from the Federal Reserve, eventually leading to the early stages of the Fed's attempt to shrink its balance sheet (many other Central Banks also began raising interest rates to varying degrees). In Europe, Russia's war on Ukraine raged on as early hopes for a negotiated peace agreement or ceasefire faded, resulting in increased fears of a more protracted, drawn-out conflict. In China, the government responded to the spread of the Omicron variant with very aggressive COVID-suppression policies that included draconian lockdowns in Shanghai and elsewhere, which weighed on economic activity and exacerbated an already tenuous global supply chain situation. This combination of factors led to heightened fears of a global economic slowdown, while inflation remained stubbornly high amid lingering supply-side challenges.

As 2022 wore on, accelerating inflation rates ratcheted up market expectations for a more aggressive tightening by the Federal Reserve and led to heightened fears of a recession or stagflation. The cost of energy in Europe surged. Concerns of potential demand destruction began to weigh somewhat on select commodities and Natural Resource-related equities, which had performed quite well earlier in 2022. A straining market showed signs of breaking in some of the market's more speculative areas of the past several years (e.g., cryptocurrency and SPACs), but the vulnerabilities of some other, arguably less obvious, areas of weakness were laid bare as well. Liability-driven investment funds held by United Kingdom pension plans briefly came under pressure (forcing the Bank of England to step in to try to restore order) amid rapidly declining U.K. government bond prices resulting from fiscal policy missteps, which ultimately forced the U.K. Prime Minister to resign after just six weeks in office.

Late in 2022 (October and November), markets recovered from a sharp September sell-off. Headline October CPI statistics in the U.S. came in below consensus estimates, adding to renewed hopes in the market of a peaking of inflation and an eventual Federal Reserve pause (if not pivot), while China's strict COVID-suppression policies showed signs of easing somewhat. Still, a general gloominess prevailed as the year drew to a close, casting a pall over market sentiment as commentators (some of dubious credibility) debated imponderables such as the odds, length, and depth of any would-be recession and the stickiness of next month's inflation statistics.

In summary, 2022 was a difficult year, with most areas of global markets declining, including the U.S. (S&P 500 Index: -9.22%; NASDAQ Composite: -25.56%) and International markets (MSCI ACWI ex-USA: -11.87%), both Developed and Emerging (MSCI Emerging Markets Index: -17.43%). Rising yields and interest rate expectations seemed to weigh most heavily on higher-priced, longer-duration Growth and Technology stocks, which (in general) meaningfully underperformed Value stocks in 2022 (MSCI ACWI *Growth* Index: -22.98%; MSCI ACWI *Value* Index: +0.59%).

The Fund's 2022 Performance Drivers

Despite this challenging general backdrop that saw many corners of global markets decline in 2022, the Fund performed well in both an absolute sense and relative sense, with the Institutional Share Class returning +13.60% for the year; by comparison, the MSCI ACWI returned -11.62%. Although the events in Ukraine and their spillover

effects (e.g., the spike in oil & gas prices, inflation, and exacerbated supply chain issues) weighed on some components of the Fund (including some holdings exposed to consumer spending and others based in Continental Europe), those declines were more than amply offset by significant gains in other areas, including Natural Resources (including Energy and Agriculture) and some of the Fund's Latin American holdings.

The Fund's performance in 2022 could simplistically be explained by both what we *have* and what we *have not* done in constructing the portfolio. Starting with the latter, in recent years, we have often argued that the stock prices of many of the most popular names in the broader market had run well ahead of underlying fundamentals and even optimistic expectations for the future. We largely avoided these segments of the market due to what we saw as excessive levels of long-term "price risk" (due to overextended valuations). Yet, for much of the six-plus years since the Fund's inception, this decision weighed on relative performance, as many stocks (including leading index constituents) that we saw as expensive got even more expensive, outperforming the Fund's out-of-favor holdings. In 2022, however, the investment climate shifted significantly. Rising inflation and interest rates pressured markets in general, but especially some of the most expensive, popular pockets of the market (e.g., Growth and Technology) that we have avoided in the Fund for years due to price (among other concerns). We will return to this topic later.

On the other hand, many of what we believed to be the most attractively valued opportunities that we have found in recent years tended to reside in long-unpopular areas, starved of investor capital, with battle scars (and discounted valuations, in our view) to show for it. They include real, tangible asset-centric areas, such as the Natural Resource sector (Energy, Agriculture, Metals) – a group long taken for granted, though that could potentially be changing in a higher-inflation world – as well as geographies like Latin America, a resource-rich region that had suffered through a long downturn that was further exacerbated by the pandemic. In 2022, these same areas of our portfolio performed quite well in rocky waters, as evidenced by leading contributions to Fund performance coming from our Energy-related and select Latin American holdings during the period.

While the Fund's strong performance in 2022 was the result of appreciation from a majority of holdings, we will focus our discussion below on the most significant and notable themes and drivers of performance, among others. Please note, however, that, as long-term investors, we are much more focused on fundamentals, company-specific developments, and the longer-term investment cases supporting the Fund's investments – which, importantly, remain quite encouraging, in our opinion.

Energy-Related Holdings

The most material contributor by *sector* to the Fund's performance (by a wide margin) in 2022 was the Fund's Energy-related (most notably, Oil & Gas-related) holdings. This was driven primarily by strong appreciation from **Tidewater** and **International Petroleum Corporation**, the largest and second-largest overall contributors to Fund performance, respectively, for the year.

Shares of **Tidewater**, a U.S.-based provider of offshore supply vessels (OSVs) and support services to the Offshore Energy industry, benefited in 2022 from both robust oil prices that have recovered from pandemic lows as well as from recent company results that have highlighted meaningfully improved conditions in the Offshore Energy space, which appears (in our view) to be reaching an inflection point after coming out of an over seven-year industry-wide depression. Bigger picture and longer-term, we believe industry fundamentals had already been improving significantly well before Russia's invasion of Ukraine, and company-specific developments at Tidewater in recent years have been quite encouraging. In our view, Tidewater's reported results over recent quarters have indicated a continued, significant improvement in industry activity and the vessel supply/demand balance in most of the company's markets, as well as material increases in pricing across geographies and vessel classes as the OSV market continues to tighten considerably. Active fleet utilization rates, pricing, profit margins, and cash flow generation have improved materially, and Tidewater management has expressed increased optimism for levels of tendering activity for projects looking forward.

