13D Activist Fund

A Qualitatively Analyzed Portfolio of Activism

July 15, 2019

Class I YTD Net Return: 16.25%

Russell 2500 YTD : 19.25%
S&P 500 YTD : 18.54%

AUM: $348 million

In the second quarter of 2019, the I shares returned 1.92%, net of fees and expenses (versus 3.40% for the Russell 2500 and 5.01% for the S&P500). While we strive to beat our benchmarks and fell short this quarter and year to date, we are optimistic about our performance in an environment with a serious headwind for small/midcap value oriented funds like ours, namely the continued and significant outperformance of value stocks by growth stocks.

The total return for the 13D Activist Fund, net of fees and expenses, for the period ending June 30, 2019 are:

as of 6/30/19	Since Inception*	2Q19	YTD	1 Year	3 Year	5 Year	Inception Cumulative*
13D Activist Fund I	13.20%	1.15%	16.25%	-3.19%	12.34%	6.48%	153.60%
Russell 2500 TR	12.94%	2.96%	19.25%	1.77%	12.34%	7.66%	149.28%
S&P 500 TR	14.46%	4.30%	18.54%	10.42%	14.19%	10.71%	175.43%
Lipper Percentile Rank	13th	N/A	N/A	92nd	19th	38th	13th
Position / Mid Cap Core Group	26/200	N/A	N/A	320/350	54/298	93/249	26/200
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
13D Activist Fund I	21.27%	36.58%	15.46%	-10.92%	19.57%	23.78%	-13.47%
Russell 2500 TR	17.88%	36.80%	7.07%	-2.90%	17.59%	16.81%	-10.00%
S&P 500 TR	16.00%	32.39%	13.69%	1.38%	11.96%	21.83%	-4.38%

* Inception Date is December 28, 2011

Year to date, the Russell Midcap Growth Index is up 25.51% versus 16.64% for the Russell Midcap Value Index. For the past quarter, the Russell Midcap Growth Index is up 5.16% versus 2.59% for the Russell Midcap Value Index. According to Lipper, Midcap Growth Funds have returned 11.8% over the past year and 10.4% annually over the past five years, versus -1.1% and 4.7%, respectively, for Midcap Value Funds. So, we are pleased that we have been able to return 16.25% to our investors in the first half of the year during such an unfavorable environment. Moreover, we strongly believe that growth cannot continue to outperform value forever and when the winds change, it will turn the headwind we have been experiencing into a tail wind.

We have also been somewhat critical of the ability of activists to execute on their catalysts over the last few years, contributing to their underperformance and our underperformance. For the first time in a while we are starting to see activist catalyst realization reminiscent of the pre-Valeant days. In just the last month, Third Point was integral in getting Sotheby's sold, Carl Icahn orchestrated the sale of Caesars and Pershing Square announced the exploration of the sale of Howard Hughes.

During the second quarter, we exited four positions and added three new investments. We exited Jack in the Box (JACK) and Terex Corporation (TEX) when Blue Harbour and Marcato, respectively, exited their 13D filings. These two were disappointing positions where the activist catalyst was not ultimately realized and essentially break evens for us with neither materially contributing nor detracting from the Fund's performance. Sotheby's (BID) and Caesar's (CZR) were a different story and we exited these two positions when it was announced that they would be acquired at substantial premiums.

During the quarter we bought: Ironwood Pharmaceuticals Inc. (IRWD), GCP Applied Technologies Inc. (GCP) and Callaway Golf Co (ELY). At Ironwood, Sarissa Capital Management was unsuccessful in getting a Board seat for its founder, Alex Denner, in 2018 but did get Ironwood to spin out its R&D business in a manner consistent with good corporate governance and fair economics to shareholders (i.e., 100% spin with no cash transferred). The Company is now left with one major asset, LINZESS, and a pipeline of some late stage products. LINZESS accounts for the Company's entire revenue, which is roughly half of its worldwide sales as the Company has partnered with Allergan (AGN) in the distribution of LINZESS. Because the Company did not do a straight royalty deal with Allergan, they had to build their own sales infrastructure for LINZESS, resulting in continued losses since inception. However, the Company is on the cusp of positive cash flow for the first time. In its 13D filing, Sarissa alludes to shifting the Company's commercialization efforts to a company already at scale in primary care. This is a way of saying the Board should sell the Company to big pharma who has the infrastructure and sales force already in place to market to the huge universe of primary care physicians. Obviously the most logical acquirer would be Allergan, who would essentially get $400 million of growing revenue that would go almost entirely to the bottom line.

Following GCP Applied Technology's announced strategic review process, on March 11, 2019, Starboard entered into an agreement with the Company pursuant to which two new directors were added to the Board. Starboard agreed to a much more lenient settlement (by Starboard standards) than typical because the Company announced a strategic alternatives process. While Starboard would support a sale of the Company at the right price and will give the Board time to pursue the strategic review, they are first and foremost operational activists and generally comes into a situation with an operational plan. If Starboard is not satisfied with the Company's progress, we will no doubt see them push to get more directors on the board, including representatives from Starboard, and pursue an operational agenda. This became much more likely on June 18 when the Company announced it had concluded its strategic review with no result. Starboard will likely nominate additional directors during the January 2020 nomination window unless a settlement is reached with the Company before then. The operational plan here is to significantly reduce costs and improve margins. The Company's Specialty Construction Chemicals (SCC) business has 10% EBITDA margins, well below management's target of the high teens. These margins should go up a few percentage points on their own due to the recent decline in the price of oil, but most of the margin improvement will come from cost cutting and operational improvements. While the Company announced a plan to cut $25 million of costs, there is still a large infrastructure and stranded overhead attributable to the exited Darex business which is slowly declining but a total of $50 - $75 million is possible, and Starboard has a history of getting the most out of cost cuts. Moreover, the Company has already started to exit low profit markets but this could be done quicker. Lastly, the SCC business has also been investing heavily in a software program called VERIFI and has recently won some big projects because of this. This initiative should turn from a capital user to a revenue generator in the near term. The Specialty Building Materials (SBM) business which is more specialized has stable EBITDA margins of approximately 27% but would be a minor beneficiary of a reduction in overhead costs.

