13D Activist Fund

A Qualitatively Analyzed Portfolio of Activism

October 10, 2019

Class I YTD Net Return: 14.22%

Russell 2500 YTD: 17.72%
S&P 500 YTD: 20.55%

AUM: $320 million

In the third quarter of 2019, the I shares returned -1.75%, net of fees and expenses (versus -1.28% for the Russell 2500 and 1.70% for the S&P500). As we have discussed in past letters, we continue to be operating 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 September 30, 2019 are:

as of 9/30/19	Since Inception*	3Q19	YTD	1 Year	3 Year	5 Year	Inception Cumulative*
13D Activist Fund I	12.49%	-1.75%	14.22%	-4.50%	9.16%	6.90%	149.17%
Russell 2500 TR	12.31%	-1.28%	17.72%	-4.04%	9.51%	8.57%	146.08%
S&P 500 TR	14.20%	1.70%	20.55%	4.25%	13.39%	10.84%	180.11%
Lipper Percentile Rank	17th	N/A	N/A	81st	37th	45th	17th
Position / Mid Cap Core Group	35/209	N/A	N/A	291/359	118/319	114/258	35/209
	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

While there are minor indications that this may be starting to revert or at least flatten, it is undeniable that growth stocks have been, and continue to be, where most of the money is going vis a vis value stocks. We expect this to change at some point at which time our headwind will become a tailwind. Until then, we appreciate the patience of our investors, applaud their long-term vision and hope we can continue to offer to you compelling absolute returns. In an environment where value continues to underperform but allocators have to invest some portion of their portfolios in value stocks, we believe that value stocks with a change agent or activist catalyst is a good place for this allocation. Before discussing the purchases and exits for the quarter, I would like to focus on one of those portfolio positions with a change agent that we think best illustrates one of our key competitive advantages – understanding activism, activist catalysts and activist players.

On May 10, 2019, Symantec announced underwhelming, but not horrible, financial results and guidance and the departure of its CEO to be replaced by board member Rick Hill. The stock traded down 12.5% to $19.39. This was the largest position in our portfolio, in large part because of the presence of Starboard nominee Rick Hill on the Board which, to us, was an extraordinarily positive development. Starboard finally will be able to control the agenda and it will be led by Rick Hill, an economic animal with a keen focus on shareholder value. This is the same Rick Hill who was crucial in Starboard's 146% return at Tessera and recently guided Marvell to an 80% return for Starboard, and in both cases Starboard and Hill controlled the corporate agenda. So, I was surprised to see the stock trading as low as $17.89 (down 19%) that day and called the investment banks who trade for us to get some color. Both analysts were focused on the numbers and had no idea who Rick Hill was, his track record and the potential value he could unlock. One even told me he had spoken to three large hedge fund shareholders earlier that morning and the topic of Rick Hill never came up. I did my best to convince them that this is a great thing for shareholders. Three months later, it was announced that Broadcom would be acquiring Symantec's enterprise business for $10.7 billion, and a month after that it was reported that Permira and Advent were looking to acquire the remainder of Symantec for $26 - $27 per share. The stock is now trading at $23.52, up 21.9% from the closing price on May 10, versus 1.8% for the S&P500. This situation highlights two important principles that are the basis for our Fund**: *(i) shareholder value has an increased chance of being maximized when an experienced activist has a meaningful level of control and (ii) the first principle is even more valuable if you are one of the few who realize it is happening.***

During the second quarter, we exited four positions and added four new investments. We exited Cars.com Inc. (CARS), Perrigo Company plc (PRGO), Nielsen Holdings plc (NLSN) and Knowles Corporation (KN). All four were exited when the respective activists sold down their positions below 5%. CARS and PRGO were very disappointing investments with the latter a successful activist campaign that was over-shadowed by company tax liabilities from several years ago that no amount of due diligence could have uncovered, and the former was just a bad activist thesis that never panned out. CARS is the type of situation we try to avoid and have been largely successful in avoiding but may slip into the portfolio on occasion, this time as an underweight position. Nielsen was a minor disappointment with the activist unable to accomplish its goal of getting the company sold. Knowles was a successful activist situation and the first time we invested in the new activist, Caligan Partners. We knew Sam Merksamer of Caligan from his days with Carl Icahn and were even more optimistic that he was teaming with Jonathan Christodoro, another Icahn vet, in this investment.