Prior to Russia's invasion of Ukraine, oil prices had already risen significantly off of pandemic-sparked lows as the global economy re-opened. In addition to a recovery in *demand*, oil prices were also supported by the *supply* side of

the market, which had, for years, been constrained by low levels of reserve replacement and reinvestment that only plunged even further at the onset of the pandemic. These forces on both the supply and demand sides drove a recovery in oil prices, which, for Tidewater's customers (i.e., Offshore Oil & Gas Exploration & Production companies), have resulted in much improved balance sheets and cash flow generation – attributes that, in our opinion, are likely to lead to an increase in maintenance and growth capital investments.

Subsequently, the Russian invasion of Ukraine drove an additional surge in oil and gas prices, which have since moderated in the latter half of 2022. But, importantly, it also seems to have brought to the forefront strategic challenges that the West must address over the longer term, such as energy security, dependence on Russia for a significant proportion of energy needs (in particular, Europe's reliance on Russian natural gas), and the resultant need to seek alternative, more diversified sources of energy supply. To the extent that these concerns lead to efforts to increase oil and gas supply from a diversified range of sources, including Offshore, we believe this could potentially lead to a significant increase in demand for Tidewater's services – the early signs of which we began to see in 2022.

The strong performance of Tidewater shares in 2022 (+191% in USD in 2022) came off of the extremely depressed levels reached in the early stages of the pandemic, and investor sentiment towards the entire Energy sector (particularly its smaller-cap, North American names) had been extremely pessimistic for years until recently. Thus, although recent developments have been quite encouraging and the OSV market has strengthened meaningfully, Tidewater shares remain, in our opinion, quite cheap. Although the geopolitical situation, recently increased fears about a potential recession, and/or adverse pandemic-related developments such as the recent lockdowns in China could cloud the immediate-term outlook, we believe Tidewater has the strongest balance sheet in the industry to make it through volatile periods, with a cash pile of $120 million as of September 2022, modest net debt, and no meaningful debt maturities over the next four years, providing Tidewater with the solid financial position that its peers lack. This, we believe, leaves the company well-positioned both to benefit disproportionately if and as conditions continue to normalize and to continue to lead ongoing consolidation of the OSV industry.

On the topic of consolidation, in 2022, Tidewater acquired Swire Pacific Offshore (SPO) – a competitor that had been deemed non-core by its parent, Hong Kong conglomerate Swire Pacific Limited – at a price that we believe represents a deep discount to the replacement cost of its fleet. Like its previous acquisition of Gulfmark Offshore in 2018, we believe the SPO acquisition meaningfully expands and improves Tidewater's fleet and offers attractive cost synergies given overlapping geographic operations, while structured in a way that has allowed Tidewater to retain what we believe is the strongest balance sheet in the industry. With Tidewater's acquisitions of SPO and Gulfmark Offshore, other smaller M&A activity, and industry (and fleet) attrition during a prolonged, dark era, the fragmented OSV industry is gradually becoming somewhat more concentrated, with Tidewater leading the way, while the overcapacity in the industry has abated quite a bit – both of which are materially positive fundamental developments for Tidewater looking forward, in our view. The Gulfmark and SPO acquisitions also allowed Tidewater to significantly upgrade its fleet while jettisoning redundant, older, and/or lower-quality vessels (generating cash proceeds in the process). We believe that these two acquisitions are significant positives that will be major contributors in the long-term building of Net Asset Value (NAV) – the fruits of which, we believe, are likely to become more visible as the OSV industry continues its emergence from a multi-year depression.

Given its best-in-class financial position and balance sheet strength in an OSV industry full of financially distressed competitors, we believe Tidewater occupies a unique position as a preferred counterparty for many Offshore Energy companies that are wary of counterparty risk. Despite Tidewater's strong performance in 2022, the stock still trades at an unusually modest valuation relative to the cash flow we believe the business could generate in a recovering and normalizing OSV market, and at a fraction of our estimate of its fleet's replacement cost – which is particularly interesting in a world in which replacement values for real assets are likely increasing meaningfully, given the inflation that is being experienced at present.

International Petroleum Corporation ("IPC"), the second-largest positive contributor to Fund performance in 2022, is a relatively recent addition to the portfolio, as we first purchased shares in the Second Half of 2021. Listed in both Canada and Sweden, IPC is an Oil & Gas Exploration & Production ("E&P") company with the bulk of its

asset base located in Western Canada (with the balance coming from resources in Malaysia and France). IPC swooped in and acquired the bulk of its Western Canadian assets at what we believe to be quite attractive prices in 2017-2018, an unusually depressed period for the Western Canadian energy space. We discussed the IPC investment case in greater detail in our November 2021 Annual Shareholder Letter[2]. In short, we believe IPC is a well-financed, well-managed collection of assets that, perhaps because it is under-analyzed in North America (due to its European roots), is meaningfully undervalued by the market, in our view, based on various metrics (free cash flow generation, reserves, recent comparable transactions, et al.). At the time, we thought that the business could potentially generate significant excess free cash flow at well below prevailing oil prices, allowing management to either reinvest in the business or continue returning capital to shareholders.

Since then, like Tidewater, IPC stock has benefited from the recovery in oil prices from pandemic lows. In 2022, the company has accelerated its share repurchases, buying back roughly US$176 million worth, or about 11% of outstanding shares since December 2021 – in line with management's stated capital allocation framework to materially increase returns to shareholders in a higher oil price environment. In addition, IPC recently announced it had received Toronto Stock Exchange approval to repurchase another 6.8% of its outstanding shares through December 4, 2023. Given our belief that IPC shares remain considerably undervalued, we believe share repurchases (for cancellation) will, over time, increase intrinsic value per share for remaining shareholders such as the Fund. Despite its strong performance in 2022 (+130% in USD), we believe that IPC stock remains modestly valued in relation to the amount of free cash flow we estimate that the business could potentially generate at well below today's oil prices.

Latin America

Looking at the Fund's portfolio by *geography*, perhaps the most notable positive contribution came from Latin America, a region that is home to the third-largest and fourth-largest overall contributors to Fund performance in 2022: **Arcos Dorados Holdings** and **BR Properties**, respectively. As a group, the Fund's Latin American holdings lagged the previous year in 2021 amid various sources of pandemic-related, macroeconomic, and political uncertainty that weighed on local equity markets and on Latin American currencies. In our November 2021 Annual Shareholder Letter, we discussed in greater detail how, despite the adversity, we believed Latin America to be a source of some of our most attractive investment opportunities. We won't repeat our case for the region here, but, in short, we shared our belief 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. We believe that continues to be the case in Latin America today, and that this remains an exciting time to be deploying capital there.

