Moerus Worldwide Value Fund

MOWIX - MOWNX

Q1 2022 Quarterly Review & Outlook

MOERUS FUNDS

Market Review – 1Q 2022

The First Quarter was a negative period overall for most equity markets amid the Russian invasion of Ukraine, an event that many had previously considered an unlikely, "worst-case scenario" as tensions rose in the preceding weeks. This sparked a terrible human and humanitarian crisis and also created a great deal of uncertainty across financial markets that had already been roiled by increasing inflation and a perceived "hawkish" pivot in Federal Reserve sentiment, which raised market expectations of interest rate hikes and a contraction in the Fed's balance sheet. Most areas of global markets declined, including the U.S. (S&P 500 Index: -4.6%; NASDAQ Composite: -8.9%)[1] and International markets (MSCI ACWI ex-USA: -5.4%), both Developed and Emerging (MSCI Emerging Markets Index: -7.0%). Rising yields and interest rate expectations seemed to weigh most heavily on higher-priced, longer-duration Growth and Technology stocks, which generally underperformed Value stocks in Q1 (MSCI ACWI *Growth* Index: -9.7%; MSCI ACWI *Value* Index: -1.0%).

Fund Performance & Attribution – 1Q 2022

Yet despite this challenging general backdrop that saw most corners of global markets decline for the quarter, the Moerus Worldwide Value Fund (Institutional Class; "the Fund") performed well, returning +10.95% in Q1. By comparison, the MSCI All Country World Index Net (MSCI ACWI) returned -5.36% in Q1. Although the events in Ukraine weighed on some components of the Fund (most notably our European holdings), those declines were more than offset by gains in other areas, such as Natural Resources (Energy, Agriculture, Uranium, Precious Metals) and our holdings in Latin America – a region we highlighted as a source of opportunities last quarter. By sector, Energy, Real Estate and Consumer Discretionary were the three largest positive contributors, while Financials were the sole detractor from performance. The largest positive contributors were Tidewater, International Petroleum, Major Drilling, BR Properties and Arcos Dorados. The largest detractors from performance were UniCredit, Exor, IDFC First Bank, Canfor Pulp Products and Edelweiss Financial.

The Fund's strong absolute and relative performance in Q1 could be explained (albeit simplistically) by what we *have*, and *have not*, done in constructing the portfolio. Starting with the latter, 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 lofty expectations for the future. We avoided such segments of the market due to what we believe to be excessive levels of long-term "price risk" (due to overextended valuations). Yet for much of the nearly six years since the Fund's inception, this decision weighed on relative performance, as many stocks (including leading index constituents) that we felt were expensive, got even more expensive, outperforming the Fund's out-of-favor holdings. But in Q1, fears of inflation and the potential for interest rate hikes began to pressure markets in general, especially some of those most expensive, popular pockets of the market (e.g., Technology) that we have avoided in the Fund. On the other hand, many of (in our view) 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) to show for it. They include real, tangible asset-centric areas such as Natural Resources – a group long taken for granted, though that may be changing in an inflationary world – as well as geographies like Latin America, a resource-rich region that had suffered through a long downturn that was only exacerbated by the pandemic. In Q1, these same areas performed quite well in otherwise rocky waters, as evidenced by the quarter's list of leading contributors including Energy and related services (Tidewater and International Petroleum), Mining-related services (Major Drilling), and Latin America (BR Properties and Arcos Dorados). With that said, 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.

