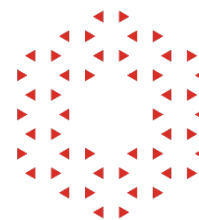


# Moerus Worldwide Value Fund

Semi-Annual Shareholder Letter: Six Months Ended May 31, 2018



Dear Fellow Investors:

It is our pleasure to update you on recent developments regarding the Moerus Worldwide Value Fund (the "Fund"). In this Semi-Annual Shareholder Letter covering the six months ended May 31, 2018, we will discuss Fund performance, new investments made since we last wrote to you, and our ongoing efforts to remain focused on bottom-up fundamentals amid top-down uncertainty.

We thank you very much for your support, and as always, we welcome any feedback that you might have.

## Fund Performance (as of May 31, 2018)\*

| Fund/Index  | 6-Months | 1-year | Since Inception** |            |
|---|----------|--------|-------------------|------------|
|   |          |        | Cumulative        | Annualized |
| Moerus Worldwide Value Fund - Class N             | -4.94%   | -0.05% | 22.75%            | 10.79%     |
| Moerus Worldwide Value Fund - Institutional Class | -4.83%   | 0.22%  | 23.36%            | 11.07%     |
| MSCI AC World Index Net (USD) ***                 | 1.72%    | 11.84% | 31.44%            | 14.65%     |

\* Performance data quoted is historical, and for the fund is net of fees and expenses.

\*\* Inception date is May 31, 2016.

\*\*\* The MSCI AC World Index Net (USD) captures large and mid cap representation across 23 Developed Market and 24 Emerging Market countries. With 2,489 constituents, the index covers approximately 85% of the global investable equity opportunity set.

**Past performance does not guarantee future results. The performance data quoted represents past performance and current returns may be lower or higher. Returns are shown net of fees and expenses and assume reinvestment of dividends and other income. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Please call 1 (844) MOERUS1 or visit [www.moerustfunds.com](http://www.moerustfunds.com) for most recent month end performance.**

Investment performance reflects expense limitations in effect. In the absence of such expense limitations, total return would be reduced. The Fund's adviser has contractually agreed to reduce its fees and/or absorb expenses of the Fund, until at least March 31, 2019, to ensure that total annual fund operating expenses after fee waiver and/or reimbursement (exclusive of any taxes, brokerage fees and commissions, borrowing costs, acquired fund fees and expenses, fees and expenses associated with investments in other collective investment vehicles or derivative instruments, or extraordinary expenses such as litigation) will not exceed 1.65% and 1.40% for Class N and Institutional Class Shares, respectively.

## Macro and Geopolitical Storm Clouds Gather...

As always, the Fund's performance data is noted simply for informational purposes for our fellow investors. The Fund seeks to invest with a long-term time horizon, of five years or more, and it is not managed with any short-term performance objectives or benchmark considerations in mind. As we have mentioned in recent Shareholder Letters, we view our short-term results, during both good times and bad, as incidental to our goal of achieving attractive risk-adjusted performance and outperforming relevant benchmarks over the long term. With that said, the Fund performed poorly during the first half of Fiscal 2018. To summarize the recent performance from our perspective in a few words, we'd characterize it as both frustrating and encouraging at the same time.

It is frustrating in the sense that macroeconomic and geopolitical concerns dominated the narrative, overshadowing what we believe in many cases to be favorable business-level developments and solid, attractive long-term business fundamentals across much of the Fund's portfolio. Among the many macro and geopolitical flashpoints: increasingly inflammatory rhetoric surrounding tariffs and a potential "trade war"; concerns about potentially slowing growth in China; rising interest rates and tightening U.S. monetary policy under a newly hawkish Federal Reserve; a rapid depreciation in the Argentine peso; a disruptive trucker strike and political uncertainty given looming elections in Brazil; and the formation of a populist government in Italy, just to name a few. Against this backdrop, many of the Fund's emerging market investments declined during the first half, reflecting the considerable pressure that emerging market stocks and currencies have recently come under. In particular, the Fund's eight holdings in Latin America, which in aggregate made up 18.8% of the Fund's assets as of the end of the half, constituted the largest detractor from performance.