In 2022, general market sentiment towards some of our Latin American holdings – at least relative to the rest of the world – seemed to improve somewhat, perhaps because the region had already been beaten up quite a bit in 2021 and many investors had already fled the region *en masse*, or perhaps because of positive second-order effects of higher commodity prices at times in 2022 (in general, Latin America is rich in numerous Natural Resources to varying degrees depending on the country). In any event, even minor improvements in market sentiment towards Latin America seemed to benefit the share prices of our holdings in the region, which, as we have discussed at length in recent letters, are domestically focused companies that we believe have performed quite well as businesses, only to have those results either obscured or overshadowed by a protracted period of poor stock market sentiment and local currency weakness.

Of the group, the most meaningful contribution came from **Arcos Dorados Holdings**, the third-most significant positive contributor in 2022 (behind only Tidewater and IPC). Arcos Dorados is the largest McDonald's franchisee in the world and the exclusive McDonald's franchisee throughout much of Latin America and the Caribbean, whose shares were up roughly 55% in USD terms in 2022. The strong year for the stock was a welcome development after recent years in which challenging macroeconomic and political circumstances in Latin America, most notably in Brazil (the company's largest market), weighed on Brazilian equity market sentiment, the value of the local currency (the BRL), and indeed Arcos Dorados' *stock price*. Yet, despite a difficult general backdrop, Arcos Dorados'

---

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

actual *business* performance has been quite impressive, in our view, with very strong business results over the latter half of 2021 and even stronger results for the first three quarters of 2022 that drove significant share price gains in 2022.

Despite a very challenging environment sparked by the pandemic (notably in Brazil), Arcos Dorados' business returned to being EBITDA-positive on a consolidated basis by July 2020, nearly two-and-a-half years ago and only a few months into the pandemic – in our view, a remarkable achievement, given the carnage that COVID-19 lockdowns inflicted on the restaurant industry worldwide. Since then, the recovery from the pandemic and overall business performance has improved materially and even accelerated, in our view, as indicated by a series of strong quarterly results. Most recently, in the Third Quarter of 2022, the company's systemwide comparable sales grew by 34% year-over-year, driven by higher customer traffic and market share gains across the region, and the EBITDA generated by the business over the trailing-twelve-month period was a record for the company. This, in our view, is remarkable and reflects particularly well on management, given this record result was achieved *in U.S. dollar terms* despite significant depreciation in Latin American currencies in recent years; for example, the Brazilian Real has depreciated by nearly 60% relative to the USD over the past ten years through November 2022. In addition to substantial currency headwinds, those record results were also achieved despite high inflation and all of the pandemic-era challenges that the Quick Serve Restaurant (QSR) industry has faced since early-2020.

Longer-term, we believe Arcos Dorados remains well-positioned to continue its impressive market share growth within Latin America's highly fragmented (but growing) QSR industry. Indeed, these market share gains seemed to accelerate since the onset of the pandemic, driven by the company's unmatched free-standing restaurant footprint (a key competitive advantage in servicing Drive-Through and Delivery orders), as well as its scale, financial position, brand, and formal food safety protocols – a key pandemic-era differentiator in a Latin American QSR market that is heavily informal and populated by street stalls and mom-and-pop competitors. These significant advantages notwithstanding, Arcos Dorados shares continue to trade at a wide discount to regional and global peers, despite what we believe to be superior long-term growth opportunities.

Staying in Latin America, **BR Properties**, our Brazilian commercial property holding, was the fourth-largest positive contributor to Fund performance for the year. In 2022, BR Properties sold a large portion of its office portfolio at a price that represented a significant premium to the implied valuation of the entire company prior to the announcement. We will return to BR Properties later in our discussion of the Fund's recent activity.

Emaar Properties

Rounding out the top-five positive contributors to Fund performance in 2022 was **Emaar Properties** PJSC, a Dubai-based company that develops, owns, and manages real estate. Emaar Properties, a leading property development company in the United Arab Emirates (UAE) and a significant player in several other markets, operates across four main segments: (i) Property Development, where it is a leading master-planned developer with more than 10 projects underway across Dubai and a land bank of over 1.7 billion square feet in the UAE and abroad; (ii) Property Investment, where the company owns and manages a 9.1 million square foot portfolio of mostly retail assets, including the Dubai Mall, the most visited mall in the world; (iii) Hospitality, where it operates hotels encompassing more than 7,000 rooms; and (iv) Entertainment, where the company owns and operates several large tourist attractions in the UAE.

Shares of Emaar Properties were up over 32% in USD terms in 2022. Since we added Emaar Properties to the Fund in March 2021, it has been one of the more significant positive contributors to Fund performance. Emaar Properties' strong performance since its addition to the portfolio has been largely 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 has reported strong recent business results, with all business segments returning to profitability. The company saw strong growth in revenue and profit within its core property development business as more properties were turned over and the company saw its highest-ever level of sales, reflecting the significant pent-up demand following the pandemic. The malls and hospitality businesses also saw recoveries as more tourists returned to Dubai and consumer spending rose; in fact, tenant sales at the company's malls recently surpassed pre-pandemic levels. Also, in late-2021, Emaar Properties

completed its merger with its majority-owned, formerly publicly listed subsidiary, Emaar Malls PJSC. We believe this merger is a positive step, as Emaar Malls had traded at a discount to its book value and, in our view, Emaar Properties can more fully realize the value of the malls subsidiary now that it is wholly-owned.

Additionally, in the time that we've owned Emaar Properties in the Fund, Dubai has continued taking steps to improve its capital markets, announcing in November 2021 its intention to sell stakes in 10 state-owned firms by listing them on the stock market. This is expected to be positive for trading volumes and contribute to the continued growth of Dubai as a key financial hub in the region. Alongside these improvements, Emaar Properties recently removed its limit on foreign ownership of its shares, potentially increasing the company's weight in indexes and further supporting demand for the shares. This follows other recent developments, including law changes that make Dubai more attractive to foreigners and the normalization of relations with Israel. Further, in April 2022, the UAE government announced amendments to the long-term residency visa scheme to simplify the eligibility criteria – reforms that seem likely to be supportive of increased participation in the UAE property market among expatriates, who have very low home ownership levels (under 30%). With its strong position in Dubai's real estate market, Emaar Properties stands likely to benefit from an increased pool of interested buyers. While the stock has generated strong returns overall since its addition to the Fund, it continues to trade at a deep discount to our estimate of its NAV and we continue to believe that there is significant further upside potential.

