13D Activist Fund

A Qualitatively Analyzed Portfolio of Activism

January 7, 2018

Class I YTD: 23.78% S&P 500 YTD: 21.83% AUM: $348 million

In the fourth quarter of 2017, the I shares returned 10.67%, net of fees and expenses (versus 6.64% for the S&P500). This has been one of our best quarters on both an absolute and a relative basis since the inception of the Fund and we believe it is the early innings of several strong tailwinds for our fund over the next couple of years. Activism is no longer a strategy that is arriving. It is a strategy that has arrived! More and more capital is poured into activist investments every year not only because it is a successful strategy, but because its success is understandable and repeatable. These are experienced value investors that are finding what they believe to be the most undervalued companies where they are adept at being the catalyst to close the valuation gap.

So, is shareholder activism peaking? In a word, no. As much media attention as this strategy gets, activists only engage fewer than 4% of all public companies and activist assets comprise less than 5% of total hedge fund assets. It is important to note that a vast majority of boards and management teams are competent, professional executives working for the best interests of shareholders. Activists just engage the bottom 5% where there is an opportunity for the most value creation; and there will always be a bottom 5%. Not only has shareholder activism not peaked, but there are several tailwinds that we believe will lead to the growth of activism over the next several years.

The first is the increasing interest in "ESG" investing. Environmental, Social and ***Governance*** friendly investing. Morningstar gives the 13D Activist Fund its highest Sustainability (ESG) rating of Five Globes and ranks the Fund in the second percentile of its 435 fund category for sustainability. We believe that there is no investor group in the markets that contributes more to good corporate governance than shareholder activists. Over 75% of our positions have an activist representative on the board instituting best corporate governance practices and looking out for shareholders. And unlike many other ESG investors, activists are not always investing in companies with the best corporate governance, but often investing in companies with the worst corporate governance, with the goal of reconstituting the board, implementing best corporate governance practices and instilling a shareholder friendly culture. Not only is this more valuable from a governance perspective, but we believe a better place on the risk curve to invest to maximize returns. But the biggest ESG distinction between our fund and many other ESG-focused funds is that many funds are altering their portfolio to fit ESG factors and thus sacrificing returns. Our fund has always been a governance oriented fund well before ESG investing became popular and we can continue to use investor return as our primary concern without sacrificing our ESG rating.

The second tailwind is the dynamic of passive versus active investing. Billions of dollars have been pouring into passive investment vehicles every month. The more money that flows into passive funds, the more inefficient the markets become, and the more opportunity there is for value investors and activists, who become more important in rationalizing market valuations. While this trend is slowing a little, we believe it will continue to create market dislocations that value investors and activists can take advantage of. At some point this trend should reverse, as it is hard to believe that FANG-like stocks can continue to grow at 30 – 50% every year, and the money will rotate from these large cap stocks to small and midcap stocks. In fact, we believe this dynamic has already begun and we have been experiencing it since mid-November.

The third, and most recent, tailwind is the enacting of the new tax plan. While we believe that this plan will be good for the US economy in general, it will specifically benefit domestic, small and mid-cap companies who generally pay the highest tax rates. We believe this will even accelerate the rotation from large cap to small and mid-cap stocks. But just as important, we believe that the tax plan will be very good for shareholder activism. Between the lower corporate income tax rate and the incentive to repatriate foreign cash, companies will have much more cash

on their balance sheets. Activists have been very helpful advising boards as to the best use of cash, particularly when they mobilize their teams of top-tier analysts to create financial models comparing the return on investment for different corporate projects. The larger domestic cash levels should also lead to an increased level of Mergers & Acquisitions and an even larger emphasis on strategic shareholder activism. These are all opportunities to create value for shareholders. However, more cash may also lead to more short-term, financial engineering activism – the type of activism we eschew. It will be more important than ever to distinguish between good, value creating activist campaigns and bad, short term, value draining activism. After twelve years of analyzing activist catalysts, we believe we have a unique competitive advantage in this type of analysis.

During the month of December (i.e., since our last monthly tear sheet) we sold one position and added two new positions. We exited Twentieth Century Fox (FOXA) after it signed an agreement to merge with Disney in connection with a spin-off of certain assets. Since FOXA shareholders will be receiving Disney stock, FOXA shares will be trading in large part based on the value of Disney shares. While we believe in this transaction, and that it could still be a good value investment, there is no activist catalyst in Disney or FOXA so it does not belong in our portfolio. We sold our position and redeployed the capital into positions with stronger activist catalysts – Cars.com, Inc. (CARS) and Akamai Technologies, Inc. (AKAM).