During the quarter we bought: Aramark (ARMK), Box Inc. (BOX), Bloomin' Brands Inc. (BLMN), and LKQ Corp. (LKQ). Aramark was the second activist investment of Mantle Ridge, founded by Paul Hilal, formerly of Pershing Square. Hilal's M.O. has generally been to constructively engage with the Company, amicably get the required level of board representation for the given situation, bring in the right senior management team and then decide how to best optimize the portfolio of assets. Aramark is a good business with significant scale in North America but in need of an activist with Mantle Ridge's mentality and expertise. Management has been consistently losing out to its main competitor, Compass, has two lawsuits launched against it by its own employees and for two years in a row, ISS has recommended against the Company's say on pay proposal, with the Company narrowly slipping by with 44.23% and 49.29% of shares voted against this proposal at the 2019 and 2018 meetings, respectively. This paved the way for the recent settlement between Aramark and Mantle Ridge. On October 6, 2019, Mantle Ridge and the Company entered into a Settlement Agreement pursuant to which, among other things, John J. Zillmer, Non-Executive Chairman of CSX Corporation, was named the new CEO and six new directors were added to the Board, including Paul Hilal as Vice Chairman. Among other things, the new Board will review whether to sell, clean up or keep the Uniform Rental Business.

Starboard filed a 13D on Box Inc., an enterprise focused cloud content management platform that enables organizations to manage content while allowing easy, secure access and sharing of the content. Box has state of the art technology and products and is competing with and displacing the legacy enterprise content management systems like FileNet which is owned by IBM and SharePoint which is owned by Microsoft. The founders, Aaron Levie and Dylan Smith, have done an excellent job in starting the Company, growing it and taking it public, creating over $2 billion in value. However, the Company is now in a transition period where its hypergrowth has slowed and the margins have not yet caught up - growth slowed over the past three years from 30% to 13%, with operating margins at break-even. As a result, growth investors no longer find it attractive because growth has slowed and value investors aren't getting involved because the Company isn't making money yet, and the stock is down 39.57% over the past year while the S&P500 is up 0.18%. Just like in many of the other Starboard situations, there are multiple ways to create value here. First, there is an opportunity to improve margins. Technology companies like this generally have a rule of 40 – where a combination of growth and operating margins should exceed 40%. At 13% growth and 0% margins, Box has a lot of room for improvement. Starboard has tremendous experience in improving operations from a board level, particularly at founder led technology companies. While there are plenty of areas to cut costs, last year sales and marketing was 51% of revenue, which is extremely high for any company, but even more so for a company that expects 60%+ of its growth to come from current clients. Second, this Company could be a valuable strategic asset for many large tech companies. There have been many public rumors circling about large technology vendors being interested, such as IBM, Salesforce and Microsoft. Additionally, companies like Citrix, OpenText and Oracle could also be interested buyers. There could be an especially large universe of strategic buyers because many companies are having their legacy systems displaced by Box. Finally, even without any value from activism, shareholder value can be created from an acceleration in growth that management seems confident in despite the market not being convinced. Founder-led companies like this are often activist targets because the visionaries who created the Company may not be the best people to operate it when it gets to 2,000 employees, like Box. Aaron Levie is the Company's CEO and Dylan Smith its CFO – both founders are relatively young and could potentially learn a lot from operators with more public company experience. Moreover, on the nine-person board, three directors are senior management (including Levie and Smith) and three are venture capital investors. So, at the very least, the Board could use some directors with more public company and independent industry experience. It appears, that a large group of shareholders agree with this. At last year's annual meeting, approximately 29% of votes were withheld from 2 out of the 3 directors up for election, signifying serious shareholder discontent.