Notable Detractors: Spectrum Brands Holdings and Despegar.com

As noted earlier, the positive contributions to Fund performance in 2022 were driven by appreciation in a majority of holdings. Among the minority of Fund holdings that declined for the year, there was not much in the way of common, overarching themes. Nonetheless, we would argue that, in many ways, looking at a given period's largest detractors is often far more interesting than its best recent performers. In our view, this was once again the case in 2022. Namely, the two largest detractors from the Fund's performance in 2022 were **Spectrum Brands Holdings** and **Despegar.com**. Each company is exposed to consumer spending, albeit in different ways (consumer products primarily in the U.S. for Spectrum Brands; Latin American travel for Despegar). As such, each company has faced headwinds in 2022 as inflation has strained consumer budgets. Yet, in each case, we would argue that the long-term investment case remains strong, and we have taken advantage of reduced prices to add to each position in 2022.

Spectrum Brands was the most significant detractor from Fund performance in 2022, with shares of the U.S.-based consumer products company down 45% in USD terms for the year. Although inflation and supply chain challenges across the economy weighed on Spectrum Brands' shares for much of 2022, the biggest factor that drove the share price decline was the news in September 2022 that the U.S. Department of Justice (DOJ) sued to block Spectrum Brands' pending sale of its Hardware & Home Improvement (HHI) segment to Assa Abloy, arguing that the deal results in excessive concentration of the market for door locks and related hardware. Both Spectrum Brands and Assa Abloy announced that they will vigorously contest the DOJ's opposition to the transaction in court, disputing that the proposed transaction would harm competition and arguing that the combination would result in benefits to consumers, including enhanced innovation and product offerings.

Given that this transaction was struck at what we view to be a very attractive price (more on that shortly), this news was clearly a negative development. But looking forward at each of the possible scenarios, we continue to believe Spectrum Brands remains a compelling investment opportunity – even more so after the recent stock price decline. Looking at the alternative paths from here, clearly the most attractive potential outcome, in our opinion (at least in the short-term), would be that either Spectrum Brands ultimately prevails in the dispute, or a settlement is reached in the interim period, allowing the HHI business to be sold at the previously agreed upon terms. Regarding the latter scenario, Assa Abloy recently proposed the sale of its Emtek door hardware and Smart Residential businesses in the U.S. and Canada in an effort to gain DOJ approval of the transaction. A completion of the transaction, as-is, would be a clear positive and, in our opinion, offer substantial potential upside for Spectrum Brands' stock.

However, it is worth noting that, given the meaningful size of this proposed transaction and its attractive valuation, we believe that *even if the size and scope of the sale is ultimately reduced* in order to address and alleviate the DOJ's concerns, the deal is nonetheless quite likely to unlock a significant amount of the company's latent value, in our opinion. For some perspective on this, the sale of the HHI business alone (if completed on the terms initially laid out) would bring in net proceeds of roughly $3.5 billion, which is over 40% larger than Spectrum Brands' current equity market capitalization *in its entirety* of roughly $2.4 billion; post-deal, Spectrum Brands would continue to operate its three other core businesses (Home & Personal Care, Global Pet Care, and Home & Garden). Given this wide disparity, we believe the potential for the transaction, even at modified terms, to create significant value for Spectrum Brands shares is considerable.

Finally, even in the event the HHI sale to Assa Abloy is not completed in any form, Spectrum Brands would retain ownership of what we believe is an attractive business that is likely to ultimately be of meaningful interest to other potential strategic and/or financial buyers, given its significant size and market presence that includes a meaningful share of the U.S. market for smart locks (e.g., digital door locks), which has been growing rapidly in recent years. In our view, given the disparate nature of its businesses, Spectrum Brands represents a highly divisible entity with the potential for value realization by the sale of individual business units, potentially at values that we believe, in aggregate, could offer meaningful upside from the current share price.

Despegar.com was the second-largest detractor from Fund performance in 2022, with shares of the largest online travel agency ("OTA") in Latin America down 38% in USD terms for the year. Given the nature of its business, Despegar stock has faced challenges for the last couple of years amid the COVID-19 pandemic and resultant headwinds facing travel (especially international) across much of Latin America. These issues have obviously weighed meaningfully on business conditions since the onset of the pandemic in Latin America in March 2020. In addition, in 2022, Despegar shares have also been pressured as inflation, rising yields in the U.S., and increased expectations of more meaningful tightening from the Federal Reserve have, at times, weighed on investor sentiment with respect to Emerging Market stocks and on consumer spending in the immediate term, while investor cautiousness towards Brazil in the lead-up to, and aftermath of, its Presidential Election likely contributed in weighing on the stock as well.

However, from a longer-term perspective, we believe Despegar boasts a strong financial position to weather the storm, as it currently operates with roughly $260 million of cash on the balance sheet; for perspective, Despegar's entire equity market cap is roughly $350 million. While near-term conditions remain challenging, the business continues to gradually recover, with gross bookings during Despegar's most recent quarters up meaningfully, returning to roughly 94% of 2019 (pre-pandemic) levels, revenues reaching 10% *above* 2019 levels, and the company achieving positive EBITDA in each of the last four quarters as the travel market continues its recovery. Recent travel statistics in Latin America suggest the recovery is gathering further momentum across the region, as many airline routes that had been suspended during the pandemic resume operation, and as travel-related restrictions have largely been eased across markets. The easing/elimination of restrictions on travel seem likely to support a continued recovery and eventual normalization in activity across Despegar's markets.

Longer-term, we believe the significant cost cutting steps taken by Despegar during the pandemic will result in a stronger business with improved margins when we eventually exit the current challenging period. In addition, Despegar's smaller, less well-capitalized competitors are apt to have a tougher time surviving the current downturn – especially the longer it drags on – leaving Despegar, in our view, to take even greater market share when we eventually emerge from this. In fact, Despegar has already taken advantage of its strong financial position in growing its footprint on attractive terms, acquiring (in October 2020) Best Day Travel Group – a leading travel agency in Mexico (which is now one of Despegar's largest markets) – 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. More recently, in May 2022, Despegar announced the acquisition of ViajaNet, a Brazilian OTA; this transaction represents yet another step taken by Despegar to continue to consolidate the market, this time through a small, bolt-on acquisition. These developments, in our view, bode well for Despegar's competitive positioning as conditions continue to normalize. Given the many attractive attributes of Despegar's Latin American OTA business, its strong business model, consistent topline growth, and "new economy" status, the stock had historically been too

fully valued for us. However, the fallout from COVID-19 offered us the opportunity to invest in a business that we believe has unusually attractive long-term prospects, at what we believe is a discounted valuation based on our estimate of the normalized profitability of the business.