Callaway Co. is the first new 13D investment by the recently restructured, more activist focused JANA Partners. JANA has had extensive and unique activist success in the consumer retail space and their involvement has led to sales of PetSmart, Safeway and Whole Foods. Like in many of its past activist situations, JANA has teamed up with an all-star group of operators to assist in developing its thesis, consult with and, if need be, potentially be board nominees. Cindy Davis was the president of Nike Golf, Roger Farah was the President and Executive Vice Chairman of Ralph Lauren and James Lillie was CEO of Jarden, a business that also comprised both soft and hard good products. Callaway CEO Oliver Brewer has done an excellent job operating the Company's core golf business but has had less success in capital allocation and monetizing assets on the balance sheet. The Company owns apparel brand Travis Matthew which it has been growing, and on January 4, 2019, acquired Jack Wolfskin, an outdoor apparel, footwear and equipment brand, for $476 million. This business has virtually no relation to the core business and has performed poorly since the acquisition leading to the Company taking down its guidance after just the first quarter and a steep decline in the Company's stock price. The Company also has a hidden asset in Topgolf, the golf party venue, sports bar and restaurant chain. This is a private company that has been raising money at valuations implying a $5 per share value for Callaway's stake, yet attributes no value to Callaway's current stock price. There are opportunities to create value here by divesting the clothing businesses, monetizing Topgolf and optimizing capital allocation, but just like JANA did with Whole Foods, PetSmart and Safeway, the main opportunity here is to sell the Company. Callaway is one of three strong brands in the golf equipment industry, an oligopoly that Nike could not even break into. Moreover, it is a trophy asset that could get interest from private equity, sovereign wealth funds or wealthy individuals. Private equity owns TaylorMade and a Korean group associated with Fila Korea, Ltd. and Mirae Asset Private Equity own Titleist. If a sale does not happen, JANA will likely talk with the Company about putting some of its consultants on the Board. However, this is unlikely to get contentious as the Company has cumulative voting so JANA would be guaranteed at least one board seat and it is hard to deny the board could use some refreshing with four of its ten directors older than 72 and serving for more than 15 years, including its 80 year old Chairman.

Other interesting potential catalysts we are keeping an eye on include:

(i) The reported sales processes at Cars.com: On June 3, the Company announced that its previously announced process to explore strategic alternatives is ongoing and they continue to engage with multiple parties. Following discussions with Starboard, the deadline to submit director nominations was extended to August 6.

(ii) The reported sales process at Nielsen: On May 10 it was reported that Nielsen had lowered its price expectation and is continuing discussions with Advent.

(iii) The reported sales process at Magellan: On June 26 it was reported that Centerbridge is in exclusive talks to buy Magellan.

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

Ken Squire

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 29, 2018, 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.

The Lipper Mid-Cap Core Funds Peer Group have been presented as investment strategies with similar investment styles. Lipper rankings are based on total return of a fund's stated share class, are historical and do not represent future results. 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 3000 Growth Index is a market capitalization weighted index based on the Russell 3000 index. The Russell 3000 Growth Index includes companies that display signs of above average growth. The index is used to provide a gauge of the performance of growth stocks in the United States. Russell 3000 Value Index is a market-capitalization weighted equity index maintained by the Russell Investment Group and based on the Russell 3000 Index, which measures how U.S. stocks in the equity value segment perform. Included in the Russell 3000 Value Index are stocks from the Russell 3000 Index with lower price-to-book ratios and lower expected growth rates. The Russell 1000 Index is an index of approximately 1,000 of the largest companies in the U.S. equity market. The Russell 1000 is a subset of the Russell 3000 Index. It represents the top companies by market capitalization. The Russell 1000 typically comprises approximately 90% of the total market capitalization of all listed U.S. stocks. It is considered a bellwether index for large-cap investing. The Russell 2500 Index is a broad index, featuring 2,500 stocks that cover the small- and mid-cap market capitalizations. The Russell 2500 is a market cap-weighted index that includes the smallest 2,500 companies covered in the Russell 3000 universe of United States-based listed equities. The Russell Midcap Index is a market capitalization weighted index comprised of 800 publicly traded U.S. companies with market caps of between $2 and $10 billion. The 800 companies in the Russell Midcap Index are the same 800 of the 1,000 companies that comprise Russell 1000 Index. The Russell 1000 Index is a compilation of the largest 1,000 publicly traded U.S. companies. The average Russell Midcap Index member has a market cap of $8 billion to $10 billion, with a median value of $4 billion to $5 billion. The index is reconstituted annually so that stocks that have outgrown the index can be removed and new entries can be added.

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 Foreside Financial Services, LLC.

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