JANA Partners has had extensive and unique activist success in the consumer space and their involvement has led to sales of PetSmart, Safeway and Whole Foods. This is JANA's second time getting involved at Bloomin' Brands. In November 2017, JANA filed a 13D and proposed that the Board evaluate strategic interest in the Company, improve capital allocation, stop equity investing in China and bring more restaurant experience to the Board. The Company agreed to appoint Wendy Beck, Former EVP and CFO, Norwegian Cruise Line Holdings Ltd., to the Board, abandoned its China strategy and responded that their multi-year investment and operational plan was about to bear fruit with the future looking bright and now was not the right time to review these proposals. The Company's stock went to $25.00 per share over the next five months and JANA sold its position with a 38.91% return on its investment versus 3.28% for the S&P500 during the same time period. Since then, BLMN has returned -28.13% during a period when the S&P500 returned 9.66%. The stock is once again trading below the price where JANA got involved in 2017 and JANA is back again. This is an excellent example of an activist giving a Company time to execute on its plan and is only engaging because management was unable to do so. Had management fixed its capital allocation issues, improved its margins and the stock continued going up after it reached $25 per share, BLMN would have never heard from JANA again. Instead, management has proven that they are unable to fix the problems and sustain its stock performance for a reasonable amount of time. The Company's EBITDA margins are approximately 10% with Darden and Texas Roadhouse at 14% and 11.5%, respectively; it has the lowest EBIT margins compared to peers at approximately 5%, and it trades at a multiple that is the lowest among its peers – at approximately 6x 2020 EBITDA versus 11x and 10x for Darden and Texas Roadhouse, respectively. As a result, the Company's stock price return is the worst of any of its peers and substantially underperformed the market - over the previous 1, 3 and 5 year periods, the stock returned -12.90%, -14.70% and -0.96% compared to 0.73%, 34.29% and 45.87% for the S&P500. The Company also has a history of poor capital allocation. In the fourth quarter of 2016 the Company repurchased $35 million worth of stock at an average price of $19.27 per share despite the fact that at the same time its own CEO exercised options to sell 250,000 shares at $17.15 per share. The Company has continued its bad repurchase activity – in 2018 the average buyback price was approximately $22.50 and in 2019 it was approximately $19.50. All of this has resulted in a lack of confidence from investors and a high short interest in the Company. With the same management team leading the Company since 2017 there is little reason to believe the Company will be able to achieve its potential as a public company. So, the main opportunity here is for the Company to be taken private. A private equity buyer could bring in a new management team, fix the capital allocation and margin issues and implement a strategic review of the Company's portfolio of restaurants, which include Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill and Fleming's Prime Steakhouse & Wine Bar. Moreover, there has been a lot of interest in this sector, such as Buffalo Wild Wings/Roark, Del Frisco's/L Catterton and Bob Evans/Golden Gate. Given JANA's prior success in this space, we expect them to push the Company to sell itself and if met with any resistance, we would not be surprised to see JANA make nominations for the 2020 Annual Meeting.

ValueAct filed a 13D on LKQ Corp., a global distributor of vehicle products, including replacement parts, components, and systems used in the repair and maintenance of vehicles and specialty products and accessories. This is a high-quality, stable business that is non-cyclical and non-discretionary and LKQ is the industry leader with market share 20 times larger than the number two company in North America. LKQ has been leading the professionalization of the alternate parts market, which now comprises 38% of the aftermarket in North America and growing. LKQ represents approximately half of this 38% market. LKQ has been expanding into Europe primarily through acquisitions and Europe now comprises approximately 50% of its revenue, although with 8% operating margins, versus 13% in North America. The European business is more mechanical parts as opposed to its collision part business in North America. While there are some concerns about the aftermarket parts market because collision rates are declining, this has been happening for 40 years and is offset by increased complexity and costs of the parts. LKQ has historically focused on its growth by acquisition strategy with approximately 270 acquisitions since its formation in 1998 with the most recent significant acquisitions being Keystone Automotive Industries, Inc. (2007) and Stahlgruber GmbH (2018). However, the Company has recently pivoted from focusing on top line to bottom line and has changed its compensation plan to incentivize free cash flow and better margins as opposed to revenue. This has already been starting to work, as the Company just generated the highest quarter of operating cash flow in Company history. There is also an opportunity for portfolio review here. To the extent that some of the companies that have been acquired cannot be efficiently integrated into Company operations, these businesses may need to be divested, particularly in Europe. This is something the Company has also already started to implement with their "1 LKQ Europe" project to fully integrate the European business. This seems like a situation where ValueAct is investing because it supports management's recent decisions, not to fight or change them. ValueAct has extensive experience helping companies going through transitions like this from either a board level or an engaged shareholder, increasing the likelihood of success. ValueAct could be a very valuable ally to management by advising them on the best use of capital and strategic decisions as well as giving them cover with other shareholders and the market in general as the Company moves their focus from the top line to the bottom line. LKQ's stock had a horrible 2018 primarily because none of the 7% North American growth reached the bottom line and there were issues with the new European distribution facility. As a result, LKQ is trading at only 11-12x earnings and its stock has suffered – over the past 1, 3 and 5 year periods, returning -11.64%, -17.92% and 4.04% compared to the S&P500 which has returned 3.88%, 38.99% and 51.14%. However, more consistent operational execution should lead to increased multiples and better stock performance.

We will be making our tax distribution on December 11, 2019, with a record date of December 10, 2019. As a tax aware fund, we do what we can to minimize the amount of this distribution and have made a series of 31-day sales to that end. We have often been able to prevent distributions in the past, but due to the appreciation of the fund this year we expect to have a small distribution of approximately 3.5% of assets.

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.

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.