13D Activist Fund

A Qualitatively Analyzed Portfolio of Activism

January 2, 2019

Class I YTD Net Return: -13.47% S&P 500 YTD Net Return: -4.38% AUM: $311 million

In the fourth quarter of 2018, the I shares returned -16.39%, net of fees and expenses (versus -13.52% for the S&P500). This capped off a horrible second half of the year for the Fund in an environment where we really did not stand a chance. During 2018 the Russell 3000 Growth index outperformed the Russell 3000 Value index by 747 basis points and the Russell 1000 (large cap) outperformed the Russell 2500 (small and mid-cap) by 478 basis points. As a fund of small and mid-cap value stocks, there was nothing we could do to get out of the way of this. We offer exposure to 13D activism and we do not sway from our strategy or principles because of short term moves in the market.

The total return for the 13D Activist Fund, net of fees and expenses, for the period ending December 31, 2018 are:

as of 12/31/18	4Q18	YTD	1 Year	3 Year	5 Year	Since Inception*	Inception Cumulative*
13D Activist Fund I	-16.39%	-13.47%	-13.47%	8.59%	5.66%	11.77%	118.16%
S&P 500 TR	-13.52%	-4.38%	-4.38%	9.26%	8.49%	12.78%	132.35%
Lipper Percentile Rank	-	-	69th	12th	19th	4th	4th
Position / Mid Cap Core Group	-	-	273/399	38/332	53/287	9/239	9/239
	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%
S&P 500 TR	16.00%	32.39%	13.69%	1.38%	11.96%	21.83%	-4.38%

* 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.

While we do believe that market moves like these generally revert to the mean and value stocks and small and mid-cap stocks will rebound in 2019, nobody can say for sure. However, we do strongly believe that the market environment is ripe for shareholder activism just as it was after a similar sell off in 2015 and other times in the past for several reasons. First, activist investors are value investors and when markets are down, the gap between stock price and value increases, resulting in many more potential opportunities for activists. Second, in down markets it is harder for bad management to hide, leading to even more opportunities for activist investors. And third, in down markets it is easier for activists to get the support of other shareholders and implement their activist agenda. So, while we are very disappointed with the Fund's performance during the third and fourth quarters, we remain confident that the Fund is well positioned to capitalize on the downturn. This is almost exactly what we said to our investors in an October 2015 letter[1]. In 2016, the Fund was up 19.57% after fees and expenses, versus 11.96% for the S&P500. Similar data is evident after market selloffs in 2009, 2010, 2011, 2012 and 2014 where activist positions lagged the S&P500 during the selloff by an average of 2.67% but outperformed the S&P500 by an average of 18.84% in the years after the selloff, according to a 2016 study published by 13D Monitor[2], our research affiliate.

During the third quarter, we exited five positions and bought four new positions. We exited Pinnacle Foods (PF) when it was acquired by ConAgra, Akamai Technologies (AKAM) when Elliott Associates exited its 13D filing, Armstrong World Industries (AWI) when ValueAct exited its 13D filing and Howard Hughes (HHC) when Pershing Square exited its 13D filing. The fifth exit was Athenahealth (ATHN) which was also a new position for the quarter. Elliott filed a 13D on Athenahealth in May of 2017 and the stock shot up immediately to over $130 per share. The activist thesis was a sale of the Company but we wanted to wait for a better entry point. During the second half of 2018 it looked like if a deal were to happen, it would happen in the mid $130s. However, the stock traded down to the low $120s because of the perception that Elliott was not a serious buyer. In October, our research affiliate 13D Monitor did a study on Elliott's history of consummating acquisition offers on 13D companies[3] and concluded that Elliott had by itself or with others acquired 13D portfolio companies 73% of the time it had made offers. This gave us the conviction to buy Athenahealth in late October in the low $120s, and we ultimately sold it in mid-November when it was announced that Elliott was partnering with Veritas Capital to acquire Athenahealth for $135 per share. The other three companies we added during the quarter were Travelport (TVPT), Jack in the Box (JACK) and Arcosa (ACA).

