

# 13D Activist Fund

*A Qualitatively Analyzed Portfolio of Activism*

July 26, 2022

Class I YTD Net Return: -14.81%      Russell 2500 TR YTD: -21.81%      AUM: \$224 million

In the second quarter of 2022, the I shares (DDDIX) returned -13.21%, net of fees and expenses (versus -16.98% for the Russell 2500 TR)<sup>1</sup>. This was obviously a horrible quarter for US equities and, as a long only fund, we are not immune to that. But we are happy that the Fund performed as expected with another solid quarter of relative performance in a sustained down market.

During up markets, the idiosyncratic catalysts of activist engagements are designed to add additional alpha above the market returns. And, for the most part, our Fund has delivered that – outperforming our benchmark by 1.34% annually, net of all fees and expenses, since our inception over a 10+ year period of primarily up markets<sup>2,3</sup>. However, it is times of sustained flat or down markets where activists really earn their fees.

## Fund Net Performance<sup>1,2,3</sup>

As of June 30, 2022

Net Performance	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years	ITD
DDDIX	-8.58%	-13.21%	-14.81%	-14.39%	9.82%	8.16%	11.99%	12.23%
Russell 2500 TR	-9.55%	-16.98%	-21.81%	-21.00%	5.91%	7.04%	10.49%	10.80%
Russell Mid Cap Value TR	-10.99%	-14.68%	-16.23%	-10.00%	6.70%	6.27%	10.62%	10.87%
Lipper Mid-Cap Core (Peer Ranking) <sup>4</sup>	NA	NA	NA	197 / 277	12 / 276	53 / 253	11 / 164	NA

Calendar Year Net Performance	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
DDDIX	21.27%	36.58%	15.46%	-10.92%	19.57%	23.78%	-13.47%	27.15%	18.93%	19.55%	-14.81%
Russell 2500 TR	17.88%	36.80%	7.07%	-2.90%	17.59%	16.81%	-10.00%	27.77%	19.99%	18.18%	-21.81%
Russell Mid Cap Value TR	18.51%	33.46%	14.75%	-4.78%	20.00%	13.34%	-12.29%	27.06%	4.96%	28.34%	-16.23%

Inception to date (ITD) returns are as of DDDIX's inception on 12/28/2011. Performance data quoted represents past performance and does not guarantee future results. Statistics above are calculated using daily performance and are annualized. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance data quoted. There is no guarantee that any investment strategy will achieve its objectives, generate profits or avoid losses. Additional information and performance data current to the most recent month-end is available [www.13dactivistfund.com](http://www.13dactivistfund.com) or call 1-877-413-3228.

<sup>1</sup> Data is presented through June 30, 2022, unless otherwise stated. Returns are shown for the Fund's Class I share class (DDDIX) net of the Total Expense Ratio of 1.51%. Statistics above are calculated using daily performance and are annualized. All returns include dividend and capital gain distributions. The Total Expense Ratio represents the expense ratio applicable to investors and is comprised of 13D's management fee, indirect expenses such as the costs of investing in underlying funds and other expenses as noted in the Fund's Prospectus. There is neither a front-end load nor a deferred sales charge for DDDIX. Please see the Fund's Prospectus.

<sup>2</sup> Comparisons will differ, in some cases significantly, if the relative performance is measured over the course of a month, quarter, year or longer.

<sup>3</sup> Indices are provided for general comparison purposes only. Indices are unmanaged and investors cannot invest in an index. Please see end of document for additional disclosures regarding indices presented.

<sup>4</sup> Lipper Mid-Cap Core Category includes funds that, invest at least 75% of their equity assets in companies with a market cap (on a three-year weighted basis) below Refinitiv Lipper's USDE large-cap floor. Lipper rankings are based on total return and relate to a fund's stated share class relative to all the funds in the same category. Returns assume the reinvestment of dividends and do not reflect any applicable sales charge. Past performance is no guarantee of future results. Source: Lipper, 6/30/2022.

Opinions and views expressed reflect the current opinions and views of 13D Management as of the date of this material only. Nothing contained herein is intended as a prediction of how any financial markets will perform in the future and nothing contained herein should be relied upon as a promise or representation as to past or future performance of a fund or any other entity, transaction, or investment.

Activists are value investors who conduct comprehensive, in-depth research to identify undervalued companies and then create their own catalyst to close the valuation gap. In down markets, the gap between price and value gets larger and gives activists many more opportunities. In down markets it is also harder for bad management teams to hide and easier to get the support of other shareholders, whose portfolios are also down. And in times when investors cannot rely on the beta of markets for returns, the activist catalyst becomes so much more valuable in generating returns or providing some downside risk mitigation. For the value that the activist strategy provides, activist hedge funds generally charge a 2% management fee and a 20% incentive fee along with additional expenses, liquidity restrictions and high minimum investments<sup>5</sup>.