Notable Investment Activity in the Fund

The Fund's Fiscal 2022 was a busy period, as we strove to take advantage of episodic bouts of short-term volatility and attractive pricing to add to several existing positions in the Fund, in addition to initiating four new positions in the portfolio. Three of the new positions – **Bancolombia S.A.**, **Conduit Holdings Ltd.**, and **Itaú CorpBanca** – were purchased during the First Half of 2022, and their investment cases were discussed in detail in our May 2022 Semi-Annual Shareholder Letter[3]. We added another new position, in shares of **Yamana Gold Inc.**, during the Second Half of 2022, and we will highlight its investment case below.

Yamana Gold Inc.

Based in Canada, Yamana Gold is a mid-sized precious metals producer focused on gold but also with some exposure to other metals, such as silver and copper. Yamana holds five principal operating assets in Canada and Latin America (Brazil, Chile, and Argentina), as well as some exploration projects. In our view, perhaps the most interesting of Yamana's assets is its 50% stake in Canadian Malartic, an attractive operating asset located in Quebec that we believe offers a potential source of meaningful growth in reserves, output, and earnings in the coming years. However, 2022 was not a particularly kind year for many businesses, precious metals miners included. Gold and silver prices were down for much of the year, reflecting higher interest rates and a stronger U.S. dollar that, at times, seemed to reduce investor appetite for precious metals in the short-term. Combined with higher production costs – be it fuel, the cost of consumables, capital equipment, etc. – that came with recent inflation and supply chain challenges, this resulted in a relative absence of earnings growth visibility in the near-term, pressuring the share prices of many precious metals miners throughout much of the year. Yamana shares were not immune to these developments, and its share price traded down to what we believed to be a considerable discount to estimated NAV.

In late May 2022, Yamana was the subject of an all-stock takeover bid by Gold Fields Ltd., a larger, South African gold producer that sought to bolster its growth prospects by acquiring Yamana. However, the share exchange proposed by the acquiror (Gold Fields) was vociferously opposed by some of its own shareholders as excessive, and Gold Fields' share price tumbled roughly 33% in USD terms over the three months following the announcement of the takeover bid. Along with it, Yamana shares declined as well, as they had become linked, in part, to the value of Gold Fields' shares, if the deal were to go through. Still, Yamana shares did not decline by quite as much as Gold Fields' stock. This perhaps reflected the non-zero probability of a sweetened bid by Gold Fields or an alternative bid by one of the other larger gold producers – a group that we believe, in general, is facing challenges finding quality assets that can produce growth in their gold reserves and earnings. Nonetheless, Gold Fields' stock price plunge dragged Yamana's share price down along with it far enough that Yamana stock eventually fell to levels *below* which it had been trading *before* Gold Fields' bid was announced. This, in our opinion, represented a bargain price *as-is*, which, additionally, did not adequately reflect the attractiveness of Yamana's asset base and the possibility of either the Gold Fields' bid falling through or the emergence of a better bid. At that point, we initiated a position in Yamana shares in the Fund.

Since then, another bid for Yamana did, in fact, emerge. In November 2022, Agnico Eagle Mines and Pan American Silver announced a joint bid for Yamana in exchange for $1 billion in cash, 153.5 million shares of Pan American Silver, and 36.1 million shares of Agnico Eagle Mines. If the transaction is completed, Agnico Eagle, the owner of the other 50% stake in the Canadian Malartic mine, would consolidate its control of that operation as well as all of Yamana's other gold assets, while Pan American Silver would acquire Yamana's silver properties. Yamana's Board of Directors deemed this latest, joint bid superior to Gold Fields' offer; indeed, on a per-share basis, the bid offered a 23% premium to Yamana's previous day closing price. Shortly thereafter, Gold Fields terminated its proposed bid

[3] https://www.sec.gov/Archives/edgar/data/1644419/000158064222003969/moerus_ncsrs.htm

for Yamana. Since the announcement of the Agnico Eagle/Pan American Silver bid, Yamana shares returned +33% through November 30, 2022. According to management, subject to shareholder votes (among other conditions), the transaction is expected to close in the First Quarter of 2023. We will update you on further developments going forward.

Notable Selling Activity
The most noteworthy selling activity that took place in the Fund in 2022 included the eventual elimination of two holdings – **Grupo de Inversiones Suramericana** (GrupoSura) and **Shinsei Bank** – each of which was precipitated by tender offers made at substantial premiums to their respective share prices. In the case of Colombian Holding Company GrupoSura, the Gilinski Group made a first tender offer at a roughly 27% premium to GrupoSura's prior closing price, followed by a second tender offer at a roughly 23% premium to the first tender offer price. In the case of Shinsei Bank, a public tender offer for the Japanese bank's shares was made by SBI Holdings, Japan's largest online brokerage, at a nearly 40% premium to Shinsei Bank's previous closing price. GrupoSura and Shinsei Bank are two recent examples of event-related value realization in the Fund, a topic that we discussed in detail in our November 2021 Annual Shareholder Letter.

As noted earlier, in 2022 we also eliminated our position in **BR Properties**, the fourth-largest positive contributor to Fund performance for the year. BR Properties is a Brazilian real estate company, which had assembled what we saw as a high-quality office property portfolio primarily in São Paulo and Rio de Janeiro at attractive prices during a long-running downturn in the property market. In May 2022, BR Properties announced an agreement to sell roughly 80% of its office property portfolio to Brookfield for approximately BRL 5.9 billion in gross proceeds. On *a price-to-NAV basis*, we estimate that the transaction was priced at a roughly 30% premium to the implied valuation of the entire company based on its share price immediately prior to the announcement. In our opinion, the asset sale was reasonably well-priced at the time of the announcement, given the broader macroeconomic context and political uncertainty surrounding the looming Presidential election in Brazil, but it also essentially "cashed out" a significant proportion of the asset base, thereby capping some of the incremental upside potential going forward. As a result, we decided to sell the Fund's shares in BR Properties given what we believe to be more attractive investment opportunities for the Fund at this point in time.

Regime Change and Its Potential Implications for the Fund

As we have noted often (perhaps *ad nauseam*) over the years, our investment approach is long-term in nature. The Fund's investment objective is long-term capital appreciation, and the Fund is managed with the goal of achieving attractive risk-adjusted performance over the long run. With a time horizon of five years or more, the Fund is therefore not managed with any short-term performance objectives or benchmark considerations in mind.

Nonetheless, looking back at 2022, a year which was particularly challenging for many investors, the Fund's positive performance has admittedly been gratifying. As investors, market pundits and other interested parties digested the goings-on as the year wore on, commenting on which types of investments worked well in 2022 and (more typically) which did not; one of the increasingly common refrains heard this year has been about the "regime change" that has taken place. Namely, the long, multi-year run of relatively benign inflation rates and extremely low interest rates came to an end in 2022, weighing on markets in general and disproportionately hitting the prices of many of the biggest market winners of the past several years, including long-popular Technology and Growth stocks, as well as arguably more speculative instruments such as SPACs and cryptocurrency.