Other negative contributors to the Fund's performance during the first half included the Fund's two Italian holdings (**Mediobanca SpA** and **UniCredit SpA**), which declined as the market reacted negatively to the perception of increased political risk, disregarding what we see as solid performance in the fundamentals of each business. Also, the following is just conjecture, but the numerous newly-emerging macro and geopolitical threats that have fueled a return of volatility seem to have also led to market overreactions to short-term results, even more so than is usually the case in a short-term oriented market. Specifically, there have been what we see as excessively negative reactions to quarterly results even in cases in which the businesses in question are taking concrete steps to unlock value through asset sales and simplifications of previously complex corporate structures (examples include **Jefferies Financial Group** and **HRG Group**). Finally, what we *haven't done* has continued to make us look bad relative to benchmarks for the time being. Namely, we haven't invested in large-cap technology stocks that we view, generally speaking, as overpriced. These pricy tech stocks have continued to enjoy strong performance and many investors continue to plow money into the perceived "safety" of names that have worked well recently. As we discussed in our previous Shareholder Letter, we remain focused on avoiding what we see as excessive price risk assumed by overpaying for blue-sky growth projections, even if it means that the Fund's short-term performance lags that of tech-heavy benchmarks.

### **...But With a Silver Lining**

It's always unpleasant to endure periods of negative performance. This is especially the case when share price declines are due primarily to circumstances beyond the control of the respective businesses, many of which seem, to our eye, to be doing the right things and developing nicely. But while *frustrating*, as long-term, price-conscious investors we have found recent events to also be *encouraging*.

Why? None of the "top-down" events have altered any of the long-term, fundamental attractions of the investment theses for each of the Fund's investments. In many cases, much of the short-term noise that has driven declines seems, to us, largely irrelevant to the bigger-picture, longer-term investment cases. In other cases such as those of many of the Fund's Latin American holdings and its two Italian holdings, recent business results and developments have actually been positive and improving, external geopolitical uncertainties notwithstanding. Later, we will

return to two Latin American holdings in the portfolio which were among the largest negative contributors to performance despite what we see as still-attractive longer-term fundamentals.

Given our long-term approach, we are investing not for this quarter or next quarter, but for the next five years and beyond. We do not forecast what might happen in the short-term, simply because we believe that doing so successfully is extremely difficult if not impossible. We do not try to time the market. Instead, we search for investment opportunities at valuations that we believe offer compelling risk-adjusted returns over a full business cycle. All else equal, provided that our investment thesis holds and unfolds over time in a way that we view favorably, we are happy to hold these businesses for the long haul. If short-term volatility creates opportunities for us to increase our positions at cheaper prices, all the better. In our experience, short-term market volatility in times of great macroeconomic or geopolitical uncertainty – such as the Asian Financial Crisis in the late 1990s, the bursting of the dot-com bubble in 2000, the Global Financial Crisis in 2008-2009, and the European Sovereign Debt Crisis, to name a few – sometimes provides what turn out to be some of the best long-term investment opportunities. From that standpoint, we are excited to invest in what we believe to be the Fund's most attractive opportunities at even more discounted prices. In fact, during the first half of the Fund's Fiscal 2018 (six months ended May 31, 2018) we added to 25 of the 38 positions that the Fund began its Fiscal Year with.

### **Investment Activity in the Fund**

In addition to increasing our allocation to most of our existing positions, during the first half of the Fund's Fiscal 2018 (six months ended May 31, 2018), we initiated three new positions in the Fund. As of period-end, the Fund's portfolio included 41 holdings. The Fund also held roughly 9.0% of its assets in cash, which we believe will allow us to quickly respond if and as further market volatility provides us with new investment opportunities or an opportunity to add further to existing holdings. The three new positions purchased in the Fund – Aspen Insurance, Shinsei Bank, and Tidewater – operate in different industries, but share a couple of general attributes. We would be happy to own all three of these businesses for years to come as going-concern businesses, given what we view as quite modest purchase prices, but all three also have the potential to unlock value via non-earnings related means, whether it be as a takeover candidate, through share repurchases at steep discounts to intrinsic value, or through participation in consolidation and rationalization of industry structure.

**Aspen Insurance Holdings Limited** is a Bermuda-based, global provider of specialty insurance and reinsurance. Aspen was founded in 2002 in response to strong demand for new insurance following the 9/11 terrorist attacks. For most of its history, Aspen has compiled a good underwriting track record under the leadership of CEO Chris O'Kane. However, the company stumbled in 2017, owing primarily to record natural catastrophe claims driven by hurricanes Irma, Harvey and Maria, in addition to wildfires in California. Additionally, Aspen's recent efforts to expand its primary insurance business have resulted in bloated expense levels and unexpected underwriting losses. As a result of these missteps, Aspen's common stock fell nearly 25% in 2017, a decline that naturally attracted our attention given the sound long-term record.