Fund Outlook

The Russian invasion of Ukraine has obviously created a great deal of uncertainty across global markets. The situation is unpredictable and could potentially change rapidly, either for the better (e.g., if diplomatic efforts succeed at securing a cease-fire) or for the worse (e.g., if this war sparks an even larger conflict). While future developments are impossible to predict, Russia's invasion of Ukraine and the West's sanctions on Russia in response could result in numerous investment-related implications. These include, to start, the potential for reduced supply and increased cost of Natural Resources. Because Russia is a meaningful supplier of numerous commodities – including oil, natural gas, agricultural products (fertilizers and grains), uranium, and metals – economic sanctions against Russia and their spillover effects could potentially reduce the supply of key natural resources to global markets, which would likely result in increased costs for those resources. This could, in turn,

[1] Source: MSCI Fact Sheets for Index weightings; Bloomberg for Index returns.

exacerbate inflation and supply chain bottlenecks that had already been an issue prior to the war. Further, central banks are beginning to respond to rising inflation by raising interest rates and tightening monetary conditions in attempts to contain it. Thus far, the response has varied by geography. The Federal Reserve in the U.S. recently announced its first rate hike since 2018. Central Banks in Latin America have, in general, been more aggressive in increasing interest rates (e.g., Brazil), whereas others have been less proactive (e.g., in Australia and the Euro Zone). If inflation persists and rate hikes indeed result, we believe that "longer-duration" equities such as high-priced Technology and Growth stocks, which had disproportionately *benefited* from the historically low interest rate environment in recent years, might conversely be particularly *vulnerable* to share price declines looking forward, given their rich valuations that are dependent on projected, uncertain cash flows further out in the future. On the other hand, we believe tangible asset-centric businesses that trade at inexpensive valuations, here and now, based on conservative estimates – the type we strive to own in the Fund – are apt to hold up better in such an environment, as they did in Q1.

The Russian invasion of Ukraine is a constantly evolving situation that could very well have consequences both within the immediate region and across the globe that are difficult (perhaps impossible) to predict. Another constantly evolving situation is COVID-19. Although pandemic-related conditions in much of the U.S. have generally moderated and restrictions have been loosened in various areas, other parts of the world are suffering through yet another wave of infections (perhaps most notably in China), and a resurgence in COVID-19 cases elsewhere remains possible in the coming months. All of the above is to say that it is difficult to predict what impacts the Russian invasion of Ukraine, the pandemic, or any other new developments might have on the market and on the Fund in the immediate future.

Fortunately, attempting to predict the unpredictable is not our focus. Instead, we remain focused on the long run, for which we believe the Fund is well positioned, given our focus on well-financed, deeply discounted investment opportunities in areas that we believe are better suited in a *relative* sense for a higher inflation, higher interest rate environment. These areas include Natural Resources (Energy, Agriculture, Uranium, Precious Metals); Latin America, a long-depressed, deeply discounted region whose local currencies (such as the Brazilian Real and Colombian Peso) may benefit from higher Natural Resource prices; and Financial Services (e.g., Banks, Insurance Companies), which could potentially benefit from higher interest rates. This was not by design, *per se*. Rather, it is merely the result of where we believe the most attractively priced, bottom-up investment opportunities have resided in recent years. In the context of a broader market that we have long viewed as fully or overvalued, these opportunities, in contrast, have been available at discounted prices because they operate in areas that were *not* beneficiaries (and, to varying degrees, were "victims," even) of the unusually low inflation and unusually low interest rate environment we have lived through for years – a long-running regime that could potentially be changing looking forward, arguably to the Fund's benefit.

In our opinion, the stocks in the Fund are largely trading at depressed valuations and offer attractive margins of safety, positioning the Fund well to benefit over the long run. For context regarding valuation, it is worth noting that the positive recent performance of many Fund holdings has come off of extremely depressed levels, in our opinion. Our portfolio, which consists of investments in what have been some of the most disliked, discounted areas in markets for years (Value, Latin America, Natural Resources, Financials) remains, in our view, unusually undervalued relative to its longer-term fundamentals, with *stock price* performance still lagging far behind underlying *business* performance and prospects. For one statistical indicator of the disparity in valuations between the Fund and the broader market, the Price-to-Book Value ratio (P/B) of the Portfolio was 0.91x, as compared to 2.92x for the benchmark MSCI ACWI[2].