Years in the Making

While we would tend to concur with that view, we believe that the seeds of such a regime change were being sown well before 2022. In fact, over the past few years, we had been warning in these pages over various risk factors we thought were developing, which eventually came into play in 2022. For example, in our May 2019 Semi-Annual Report[4], we discussed how the prolonged period of outperformance by Growth stocks at the time had led many to wonder if it was actually a "this time really *is* different" moment at that point in time, and if Value investing was

[4] https://www.sec.gov/Archives/edgar/data/1644419/000158064219003462/moerusncsrs.htm

doomed to obsolescence in an increasingly technology-centric world, as many began to suggest. Not surprisingly, we disagreed with that assessment, arguing that Technology *stocks,* in general, some (but far from all) of which were remarkably successful *businesses*, nonetheless were priced for near-perfection, incorporating significant "price risk" (potential downside) in the event that the future were to turn out to be not quite as benign and supportive of valuations as the recent past had been. For example, we stated the following:

> "*Regarding interest rates, while Federal Reserve officials seem to be signaling that cuts are more likely than hikes in the near term, is it really impossible to imagine that at some point in the future, the Fed's hand might be forced by unexpected inflation driven, perhaps, by supply-side shocks in the form of increased tariffs or a geopolitical crisis? Notably, these various risks to profit margins say nothing of the many high-priced businesses that do not generate profits at all, even in the current environment…and therefore presumably depend on continued access to capital markets at easy terms to continue their growth stories. What if capital markets, at some point, get more demanding*?" – The Fund's May 31, 2019 Semi-Annual Report

To be clear, we were not making any forecasts or predicting that any of the above scenarios would play out (not then, not ever); our crystal ball is no less cloudy than anybody else's. Rather, we were merely pointing out that on a fundamental, bottom-up level, the valuations of many businesses occupying the most popular, growthy segments of the market at the time were, in our view, pricing in a seemingly indefinite continuation of the benign environment that we had seen for many years, despite no shortage of plausible, potential obstacles to that narrative persisting permanently.

As part of our May 2021 Semi-Annual Report[5], we included a discussion entitled "*Fund Positioning in a Potentially Inflationary World*." At the time, our motivation for tackling this topic was that inflation had just begun to enter the public consciousness after decades of relative dormancy (in the U.S.) and, as a result, we had been receiving numerous questions on the subject and on how the Fund might fare in a more inflationary environment. Again, we did not make any macroeconomic forecasts or participate in the ongoing debate at the time as to whether inflation would be "transitory." We did, however, share our belief that the Fund's portfolio, as a result of our conservative valuation methodology that seeks attractive value on an *as-is* basis, here and now, was populated by out-of-favor assets in old-fashioned, stodgy, tangible asset-centric areas that had been deemed "have nots" under the long-prevailing economic backdrop that included low inflation, low growth rates, and low interest rates against a backdrop of what was otherwise, we would argue, a fully/overpriced general market. We believed that the Fund was relatively well-positioned for a higher inflation environment than the one we had experienced over the past many years, noting, "…Looking at things from a high-level, our portfolio, depressed for a long time under the status quo, seems likely, in our view, to benefit [in a relative sense] from a macroeconomic 'regime change'." On the other hand, we (again) noted that numerous new-economy Growth stocks, which, at the time, were trading at what we believed to be nosebleed-high levels despite many not producing positive earnings or cash flows, were particularly vulnerable to a macro regime change, given those lofty valuations were heavily dependent on the promise/hope of cash flows far in the future and on low interest rates to (barely) discount those far-away cash flows to the present.

The Pandemic's Spark to the Powder Keg

Some of the concerns that we voiced in recent years started to come to pass, with signs of material, observable change beginning in 2021 but, in many ways, not accelerating in earnest until 2022. The world we all had lived in since the Global Financial Crisis ("GFC") of 2008-2009, one of relatively low rates of economic growth, low interest rates (even negative in some jurisdictions), and benign inflation, came to an end in 2022. Easy-money conditions resulting from the accommodative monetary policies practiced by many Central Banks (most notably the Federal Reserve) for the better part of the past 14 years since the GFC, were essentially then given a super-dose of steroids in 2020, 2021, and even into 2022, amid the COVID-19 shock. The Federal Reserve, the European Central Bank (ECB), and other Central Banks adopted even more novel, aggressive *monetary* policies alongside massive government *fiscal* stimulus programs put in place in many countries globally. This coincided with prodigious amounts of debt being issued (some of it at negative nominal interest rates) amid the increasingly experimental monetary policies and the collective loosening of fiscal purse strings on both sides of the Atlantic and other parts of

[5] https://www.sec.gov/Archives/edgar/data/1644419/000158064221003650/moerusncsrs.htm

the world – a combination the likes of which were perhaps unprecedented. Combined with the many dislocations created by COVID-19 lockdowns and supply side issues involving various commodities that had already been gradually developing in recent years prior to the pandemic, these forces conspired to eventually let the inflation genie out of the bottle after a long, multi-decade period of containment (relatively speaking). In 2022, the emergence of inflation, in turn, resulted in higher interest rates that have weighed on markets in general, but especially the areas where the wildest excesses of the past couple years took place, with fallout (thus far) being felt perhaps most dramatically within the realms of crypto, SPACs, and profitless technology companies, among other areas.

A New Era? Or More of the Same?

Hence, although we agree that a regime change of some sort has taken place, exploding into the public consciousness in 2022, the groundwork for such a shift had been gradually moving into place for quite some time. The risks had been building in recent years, but did not manifest themselves until inflation accelerated in 2022. But is this a "new" era? We don't think so. Although history does not necessarily repeat, *per se*, in our view, some of what we experienced in 2022 had some similarities to the 1970s, another era of higher inflation and interest rates. A surge in energy prices drove the initial surge in inflation. A war disrupted supply. In 2020-2021, fiscal and monetary policy stoked demand and set the stage for the inflation to come, in some ways similar to what took place in the late 1960s/early 1970s. Massive fiscal stimulus in the form of pandemic-related transfer payments, coupled with a persistently large defense budget – which seems unlikely to shrink any time soon, given the war in Ukraine and the current geopolitical context – harkens back to the "guns *and* butter" policies of the late 1960s, in which the U.S. government attempted to fund the Vietnam War, its Cold War efforts, and its Great Society social programs all at the same time. While hindsight is always 20/20, the preconditions for the changes experienced in 2022 had been building for some time, and the rising risks should have increasingly become readily apparent. Yet, those risks were not adequately reflected in the valuations of large pockets of the market – far from it, in our view.