While Aspen was struggling in 2017, two of its peers, Validus Holdings and XL Group were negotiating sales of their companies at very attractive prices for shareholders (at around 1.5 times book value). This added to pressure on Aspen's management to improve its financial

performance and/or consider strategic alternatives. Notably, back in 2014 Endurance Specialty Holdings had offered to acquire Aspen for \$49.50 per share and the proposal was rejected by Aspen's Board of Directors. Following the missteps of 2017 that eventually drove the stock price below \$40, the market's dissatisfaction with management, understandably, seemed to intensify. On the company's most recent conference call, O'Kane acknowledged that the Board of Directors is very open-minded and considering all options to create shareholder value. The Fund's purchase price of Aspen stock at around book value represents a significant discount to recent industry transaction multiples and to the price offered for the business in 2014.

While a strategic transaction, such as a merger, would probably result in an attractive return for the Fund, it is important to note that this is not integral to our investment thesis. We would also be happy to be long-term investors in Aspen given the modest price at which we acquired our shares, as we expect that the business performance will return to historical levels. Aspen's first quarter was encouraging in this regard as the company returned to profitability, despite a still-elevated level of weather events, and took advantage of an attractive reinsurance market to significantly reduce its exposure to the upcoming hurricane season.

**Shinsei Bank, Ltd.** was formed in 2000 by an investment group led by U.S.-based Ripplewood Holdings as the successor to Long-Term Credit Bank ("LTCB") of Japan. LTCB was a major Japanese development bank which had been set up during the post-war period to provide long-term financing for the development of Japanese industry. The bank was nationalized in 1998 because it had accumulated a massive portfolio of non-performing loans. After cleaning up its loan book, the company went public in 2004 at a level that was nearly 2 times its then book value and 3 times the stock's current price. Armed with capital and a rich stock price but without the core LTCB business, which depended on the government monopoly on the issuance of many long-term debt securities, Shinsei made several acquisitions to diversify into consumer banking and structured lending, including, most notably, General Electric's consumer finance business.

The total amount spent on these acquisitions was more than 150% of Shinsei's current market cap. In retrospect, the timing of the acquisitions was very poor, and the company experienced a significant increase in its stock of non-performing loans between 2009 and 2011, necessitating a bail-out by the Japanese government in 2011. In recent years, Shinsei has taken on a "persona" completely different from the more typical, nationwide Japanese banks that are focused on industrial and commercial lending. Under the leadership of current CEO Hideyuki Kudo, the company's performance has improved. Shinsei is focused on growing its unsecured (consumer) loan and structured finance businesses, as the Bank of Japan's current negative interest rate policy makes traditional banking very difficult. Shinsei's unsecured lending business is a large, growing, and high-margin business, with net interest margins in the low teens.

What struck us was the unusual cheapness of the stock, given the company's attractive business mix and strong capital position. Shinsei trades at just 8 times earnings and a 47% discount to its tangible book value. Interestingly, many pure play unsecured consumer lending competitors in Japan currently trade at anywhere from 1.5 to over 2 times book value – a massive premium to the multiple at which the more diversified Shinsei trades – despite the other consumer finance companies having accounting practices that we believe to be more aggressive. Further, the company is well capitalized with a 12.2% Tier 1 Common Equity Ratio. Credit quality is also

very strong with a gross NPL ratio of 1.5%, down from a peak of more than 9% in 2011 and a very conservative coverage ratio of 135%.

It is true that many other banks in Japan are statistically cheap and well capitalized. However, we believe that Shinsei is particularly attractive because management and the Board are heavily incentivized to get the stock price higher. The two largest shareholder groups, the Japanese government and Chris Flowers (who is on the Board) and his hedge funds, who collectively own about 40% of the outstanding shares, have been shareholders for roughly 10 years and appear to be keen on generating a return on their investment. Additionally, Dalton Investments, an activist investor, owns about 5% and has been publicly advocating for a massive share repurchase. The company appears to be listening to some degree, having repurchased 5% of its shares over the last two years and recently announcing the intention to repurchase a further 3%.

Large share repurchases at significant discounts to book are likely to, over time, increase book value per share and perhaps help close the current discount to book. However, with the government still the largest shareholder as they wait for a higher stock price, Shinsei is limited in its ability to reduce its capital position. The company thus finds itself in a bit of a holding pattern in which it gradually buys back shares to close the discount, while at the same time needing to maintain its overly strong capital position. Perhaps lacking “instant gratification” for short-term investors in need of a near-term catalyst, Shinsei shares seem to be trading at a steep discount for non-fundamental reasons, despite an attractive business mix. For us, the long-term investment case seems quite attractive.