Travelport was another opportunistic strategic activism investment, also with Elliott as the activist. Like Athenahealth, Travelport bounced too high for us to get in at a price we liked following the 13D filing. When the markets started correcting we took the opportunity to buy Travelport at prices closer to Elliott's average cost. Elliott announced that it was acquiring Travelport in December and we have since sold a portion of that position. Jack in the Box is a February 15, 2018 13D filing of JANA Partners. At that time the stock was trading at $91.60, just above JANA's average cost of $91.32 per share. We did not add it to the portfolio then because we did not think there was a strong enough activist catalyst and risk/reward proposition. However, two things happened since then to change our view. First, on October 29, 2018, JANA and the Company entered into a Cooperation and Confidentiality Agreement, pursuant to which, among other things, two directors agreed to by JANA were being added to the Board. Second, the stock fell along with the market to below $80 per share. A stronger activist thesis is not always a reason to buy. Nor is a declining stock price. But a strengthening activist thesis with a dropping stock price is very compelling to us. The activist thesis at Jack in the Box was initially supporting a strong management team who is transforming the business since selling the Qdoba brand and increasing the franchising mix. The Company is moving from a capital intensive business with multiple concepts to a more focused franchising based business. However, since the stock has dropped to $80 per share, there is also a strategic catalyst. On December 14, the Company confirmed it is exploring strategic and financing alternatives, including the potential for a sale.

Arcosa, Inc. (ACA) is a 13D filing of ValueAct Capital. ValueAct received its shares through the spinoff of Arcosa by Trinity Industries, Inc. but Arcosa (Trinity's legacy manufacturing business) also has a compelling thesis. ValueAct likes good businesses that are misunderstood, or in this case, not fully understood by the market. Because Arcosa is new to the public markets, there is no coverage, but ValueAct clearly knows it well since it has been a

[1] 13D Activist Fund 3Q 2015 Investor Letter
[2] February 2016 Activist Opportunity Not Obituary
[3] October 2018 13D Elliot Study

13D filer on Trinity since July 29, 2016. ValueAct also likes timing and investing in the right part of company business cycles and this is a cyclical rebound story of a company that is trading at a steep discount relative to its peers. Arcosa's aggregate production business comprises approximately 40% of the Company's EBITDA and the metal bending manufacturing businesses comprises approximately 60%. The Company trades at 7x EBITDA, but peers of the aggregates business trade closer to 12x EBITDA and the metal bending manufacturing business is at cyclically trough earnings trading at 7x EBITDA, 4x mid-cycle EBITDA and 3x peak EBITDA. The cyclicality trough can partly be attributed to the barge manufacturing business where the Company remains a dominant provider, but has been slow in its manufacturing – at its prior peak the barge business accounted for $125 million of EBITDA. The Company has guided to zero for this year, but we believe it should start raising again. While a cyclical rebound will certainly benefit the stock, there is also an opportunity for the Company to optimize its portfolio through making divestitures and refocusing resources appropriately. ValueAct has confidence that management will do just that. Otherwise, they could have fought for a board seat at Arcosa in connection with the spinoff, in addition to or in lieu of the board seat they received at Trinity when the spin off was consummated.

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

(i) The reported sales processes at Cars.com: Starboard has increase the pressure at Cars with a December 10 letter and the Company has since announced a reorganization of its sales force.

(ii) The sales processes at Arconic: The Arconic sale has run into a couple of bumps with the potential liability from the Grenfell Tower situation and the tightening credit markets. Reportedly, Elliott has agreed to shoulder the Grenfell liabilities, and the availability of credit for an acquisition should be clearer as other private equity deals are priced in January. We still feel that a low to mid $20s price is achievable and the stock has since declined to below $17 per share.

(iii) The reported sales process at Nielsen: the Nielsen sales process is gaining quiet momentum. On December 13 it was reported that Nielsen is getting serious about being taken private and will speak with potential acquirers in January.

(iv) The reported sales process at Mellanox: on November 7 it was reported that Xilinx (XLNX) was working with Barclays to acquire Mellanox and on December 19 it was reported that Microsoft is also interested in acquiring Mellanox.

(v) The reported sales process at Symantec: on November 6, it was reported that Thomas Bravo had approached Symantec about an acquisition, but it was later reported that they had also approached McAfee.

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 ALPS Distributors, Inc., member FINRA www.finra.org

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