So, in our view, this isn't a "new" era. It might *seem* like a new era to many, however, given the recency bias inherent in humans and the fact that we have lived through a long period of time in which inflation was benign, interest rates were unusually (some might say, artificially) low, and Growth stocks outperformed Value amid extraordinarily supportive general economic/market conditions. Further, these conditions persisted for such a long time (13-14 years) that, at this point, a not-so-insignificant proportion of investment professionals in the industry have spent their entire careers during the post-GFC era of Quantitative Easing (QE) and loose capital market conditions. This cohort of professionals surely read about and studied other eras of financial history, but, until 2022, they had not yet actually *lived* through any, making mistakes and gaining invaluable professional and life experience along the way. Thus, it's perhaps not surprising that this might seem like a new era to many.

But for us, while 2022 certainly saw a change from the investment climate of recent years, we do not view it as a new era, just as we did not agree with the increasingly common declarations in recent years of the (permanent) "death of value investing" amid a new economy. In our view, these overarching market conditions will alternately wax and wane over the years, coming, going, and reappearing over time. At Moerus, we do not base investment decisions on forecasts of market or macroeconomic conditions, how long they might last, etc. For us, those things are very difficult to predict with a sufficient degree of accuracy, *consistently* enough. Instead, we try to approach investing with a healthy degree of caution, acknowledging that bad things can and will happen, and that we are unlikely to successfully predict such outcomes frequently enough to avoid them all. Accepting that we are not clairvoyant, we instead focus our efforts on trying to mentally stress-test any prospective investment (*before* investing as well as thereafter) under various adverse macro scenarios, be it adverse shifts in interest rates, inflation rates, foreign exchange rates, etc. In other words, although we absolutely do not forecast what these variables might be or for how long they might persist, we are very interested in analyzing how resilient our portfolio would potentially be in the event that meaningful adverse changes in such variables were to occur and persist. So, in a sense, this has not been a new era for us because nothing has changed, in that striving to keep the possibility of bad things happening (the various ways in which we might lose money) front of mind, however unlikely those scenarios are, has always been an integral part of our approach.

A Road Less Traveled

Although our risk-conscious, value, and fundamentals-based approach was eventually rewarded in 2022, it was a frustrating period prior to that, as the Fund's relative performance suffered during much of its time since inception – 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. It is perhaps not surprising that when capital was nearly costless, as was the case in recent years, and when liquidity was as abundant as it had been in recent memory, that such capital would have a tendency to gravitate towards attractive, exciting narratives such as the new economy, the future, etc. In doing so, and emboldened by strong recent performance, we believe capital gradually became less discerning and more forgiving of business models that seemed unlikely to produce positive free cash flow in the present or near-future, thus depending on recurring access to capital markets (on good terms) to continue to operate and keep those stories alive. After all, when fresh capital was available at low or seemingly no cost, it worked well. For many, the choice between a feel-good, exciting story about the future and a boring "old economy" investment was an easy one regardless of actual underlying fundamentals, as long as the capital taps remained open.

Higher up on the quality spectrum, some of the large "new economy" stocks, in fact, have been tremendously successful *businesses* and *do* produce prodigious cash flows (some of the familiar Big Tech names come to mind). For many, in the absence of meaningful inflation or interest rates to take into account, valuation considerations (among others) took a back seat to the allure of business quality and "growth at a reasonable price." Strong performance of such stocks in the post-GFC era and especially in the pandemic-era only fueled this tendency further. Owning those stocks worked exceedingly well in recent years leading up to 2022, and, perhaps in part due to this string of success, investors increasingly seemed to extrapolate into the future with the expectation that the trend might continue indefinitely, thereby bucking a historically cyclical record in which Growth and Value have had alternating, respective periods of outperformance. In a development that we found curious, it became not uncommon to find some of the same names in the portfolios of some of the most successful, highly respected *Value* investors, as we would find in the portfolios of *Growth* investors. Correlations seemed to increase between benchmark indices and the most popular segments of the market such as the Technology sector, as well as between funds and indices, and even, to some extent, among self-described Growth and Value investors.

But, in 2022, the situation that was perhaps years in the making changed, with inflation sparking interest rate hikes that began to impose higher costs of capital on businesses. More risk-averse capital markets were suddenly less forgiving of extended valuations and business models that were/are overly reliant on easy money to fund money-losing operations today in the hopes of future profits. Over the past several years, we strove to remain disciplined in that approach and philosophy rather than make concessions to chase performance in an effort to "keep up with the Joneses." Sticking to our knitting might have resulted in our being accused of being dinosaurs by some amid a frustrating period of relative performance, but it also resulted in the Fund's 2022 performance that looked quite different from that of the benchmark and the portfolios of many fellow investors amid an investment landscape that has clearly changed, which was gratifying.

Looking Forward

Looking forward into 2023 and beyond, it might not surprise you to hear that we (again) have no brilliant forecasts to share about inflation, interest rates, or any other macroeconomic variables. If recent interest rate hikes contribute to a meaningful economic slowdown or recession, inflation rates could very well slow down from the ones experienced in 2022. If so, this could potentially allow for the Federal Reserve "pause" and "pivot" that market pundits have been waiting for (impatiently) ever since the Federal Reserve first started raising interest rates. On the other hand, it is unclear to us whether some of the primary factors that we believe drove the initial surges in inflation – for example, years of underinvestment in various Natural Resources (Energy, Agriculture, Metals, etc.) that are critical to supporting long-term economic growth and rising living standards – have been addressed adequately enough in terms of long-term solutions on the supply-side (we have our doubts). Thus, if a Federal Reserve pause or pivot does indeed come and the economy begins to recover or even heat back up, it is possible that inflation in some of those same areas could reemerge if supply once again struggles to keep up with a recovery

in demand. Alternatively, stagflation (slow economic growth coinciding with high inflation) is yet another possible scenario. Simply put, we do not know whether inflation will go up or down from here, and we will not base any investment decisions on our ability to predict which path the economy will take.

With that said, we believe it is reasonably likely that inflation in the years ahead, while subject to cyclical volatility, might (in general and on average) remain higher than what we experienced throughout much of the past decade-plus in the wake of the GFC. In recent years, in addition to massive monetary and fiscal stimulus, another development that we have observed has been increased ructions in international trade (e.g., between the U.S. and China) and, in some cases, explicit barriers coming into play, with respective governments seemingly becoming increasingly interventionist in matters of trade and economic policy. In Europe, an energy crisis was sparked by the Russian invasion of Ukraine, another development that seems likely to result in *more* government intervention, not less. We believe that all of these factors, taken in combination, point to an increased probability of a period ahead with variable, volatile changes in the rate of inflation, but one in which, in general, inflation seems likely to remain higher than it had done in the post-GFC era of modest economic growth, less government intervention, and freer international trade.

