13D Activist Fund

A Qualitatively Analyzed Portfolio of Activism

July 17, 2018

Class I YTD: 3.90% S&P 500 YTD: 2.65% AUM: $396 million

In the second quarter of 2018, the I shares returned 4.75%, net of fees and expenses (versus 3.43% for the S&P500). We are very happy with our performance in the quarter and year to date and are glad that we continue to outperform the S&P500 despite significant relative headwinds from FANG stocks (the acronym for Facebook, Amazon, Netflix and Alphabet (previously Google)). The four FANG stocks have made up 72% of the S&P500 YTD return this year and were up 21.61%, 17.41%, 32.53% and 8.13%, respectively, in just the second quarter alone. From our inception on December 28, 2011 the Fund has averaged 15.96% annually, net of fees and expenses, versus 15.09% annually for the S&P 500, putting us in the top 2 percentile (5 out of 281 funds) of all midcap core funds according to Lipper.

The total return for the 13D Activist Fund, net of fees and expenses, for the period ending June 30, 2018 are:

as of 6/30/18	**Q218**	**1 Year**	**3 Year**	**5 Year**	**YTD**	**Since Inception***	**Inception Cumulative***
13D Activist Fund I	4.75%	15.50%	9.89%	12.96%	3.90%	15.96%	161.95%
S&P 500 TR	3.43%	14.37%	11.93%	13.42%	2.65%	15.09%	146.39%
Lipper Percentile Rank	N/A	11th	21st	5th	N/A	2nd	2nd
Position / Mid Cap Core Group	N/A	48/446	74/362	16/319	N/A	5/281	5/281
	2012	**2013**	**2014**	**2015****	**2016**	**2017**	**YTD**
13D Activist Fund I	21.27%	36.58%	15.46%	-10.92%	19.57%	23.78%	3.90%
S&P 500 TR	16.00%	32.39%	13.69%	1.38%	11.96%	21.83%	2.65%

* 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.

During the second quarter, we sold one position and added four new positions. We exited Bloomin' Brands Inc. (BLMN) when JANA Partners exited its 13D in April yielding the Fund an 11.00% return during the short five month holding period. During the quarter we added Forest City Realty Trust, Inc. (FCE-A), SLM Corp. (SLM), Pinnacle Foods Inc. (PF) and Arconic Inc. (ARNC). Forest City is a 13D filing of Starboard that is emblematic of the good corporate governance work done by Starboard and other activists. Forest City was a family controlled company up until its share reclassification in June 2017. In March of 2018, Starboard entered into an agreement with the Company pursuant to which the ten person board was reconstituted with six new directors. Now with a new, independent board, management can be held accountable to the shareholders instead of the controlling family. Forest City operates in the apartment, office and retail segments, but has been selling most of its retail properties after a strategic alternatives review. In March of 2018, Forest City ran a sales process pursuant to which they received an offer of $25 per share, but it was ultimately turned down by the Board, sending the stock down below $20 from a September 2017 high of $25.66. Despite having great assets, Forest City continues to trade at a discount to its peers for a couple of reasons. First, although it is no longer a controlled company, the value derived from this transformation will take some time to achieve as the new board begins to work for the shareholders. Second, it is the only publicly traded REIT that has both apartment and office assets which causes confusion in the markets, gives it a lower multiple than other publicly traded REITs and makes it less attractive as an acquisition opportunity. There are two roads to create value here. First, Starboard has an extensive track record of creating value for shareholders from a board level by holding management more accountable, running companies more efficiently and implementing practices designed to create shareholder value. This can be started immediately with the reconstituted board. Additionally, the new Board is revisiting the previous $25 offer and has reportedly re-opened discussions with Brookfield Asset Management. Second, in 2020 the Company will have an opportunity to explore asset sales. The Company just elected REIT status in 2015 and it will lose tax advantages if it sells the assets within five years of attaining REIT status. So, after the governance and operational improvements the Board will be able to add strategic value by selling assets or dividing the business into an apartment and a commercial business.