**Tidewater Inc.**, based in Houston, Texas, is an offshore oil and gas services provider. Owning and operating one of the largest fleets of offshore service vessels (“OSVs”) in the world, Tidewater has over 60 years of experience supporting offshore energy exploration and production activities worldwide. The company provides services including towing and anchoring mobile rigs, transporting crews and supplies, assisting in offshore construction projects and performing numerous marine support services.

The past four years or so have been brutal for Tidewater and for the OSV industry in general. In this business, revenues are directly related to offshore oil exploration and production activity. Needless to say, the collapse in crude oil prices from over \$110 per barrel in mid-2014 to below \$30 less than two years later hit the industry extremely hard. Suddenly finding themselves in survival mode, many oil companies dramatically cut back on their production and especially exploration activities. For the OSV industry, this meant that demand for its support vessels and services essentially fell off a cliff – and revenues collapsed as many services companies began to compete for projects with more aggressive day rates. Since then, oil prices have gradually begun to recover, but production from unconventional sources, namely onshore shale oil in the U.S., has increased steadily as shale operators, out of necessity, have wrung out costs and reduced the prices at which producing becomes economic. For producers forced to do some serious belt-tightening over the past four years, shale oil activities have become preferred investments as compared to offshore projects that often tap much larger and longer-lasting resources, but which require significantly more upfront capital expenditure, complex engineering and long lead-times to get to production. As a result of these developments, offshore activity has suffered. The overall working offshore rig count, a primary driver of OSV demand, is down roughly 40% since mid-2014.

While demand is extremely depressed, the supply side of the OSV market is no better. The OSV industry is extremely fragmented, with many small owners of few vessels contributing to massive overcapacity. Combined with demand destruction, this has resulted in average day rates which have declined by over 50% since 2014, putting most of the OSV industry into severe distress. In our view, the industry would benefit significantly from consolidation or meaningful capacity rationalization. We first wrote about our interest in the OSV space in the Fund's November 2016 Shareholder Letter in the context of another Fund holding, Aker ASA. Aker participated in a recapitalization of an OSV company, Solstad Offshore, in an attempt to drive consolidation in the industry. Since then, what is now Solstad Farstad has in fact completed a couple of transactions, but it will take much more consolidation to move the needle.

While Aker provided us with an intriguing indirect investment in the highly depressed OSV industry, Solstad Farstad represented only a small portion of Aker's value. Unfortunately, virtually all of the pure play OSV companies, including Tidewater, had highly leveraged, distressed balance sheets. However, fast forward to mid-2017: Tidewater's debt burden became unsustainable, and it was forced to restructure via a prepackaged bankruptcy. With much of the pre-existing debt converted to new equity and warrants, Tidewater emerged in August 2017 with what is clearly one of the strongest, if not the strongest, balance sheets in the entire OSV industry. The company is virtually net debt-free, with \$445 million in cash against \$448 million of debt, and has no meaningful debt maturities until 2022. Tidewater, unlike most of its peers, now boasts the staying power to navigate through the current industry depression, potentially consolidate or acquire heavily discounted vessels from distressed peers, and position itself to benefit disproportionately in the event of an eventual recovery in the OSV market.

Tidewater shares most recently traded at a discount to reported book value, which in turn reflects asset values that have been written down by nearly 70% as a result of fresh start accounting. While the accounting write-downs understandably reflect extremely depressed current industry conditions, they value Tidewater's ships at a material discount to what they could potentially sell on the secondary market *today*, and at a much greater discount to the actual construction cost of the vessels. In some cases, ships recently built and delivered to Tidewater are being carried on the books at 30-40% of their construction cost. At such a beaten-down valuation, we believe the upside potential is considerable if offshore activity and OSV demand eventually recover. This seems reasonably probable to us given that offshore production still accounts for over 25% of global oil production, yet has suffered from significant underinvestment in recent years that we expect will require catch-up spending at some point. Further, if the OSV industry structure becomes less fragmented due to M&A or distressed players going out of business, the potential for improved pricing and value creation could be meaningful.