Investment Implications: The Return of Fundamentals

We believe that, perhaps more so today than at any point in the recent past, individual investment selection and the fundamentals behind it – the valuations, financial positions, and long-term prospects of the underlying businesses, etc. – are beginning to matter more in determining 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 QE. In our view, while there will certainly be volatility along the way, we believe such an environment bodes well for the Fund because our investment approach has always remained focused on valuation and the long-term fundamentals. We believe the following attributes (among others) that we seek in a given investment, some of which seemed near-irrelevant in determining investment outcomes in recent years, began to matter more in 2022 and, in our view, are apt to continue to do so:

Valuation: In a world in which higher inflation and interest rates result in a higher cost of capital for businesses (if capital is available at all in times of distress), we believe an attractive valuation is as important as ever in reducing price risk and providing downside protection as well as upside potential (because, for an undervalued security, pessimism is priced in more than optimism). Looking at valuations across the Fund's portfolio, across different metrics, many holdings in the Fund own tangible, in-place assets, often marked at what we believe to be discounted valuations *today*. Others are, in our estimation, trading at depressed multiples of the profitability or cash flow we believe they could generate under normalized scenarios. Still others are trading at discounts to what we estimate they would be worth to a potential strategic or financial acquiror in "normal" conditions (i.e., neither a hyped nor distressed transaction). Some holdings are, in our view, combinations of one or more of the above. On a portfolio basis, for one statistical indicator of the disparity in valuations between the Fund and the broader market, as of November 30, 2022, the Price-to-Book Value ratio (P/B) of the Fund was 0.84x, as compared to 2.63x for the benchmark MSCI ACWI[6].

Financial Position Strength: We have always believed that strong balance sheets and a business model that does not rely on recurring access to capital markets are critical attributes in providing a business with the survivability and wherewithal to make it through difficult times. It also can often provide management with the flexibility to take advantage of financially weaker competitors during challenging times by opportunistically acquiring assets or reinvesting organically in the business. We believe these attributes take on greater importance in a world where external capital is more difficult to come by and interest costs on debt are higher.

Long-Term Value Creation: In our view, the timing of value realization is unpredictable, and trying to prove otherwise is a fool's errand (at least for us). Because a given *stock* may remain out of favor in the market for an indeterminate period of time (for those who insist on deeply discounted valuations, this often does not end overnight), we believe it is important that long-term value creation is occurring at the underlying *businesses* over

[6] Source: MSCI Fact Sheet – as of November 30, 2022

time. Our earlier discussion of performance in 2022 included some instances in which we believe company management teams are achieving long-term value creation. Examples of ways this can be done include acquiring assets cheaply (e.g., Tidewater, IPC, Despegar), selling assets at attractive prices (e.g., Spectrum Brands), or repurchasing shares at discounts to NAV (e.g., IPC). We believe these types of transactions, if well executed, can be major contributors in the long-term building of business value (and NAV growth) while investors "wait" for those efforts to eventually be rewarded either by the market, a takeover, or other means.

In Conclusion

While the regime change that took place across the investment world in 2022 may have represented something new and challenging for many in the markets, to us, it represented the early stages of a process in which valuation and fundamentals seem to be reasserting their critical role in determining long-term, risk-adjusted investment returns. While this may very well continue to result in a bumpy road for markets, in 2023, we intend to remain focused on the long run, for which we believe the Fund is well positioned (short-term volatility notwithstanding), given our focus on what we believe to be well-financed, deeply discounted investment opportunities in areas that are better suited in a *relative* sense for a higher inflation, higher interest rate environment than we had experienced over the past decade. These areas include Natural Resources (Energy, Agriculture, Uranium, Precious Metals); Latin America, a long-depressed, deeply discounted region whose local currencies may benefit from higher Natural Resource prices; and Financial Services (Banks, Insurance, etc.), which could potentially benefit to varying degrees from higher interest rates.

This was not by design, *per se*; rather, it was merely the result of where we have been finding what we believe to be the most attractively priced, bottom-up investment opportunities in recent years. To the extent that markets continue to rediscover the importance of valuation and fundamentals in 2023 and beyond, we believe the Fund is well positioned to benefit from such an environment. Over the long run, we continue to believe that the unusually attractive valuations, sound long-term fundamentals, and staying power of many Fund holdings offer attractive margins of safety and bode well for the portfolio's prospective risk-adjusted returns – particularly in a world where broader benchmark indices continue to trade at what we see as rich valuations.

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 2023.

Sincerely,

Amit Wadhwaney, Portfolio Manager

Fund Performance (as of December 31, 2022)*

Fund/Index	1-year	Average Annual Returns 3-year	5-year	Since Inception**
Moerus Worldwide Value Fund - Class N	6.16%	3.98%	0.76%	4.80%
Moerus Worldwide Value Fund - Institutional Class	6.40%	4.23%	1.01%	5.06%
MSCI AC World Index Net (USD) ***	-18.37%	4.00%	5.23%	8.33%

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.

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

**** The MSCI All-Country World Index (Net) is an unmanaged index consisting of 47 country indices comprised of 23 developed and 24 emerging market country indices and is calculated with dividends reinvested after deduction of withholding tax. The Index is shown solely for comparison purposes and the underlying holdings of the Index may differ significantly from the portfolio. The Index is a trademark of MSCI Inc. and is not available for direct investment.*

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

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

Top ten holdings as of 12/31/22 as a % of the Fund's net assets: Tidewater Inc. (4.81%), Hammerson PLC (3.66%), Enerflex Ltd. (3.64%), Despegar.com (3.62%), Conduit Holdings Ltd (3.55%), Exor NV (3.44%), Yamana Gold Inc. (3.27%), Straits Trading Co Ltd (3.24%), Cromwell Property Group (3.21%), and Arcos Dorados Holdings Inc. (3.16%).

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.

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

© 2023 Moerus Capital Management, LLC ("Moerus") is a registered investment adviser. The information set forth herein is informational in nature and is not intended to be investment advice. This information reflects the opinion of Moerus on the date written and is subject to change at any time without notice. Due to various factors including, but not limited to, changing market conditions, the content may no longer reflect our current opinions or positions. Performance figures reflected herein are presented net of fees. Past performance is not an indicator or guarantee of future results.

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

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