SLM Corp. is a 13D filing of ValueAct Capital. ValueAct likes good businesses that are misunderstood by the market. There is a very negative perception in the marketplace of government-backed or implicitly guaranteed loans such as loans Fannie Mae and Freddie Mac make on home mortgages. SLM is in the business of making student loans. However, SLM has not made government backed student loans since 2010 and in 2014 spun off that entire business as Navient Corporation. Since 2014, SLM has been issuing private student loans that they actually underwrite and for which they assume the risk. As a result, they have a very healthy loan portfolio with 90% of the loans co-signed by a parent of the student, average FICO score of approximately 750 and a 1% loss rate. Moreover, they have a 55% market share but do not even have to increase their market share to show strong balance sheet and EPS growth. When they spun off Navient, they divested a significant majority of their loans. So, with a much smaller balance sheet, the SLM loan originations lead to a much higher growth rate without increasing in dollar amount each year. Furthermore, since they still have the infrastructure of a much larger business, these new loans each year require minimal new expenses and add significant incremental value to the bottom line. By just maintaining its market share, SLM could achieve a 10% compounded annual growth rate to its balance sheet and 15% earnings per share growth each year for the next four years until it grows into its balance sheet and infrastructure. At that point, they could achieve further growth by exploring strategic opportunities that capitalize on their valuable customer base. This is where ValueAct could be a very helpful shareholder. I expect ValueAct to keep an active and amicable dialogue with the Company and when the time comes to explore strategic options, ValueAct could, among other things, utilize its team of experienced analysts to model out the various strategic options and help advise the Board on which potential transactions might create the most shareholder value.

Pinnacle Foods, Inc. is a 13D filing of JANA Partners. JANA has extensive experience in this industry, with a successful track record in the consumer retail space. Their involvement has led to sales of PetSmart, Safeway, Whole Foods and ConAgra's spinoff of its Lamb Weston business. JANA knows Pinnacle Foods well and has owned it on and off for three years. The thesis here is that the best catalyst would likely be a sale of the Company. Pinnacle Foods is a scale player in the frozen space where there aren't too many competitors. Currently, there is a very robust M&A environment in the food space with more buyers than potential targets. Because of Pinnacle's relatively small size, it could easily be acquired by a well-capitalized potential strategic partner such as Kraft Heinz, Nestlé, Tyson, Hormel or ConAgra. What made this more interesting is that Pinnacle Foods has been the subject of recent takeover rumors with ConAgra and also previously agreed to a takeover in 2014 by Hillshire, which ultimately fell through because Hillshire was bought by Tyson. Four of the eight Board members were Board members in 2014 when the deal with Hillshire was approved and further, the CEO of Hillshire who reached the agreement to buy Pinnacle is the current CEO of ConAgra. On June 27, 2018 it was announced that ConAgra was acquiring Pinnacle Foods.

Arconic is a 2015 13D filing of Elliott Associates that we have been watching since their filing but did not buy until May of 2018. In 2015, the Company was Alcoa and Elliott had supported the plan to separate into two independent, publicly-traded companies: an Upstream Company that will comprise the business units that today make up Global Primary Products – Bauxite, Alumina, Aluminum, Casting and Energy; and a ValueAdd Company that will include Global Rolled Products, Engineered Products and Solutions, and Transportation and Construction Solutions. The latter became Arconic. Since the separation in November of 2016, two things have happened that piqued our interest – the stock has dropped precipitously (mostly in 2018) and the activist catalyst has gotten stronger. Since then Elliott has settled with the Company for three board seats and recently replaced one of those directors with an Elliott portfolio manager. This shows that Elliott is in this for the long haul and we expect the new board will start to create shareholder value in the near future.

Other interesting potential catalysts we are keeping an eye on include: the reported sales process at Cars.com Inc., the continued value creating initiatives by Chipotle's new CEO, the CEO succession and potential sale of the protein business at Hain Celestial and the window for Pershing Square to nominate directors at ADP (July 10 – August 9).

We appreciate your support and please feel free to call with any questions.

Ken Squire

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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. FANG stocks refer to Facebook, Amazon, Netflix & Google.

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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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