The 13D Activist Fund provides a liquid, lower cost and diversified option to access activist exposure. We are not an index fund, and we are not trying to compete with index funds. On the contrary, we seek to build long-term relationships with thoughtful advisors who understand the value proposition of the activist strategy and how it is expected to perform in different market environments and over a full market cycle. Index funds charge very low fees but provide little to no defense in down markets and no alpha drivers in up markets. On the other side of the spectrum are hedge funds, many of which charge large fees but seek to offer protection in all markets. In up markets, our Fund is seeks to outperform the Fund's index benchmark<sup>6</sup> with the alpha historically provided by activist strategies; and, in down or flat markets, provide the defense offered by activist catalysts.<sup>5</sup>

Despite the market volatility, the second quarter was relatively quiet for us from a portfolio perspective. During the second quarter, we exited two positions when the respective activists sold below 5% and exited their 13Ds, and we did not add any new positions. Not surprising since we added seven new positions last quarter. We exited ACI Worldwide, Inc. (ACIW), an underwhelming but modestly profitable activist campaign for Starboard Value, and we exited LKQ Corp. (LKQ), a very successful position of ValueAct over the past 2.5 years.<sup>7</sup>

Thank you very much for your support. Please don't hesitate to reach out to me at (212) 223-2282 with any questions.



Ken Squire

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<sup>5</sup> For illustrative purposes only and is not indicative of any particular activist hedge fund or strategy. This illustration is intended to be representative of 13D's approach to adapting activist hedge fund strategies to fit within a framework that is compliant with the Investment Company Act of 1940, as amended. The illustration also reflects that there may be offsetting impact created by the flat management fee of 1.50% charged by DDDIX as opposed to standard activist hedge fund fees of 2% on assets under management and 20% on performance. **DDDIX is not a hedge fund or Index Fund.** There may be a number of differences between traditional hedge funds, index funds and DDDIX including, investment objectives, costs and expenses, liquidity, safety, guarantees or insurance, fluctuation of principal or return, and tax features. There is no assurance the Fund will achieve its goals or avoid losses.

<sup>6</sup> The Fund's stated benchmark is the Russell 2500 TR.

<sup>7</sup> See Important Disclosure Information for the Fund's top 10 holdings (as a percent of NAV) as of 6/30/222.

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## Important Disclosure Information

**This material is not an offer to sell the Fund's securities and is not soliciting an offer to buy the Fund's securities. All investors should consider the investment objectives, risks, charges and expenses of the Fund 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 and summary prospectus, which can be obtained from the Fund's website [www.13DActivistFund.com](http://www.13DActivistFund.com) or by calling 1-877-413-3228. Please read the prospectus carefully before investing.**

The views expressed in this update are as of the date of this letter. These views and any portfolio holdings discussed in this update are subject to change at any time based on market or other conditions. The Fund disclaims any duty to update these views, which may not be relied upon as investment advice. In addition, references to specific companies' securities should not be regarded as investment recommendations or indicative of the Fund's portfolio as a whole. **References to certain specific companies' securities, revenue and operations is obtained from unaffiliated third parties and is subject to subsequent adjustments. 13D makes no assurances as to the accuracy or completeness thereof.**

**Important Risks:** 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.

**Index Comparison:** Historical performance results for investment indices and/or categories have been provided for general comparison purposes only. Indices may include holdings that are substantially different than investments held by DDDIX and do not reflect the strategy of the Fund. It should not be assumed that your account holdings correspond directly to any comparative indices. Comparisons to indices have limitations because indices have risk profiles, volatility, asset composition and other material characteristics that may differ from DDDIX. The indices do not reflect the deduction of fees or expenses. Performance of equity indices reflects the reinvestment of dividends. Indices and categories are unmanaged and investors cannot invest in an index or category. Index data is obtained from unaffiliated third parties and is subject to subsequent adjustments. 13D makes no assurances as to the accuracy or completeness thereof.

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. **The Lipper Mid-Cap Core Category** includes funds that, invest at least 75% of their equity assets in companies with a market cap (on a three-year weighted basis) below Refinitiv Lipper's USDE large-cap floor. Lipper rankings are based on total return and relate to a fund's stated share class are historical and do not represent future results. Returns assume the reinvestment of dividends and do not reflect any applicable sales charge. Past performance is no guarantee of future results. *Source: Lipper, 6/30/2022.*

**Glossary. Alpha** refers to excess returns earned on investment above the benchmark return. **Beta** A measure of the fund's volatility relative to the market, as represented by the stated Index. A beta greater than 1.00 indicates volatility greater than the market.

**Top 10 Holdings as of 6/30/2022:** MERCURY SYSTEMS INC 5.7%, DOLLAR TREE INC 5.7%, USD CASH 5.4%, ALKERMES PLC 5.2%, HOWMET AEROSPACE 4.7%, OLIN CORP 4.7%, TREEHOUSE FOODS INC 4.5%, ARAMARK 4.0%, EVOLENT HEALTH INC 3.7%, ENVIVA INC 3.6%.

The foregoing information has not been provided in a fiduciary capacity under ERISA, and it is not intended to be, and should not be considered as, impartial investment advice.

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