### **Fundamentals-Based Investing Amid Macro and Geopolitical Angst**

At Moerus, we practice an unconstrained, benchmark-independent investment approach that focuses on long-term, deep value opportunities. Truly compelling bargains usually become available because for whatever reason, they are unpopular at that point in time. The reason might be a poor or uncertain short-term outlook for a given geographic market (e.g., Brazil) or industry (e.g., the OSV space), or perhaps the company itself fell out of favor with the market due to disappointing quarterly earnings (e.g., Aspen) or some management misstep. Whatever the specific reason, our insistence on what we believe to be deeply discounted valuations

typically involves buying what is unloved by the market today. Further, such negative sentiment often does not improve overnight, but instead tends to linger for some time until either the actual business conditions or market perception affecting the investment improves.

As a result, our investment approach can and will endure periods of relative underperformance at times. Based on our experience, we believe that this is particularly apt to occur in an environment in which most investors are rewarded for continuing to buy what is fashionable and perceived to be safe, while choosing to eschew investment opportunities that may be characterized by perceived discomfort and uncertainty in the present, even if they boast attractive long-term prospects. From our perspective, this dynamic is somewhat ironic. Popular stocks are often bid up because they are perceived to be “safer” and “high-quality.” But in many cases those perceptions are clouded by recency bias. That is, stock market participants are swayed by and take comfort in strong recent results, tend to extrapolate these recent results into the future and, in effect, chase performance. The FAANG stocks<sup>1</sup>, once again, come to mind.

The irony is, as we have discussed at length in recent Shareholder Letters, we believe that bidding up these “comfort stocks” to unattractively high valuations actually increases an investor’s risk going forward. On the other hand we believe that, all else equal, paying a lower price reduces downside risk. While this seems intuitive, in practice many investors tend to continue doing what has worked recently for them, even if circumstances have changed (e.g., much higher prices) and upside potential is diminished. At Moerus, one of the most important factors that we consider with each investment is the potential purchase price. This price-consciousness often leads us to invest in areas that may cause discomfort to some, which can expose us to periods of short-term stock price volatility in times when market sentiment turns skittish. Short-term markets are extremely unpredictable, prone to countless influences, including macroeconomic and geopolitical ructions. That’s fine with us. While never enjoyable in the moment, in our experience short-term volatility and market angst have ultimately proven to be friend more often than foe, providing some very interesting investment opportunities over the long run.

There were certainly plenty of macroeconomic and geopolitical ructions to go around over the first half of 2018. Increased downside volatility, though often helpful for value investors like ourselves in the long run, can nonetheless be unsettling in the short run, and at times it may be difficult to remain focused on the big picture, particularly amid the current age of information overload. But to us, there is little utility in attempting to forecast or base investment decisions upon forecasts of macroeconomic or geopolitical events, simply because it’s extremely difficult to do correctly, with a great enough frequency to make the exercise worth it. Instead, we try to remain focused on the long-term, fundamental merits of each investment and the portfolio as a whole. Of course the fundamental factors will vary on a case-by-case basis, but will always include valuation – preferably a deep discount to a conservative estimate of intrinsic value – and survivability or staying power, with capital preservation always a priority. Before briefly highlighting some of the fundamentals of two Fund holdings whose stock prices have been punished due primarily to recent macro and geopolitical turmoil, it’s worth emphasizing an important distinction: although we are bottom-up investors who do not forecast macroeconomic variables, we always consider the broader macroeconomic landscape relevant

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<sup>1</sup> FAANG is a commonly used acronym for five of today’s largest, most popular technology stocks in the market: Facebook, Apple, Amazon, Netflix, and Google (i.e., Alphabet, Inc., which is the listed holding company that owns Google).

to any potential investment, with a particular focus on the potential risks to the long-term survivability of the business. For us, this is a crucial component of risk management.

## Latin America

As noted earlier, the Fund's eight Latin American investments, in aggregate, were the largest detractor from performance during the first half. Among this group, **BR Properties** and **Arcos Dorados** were down 38% and 25% in U.S. dollar terms, respectively, during the six months under review. This occurred despite what we see as encouraging fundamental developments at the actual business level, as well as compelling longer-term investment cases for each company. We outlined the primary attractions of the BR Properties investment case in detail in the Fund's November 2017 Shareholder Letter. In short, the company, which has an impressive track record of acquiring commercial properties at attractive yields, has been taking advantage of the depressed Brazilian economy and the collapse in office rents by acquiring high quality office properties at seemingly modest prices, positioning itself well in the event that the Brazilian economy eventually recovers. Further, the company is controlled by GP Investments, a local, long-tenured private equity firm with a solid investment track record. GP actually co-founded BR Properties, built it up, brought it public, and sold it in 2012 at near the peak in Brazil's property market. GP's interest in BR Properties is backed by sovereign wealth fund Abu Dhabi Investment Authority, a long-term investor with deep pockets that should serve to reinforce the company's staying power. The stock is currently trading at over a 30% discount to tangible book value, which in turn reflects cyclically depressed property values.