Cars.com is an activist engagement by Starboard Value. Starboard is a very successful activist investor and has extensive experience instilling discipline in management and improving margins. Cars.com was initially owned through a joint venture of different companies which included Gannett, and in 2014, Gannett bought out the other JV partners. Gannett subsequently spun-off its media company, TEGNA, which included Cars.com. On June 1st, 2017, TEGNA spun-off Cars.com. Although Cars.com is a good business, it is poorly managed. When Gannett bought out the other JV partners, it agreed to let each of the partners continue to sell Cars.com subscriptions in their respective territories in return for a 40% commission. So only 60% of the revenue is flowing through to the Company's income statement, which makes their profit margins a little misleading. Although last year the Company had 41% margins, they are now guiding to 35%, which is actually more like 31%, after accounting for the full revenue generated by its former JV partners. This is low compared to peers – Autotrader has 50% EBITDA margins, TRADER Corp. which was acquired by Thoma Bravo has 44% margins and Auto Trader UK has 70% margins. As such, there are two main operating opportunities to improve margins. First, these JV agreements expire in 2019 and 2020 which could add an incremental $150 million of revenue per year at an 80% incremental profit margin. If the Company invested in a sales force in these markets earlier or bought out its JV partners earlier, they could capture this revenue and margin improvement sooner. If the Company was able to accomplish this, it could increase EBITDA margins to the low 40s before any cost cuts, which is the second margin improvement opportunity. For example, IT costs are extremely high – the Company has an entire team in the high cost city of Chicago, instead of keeping a core group of developers in house and outsourcing the rest. There are also operational opportunities around strategy, search engine optimization and sales execution. Finally, there is an opportunity for the Company to be sold like TRADER Corp. was to Thoma Bravo. The Joint Venture put the Company up for sale in 2014 and received dozens of interested buyers, both strategic and financial, offering up to $3.5 billion. However, Gannett had a veto right and ultimately acquired the Company itself for $2.5 billion and the joint venture agreements. TEGNA never shopped the Company and many of those buyers are still interested today.

Akamai is an activist engagement by Elliott Associates. Elliott is the premiere activist investor when it comes to technology activism. Their team includes analysts from leading tech private equity firms, engineers, operating partners – former technology CEO and COOs. When evaluating an investment they also hire specialty and general management consultants, expert cost analysts and industry specialists. They often watch companies for many years before investing and have an extensive stable of impressive board candidates. Historically, Akamai has been known for being a media content delivery network with 250,000 servers around the world that allow media companies to cache content closer to its customer. As this business matured the Company pivoted into web performance and web security. The web performance business has a content delivery network used by e-commerce websites which allows pages to be viewed and used much faster, and the security business offers products to prevent service attacks. Akamai is a unique business as it carries approximately 30% of all internet traffic. However, it is misunderstood as analysts and the market focus on the mature media business and the operating issues it has experienced. The Company has followed a classic path taken by many technology companies, especially when the CEO is not an

operator. Akamai's CEO, F. Thomas Leighton, was its co-founder and Chief Scientist until 2013. He is a brilliant scientist but not a great operator. As a result, their costs and cap-ex have sky rocketed while growth has been slowing - over the last five years, headcount has grown faster than revenue each year and over the last eight years, the number of offices has grown from 20 to 60 despite flat sales. General & Administrative Expenses are at an industry high of 20% of revenue and operating margins have declined by more than 1,000 bps over the last five years. Akamai is the worst performer of its technology constituents in the S&P500 this year and to many in the investment community its value proposition is broken. However, there are multiple paths to creating value. The key path is operational where there is a significant operating margin opportunity. This would require a focused and disciplined management team with intensive board oversight. Some fresh board representation committed to holding management accountable could be enough to instill a new sense of discipline resulting in lean, efficient operations with significantly higher profit margins. The other path to value is on the strategic side. Since the Company carries 30% of all internet traffic, it has a significant amount of data that is extremely valuable, potentially to large-cap technology companies interested in using data for their analytics. Akamai's board should at least be receptive to these overtures, if not pursue them, as it improves operations.

The total return for the 13D Activist Fund, net of fees and expenses, and the S&P 500 for the period ending December 31, 2017 are:

as of 12/31/17	**1 Year**	**5 Year**	**Since Inception***	**Inception Cumulative***
13D Activist Fund I	23.78%	15.76%	16.64%	152.12%
S&P 500 TR	21.83%	15.79%	15.93%	143.01%

	2012	**2013**	**2014**	**2015****	**2016**	**2017**
13D Activist Fund I	21.27%	36.58%	15.46%	-10.92%	19.57%	23.78%
S&P 500 TR	16.00%	32.39%	13.69%	1.38%	11.96%	21.83%

* Inception Date is December 28, 2011

** Over the past six years, the Fund has consistently generated non-correlated outperformance, with the exception of the Valeant-plagued six month period starting in September of 2015. While the Fund did quite well on its Valeant investment, the idea that two major activists were invested in a mega-cap company accused of fraud caused a short term mass exodus away from anything "activist." This adversely affected the price, but not the value, of many of our portfolio positions. After two years of normalized returns, Valeant is certainly behind us and not likely to recur and we expect activism to continue to produce the non-correlated outperformance we have experienced since we launched the fund in 2011.