With that said, the stock prices of our holdings may be volatile in the coming months in both directions, as markets continue to react to news flow on the Russian invasion and the West's response and on pandemic-related developments, likely without much relation to underlying business strength and long-term fundamentals. However, we believe such volatility is more friend than foe to the long-term investor who is price and risk-conscious, and that it will continue to periodically offer us opportunities to invest at very modest prices in businesses with attractive characteristics, which we believe bodes well for the Fund's potential over the longer-term. We believe that the current market environment continues to offer some unusually attractive long-term investment opportunities. We continue to remain focused on taking advantage of such opportunities in the Fund, and on uncovering new ones made available by short-term volatility.

[2] Source: MSCI Fact Sheets – as of March 31, 2022

FUND PERFORMANCE

Trailing Returns (as of March 31, 2022):	One Month	Three Months	Year-to-Date	One Year	Annualized		
					Three Years	Five Years	Since Inception[1]
Moerus Worldwide Value Fund (Class Inst.)	7.99%	10.95%	10.95%	19.07%	7.73%	3.72%	6.50%
Moerus Worldwide Value Fund (Class N)	7.92%	10.87%	10.87%	18.74%	7.44%	3.46%	6.23%
MSCI All-Country World Index (Net)[2]	2.17%	-5.36%	-5.36%	7.28%	13.75%	11.64%	12.27%

Monthly Returns:	Apr 2021	May 2021	Jun 2021	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021	Jan 2022	Feb 2022	Mar 2022
Moerus Worldwide Value Fund (Inst.)	2.00%	7.93%	-5.69%	-1.26%	-1.02%	2.23%	3.44%	-6.24%	6.67%	1.80%	0.92%	7.99%
Moerus Worldwide Value Fund (N)	2.00%	7.86%	-5.70%	-1.26%	-1.02%	2.15%	3.45%	-6.26%	6.63%	1.80%	0.93%	7.92%
MSCI All-Country World Index[2]	4.37%	1.56%	1.32%	0.69%	2.50%	-4.13%	5.10%	-2.41%	4.00%	-4.91%	-2.58%	2.17%

Gross Expense Ratios: Class Inst.: 1.42%; Class N: 1.67%.

Past performance does not guarantee future results. The performance data quoted represents past performance and current returns may be lower or higher. Returns are shown net of fees and expenses and assume reinvestment of dividends and other income. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Investment performance reflects expense limitations in effect. In the absence of such expense limitations, total return would be reduced.

The funds advisor has contractually agreed to reduce its fees and/or absorb expenses of the fund, until at least March 31, 2023, to ensure that total annual fund operating expenses after fee waiver and/or reimbursement (exclusive of any taxes, brokerage fees, commission fees, borrowing costs, acquired fund fees and expenses, fees and expenses associated with investments in other collective investment vehicles or derivative instruments, or extraordinary expenses such litigation) will not exceed 1.65% and 1.40% for Class N and Institutional Class Shares Respectively.

1. Inception date of the Moerus Worldwide Value Fund is June 1, 2016.
2. The MSCI All-Country World Index (Net) is an unmanaged index consisting of 47 country indices comprised of 23 developed and 24 emerging market country indices and is calculated with dividends reinvested after deduction of withholding tax. The Index is shown solely for comparison purposes and the underlying holdings of the Index may differ significantly from the portfolio. The Index is a trademark of MSCI Inc. and is not available for direct investment.

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

Top ten holdings as of 03/31/22 as a percentage of the Fund's net assets: Tidewater Inc. (5.87%), BR Properties SA (4.37%), Arcos Dorados Holdings Inc. (4.24%), Exor NV (3.97%), Major Drilling Group International Inc. (3.94%), Emaar Properties PJSC (3.91%), International Petroleum Corp (3.69%), Bancolombia SA (3.51%), Aker ASA (3.40%), Desepegar.com Corp (3.39%).

Investors should carefully consider the Moerus Worldwide Value Fund's (Fund) investment objectives, risks, charges, and expenses before investing. This and other important information about the Fund are contained within the prospectus, which can be obtained by calling 1-844-MOERUS1, or visiting www.moeruscap.com. The prospectus should be read carefully before investing.

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