None of the key attributes noted above have fundamentally changed. In fact, management recently noted some initial signs of a recovery in the São Paulo office market. Of course the current macro and political uncertainty may delay the recovery temporarily, but longer-term we believe Brazil is likely to recover from current conditions which are very depressed from a historical standpoint. While the Rio de Janeiro office market remains weak, longer-term it should benefit from a recovery by Petrobras and the offshore oil services industry, both of which are large tenants in the city. Finally, over the past several months the company has sold two of its smaller buildings, one in line with book value and one representing a small gain despite a very weak current market. Again, by comparison the stock price currently represents a greater than 30% discount to a cyclically depressed tangible book value.

Arcos Dorados, the largest McDonald's franchisee in the world and the exclusive McDonald's franchisee throughout much of Latin America and the Caribbean, was also discussed in the November 2017 Letter. During the month of May – when the value of the Argentine peso depreciated by nearly 18% against the U.S. dollar, prompting the government to seek a credit line from the International Monetary Fund – Arcos Dorados stock fell sharply, seemingly in sympathy with other businesses that the market associates with Argentina. But while it is true that its corporate head office is located in Buenos Aires, the company's Brazilian operations, which generate roughly 45% of revenue and nearly 60% of operating cash flows, make up by far the largest component of the overall business, which is further diversified across the rest of Latin America. It is true that depreciating domestic currencies in Argentina and Brazil result in negative *optical* effects on the company's financial statements, which are reported in U.S. dollars, because the local currencies that the business generates translate into fewer dollars. However, a risk that would be much more significant to the proper longer-term functioning of the business – currency mismatches between revenues and costs, or between assets and



liabilities – seem quite manageable, in our view. Specifically, the large majority of Arcos Dorados’ operating costs are denominated in local currencies, providing a natural hedge in the event of currency declines, and management also hedges some of the modest remaining exposure when it is appropriate and cost-effective. Finally, about half of the company’s U.S. dollar debt is hedged against the Brazilian Real, which makes sense given Brazil generates over half of cash flows. Thus from our standpoint, Arcos Dorados’ stock price decline could be attributed more to poor macroeconomic headlines and “guilt by association,” rather than lasting business deterioration.

On the contrary, in its first quarter 2018 results Arcos Dorados reported strong comparable sales growth, increased market share, and rising profit margins as many costs were kept at or below the rate of inflation. While the currently adverse macroeconomic picture might very well slow Arcos Dorados’ business momentum due to potential knock-on, negative effects on disposable incomes and consumer spending, we view any such impact as likely to be cyclical and temporary. More importantly, in our view the long-term investment case remains strong (even more so at a lower stock price). Arcos Dorados serves a region of over 600 million people with a population of middle class consumers that is projected to grow substantially in coming decades. The company appears well-positioned to continue to take market share from informal, mom-and-pop competitors in a quick serve restaurant market in which chains’ penetration is quite low as compared to elsewhere in the world. Arcos benefits from the iconic McDonald’s brand, its balance sheet has strengthened considerably in recent years, and the stock continues to trade at material discounts to comparable businesses in the region and around the world, despite what we view in many cases to be superior growth prospects.

In summary, the weak recent performance of several of our holdings doesn’t dishearten us, but rather makes us even more excited about the appreciation prospects of our existing portfolio of holdings. On a fundamentals level, we would argue that little has changed – despite the price moves – and that in many cases fundamentals have actually improved. We continue to have very high conviction in the prospects for the businesses in our portfolio and continue to add to these positions as price volatility provides opportunity for us to do so. Put simply, while the “storm clouds” are gathering on the macro horizon, we continue to see many rays of light in our holdings.

As always, many thanks for your continued support, interest, and curiosity. We look forward to writing you again later after the close of the Fund’s Fiscal Year.

Sincerely,

**Amit Wadhwaney**

Portfolio Manager

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**Investors should carefully consider the Fund's investment objectives, risks, charges and expenses carefully before investing. This and other important information about the Fund is contained in the prospectus, which can be obtained by calling 1-844-MOERUS1 or by visiting [www.moerufunds.com](http://www.moerufunds.com). The prospectus should be read carefully before investing. The Moerus Worldwide Value Fund is distributed by Foreside Fund Services, LLC, Member FINRA.**