We are very excited for 2018 and please feel free to call with any questions.

Ken Squire

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Please remember that past performance may not be indicative and is no guarantee of future results. The fund performance data quoted here represents past performance. Current performance may be lower or higher than the performance data quoted above. Investment return and principal value will fluctuate, so that shares, when redeemed, may be worth more or less than their original cost. Fund performance, especially for very short periods of time, should not be the sole factor in making your investment decisions. There is neither a front end load nor a deferred sales charge for the 13D Activist Fund I Class Shares. The A Class shares are subject to a maximum front end load of 5.75%. Shares held for less than 30 days of both classes are subject to a 2.00% redemption fee. The total operating expense ratio (including indirect expenses such as the costs of investing in underlying funds), as stated in the fee table in the Fund's prospectus dated January 30, 2017, is 1.51% for I Class, 1.76% for A Class and 2.51% for C Class. For most recent month end information, please visit www.13DActivistFund.com or call toll-free 1-877-413-3228.

Historical performance results for investment indices and/or categories have been provided for general comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that your account holdings correspond directly to any comparative indices. Past performance may not be indicative of future results and does not reflect the impact of taxes on non-qualified accounts. The data herein is not guaranteed. You cannot invest directly in an index.
The S&P 500 Index is an unmanaged composite of 500-large capitalization companies. This index is widely used by professional investors as a performance benchmark for large-cap stocks. The Russell 2000 is an index measuring the performance of approximately 2,000 small-cap companies in the Russell 3000 Index, which is made up of 3,000 of the biggest U.S. stocks. FANG stocks refer to Facebook, Amazon, Netflix & Google.

"The Morningstar Sustainability RatingTM is intended to measure how well the issuing companies of the securities within a fund's portfolio holdings are managing their environmental, social, and governance, or ESG, risks and opportunities relative to the fund's Morningstar Category peers. The Morningstar Sustainability Rating calculation is a two-step process. First, each fund with at least 50% of assets covered by a company-level ESG score from Sustainalytics receives a Morningstar Portfolio Sustainability Score. The Morningstar Portfolio Sustainability Score is an asset-weighted average of normalized company-level ESG scores with deductions made for controversial incidents by the issuing companies, such as environmental accidents, fraud, or discriminatory behavior. The Portfolio Sustainability Score ranges between 0 to 100, with a higher score indicating that a fund has, on average, more of its assets invested in companies that score well after normalization and controversy-level deductions are applied. The Morningstar Sustainability Rating is then assigned to all scored funds within Morningstar Categories in which at least ten (10) funds receive a Portfolio Sustainability Score and is determined by each fund's rank within the following distribution: High (highest 10%); Above Average (next 22.5%); Average (next 35%); Below Average (next 22.5%); Low (lowest 10%). The Morningstar Sustainability Rating is depicted by globe icons where High equals 5 globes and Low equals 1 globe. Since a Sustainability Rating is assigned to all funds that meet the above criteria, the rating it is not limited to funds with explicit sustainable or responsible investment mandates. Morningstar updates its Sustainability Ratings monthly. The Portfolio Sustainability Score is calculated when Morningstar receives a new portfolio. Then, the Sustainability Rating is calculated one month and six business days after the reported as-of date of the most recent portfolio. As part of the evaluation process, Morningstar uses Sustainalytics' ESG scores from the same month as the portfolio as-of date. Please click on http://corporate1.morningstar.com/SustainableInvesting/ for more detailed information about the Morningstar Sustainability Rating methodology and calculation frequency. © 2017 Morningstar. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Sustainalytics provides company-level analysis used in the calculation of Morningstar's Sustainability Score."

Mutual Fund investing involves risk including loss of principal. Overall stock market risks will affect the value of individual instruments in which the Fund invests. Factors such as economic growth, market conditions, interest rate levels, and political events affect the U.S. securities markets. When the value of the Fund's investments goes down, your investment in the Fund decreases in value and you could lose money. The Fund is a non-diversified investment company, which makes the value of the Fund's shares more susceptible to certain risks than shares of a diversified investment company. The Fund has a greater potential to realize losses upon the occurrence of adverse events affecting a particular issuer. The value of small or medium capitalization company stocks may be subject to more abrupt or erratic market movements than those of larger, more established companies or the market averages in general. An investor should also consider the Fund's investment objective, charges, expenses, and risk carefully before investing.

Before investing, please read the Fund's prospectus and shareholder reports to learn about its investment strategy and potential risks. This and other information about the Fund is contained in the Fund's prospectus, which can be obtained on the web at www.13DActivistFund.com or by calling 1-877-413-3228. Please read the prospectus carefully before investing. The 13D Activist Fund is distributed by ALPS Distributors, Inc., member FINRA www.finra.org

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