Moerus Worldwide Value Fund (Unaudited)

Annual Shareholder Letter: Twelve Months Ended November 30, 2018

Dear Fellow Investors:

It is our pleasure to update you on recent developments regarding the Moerus Worldwide Value Fund ("the Fund"). In this Shareholder Letter, we will touch on Fund performance, how we currently view the world, portfolio activity since we last wrote to you, and some thoughts on asset-based investing in periods when earnings expectations and intrinsic value diverge.

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

Fund Performance (as of November 30, 2018)*

Fund/Index	6-Months	1-year	Since Inception** Cumulative	Since Inception** Annualized
Moerus Worldwide Value Fund - Class N	-9.31%	-13.79%	11.32%	4.38%
Moerus Worldwide Value Fund - Institutional Class	-9.17%	-13.55%	12.05%	4.66%
MSCI AC World Index Net (USD) ***	-2.66%	-0.98%	27.95%	10.35%

** Performance data quoted is historical, and 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 2,758 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.moerusfunds.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, 2020, 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.

With regard to the table above, as always, please note that 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. The investment objective of the Fund is long-term capital appreciation, and we manage the Fund with the goal of achieving attractive risk-adjusted performance over the long term.

Maintaining a long-term investment approach does not, unfortunately, make periods of poor performance any less painful. Indeed, for long-term, fundamental bottom-up investors like us, 2018[1] proved to be a frustrating year. It was a year in which macroeconomic and geopolitical headlines, in our view, played a much greater role in stock price performance than fundamental

[1] Please note that this letter covers the Fund's 2018 Fiscal Year, or the twelve months ended November 30, 2018.

developments at the level of the underlying businesses. Attractive long-term investment theses seemed to go underappreciated or unnoticed entirely, drowned out by the noise emanating from a wide range of sources, including trade negotiations with China, the Fed increasing interest rates, macroeconomic and political uncertainty across much of Latin America, a most unlikely coalition of populists coming to power in Italy, and intensifying political brinkmanship and threats of a prolonged government shutdown here in the U.S.

Many of the topics above contributed to one of the main themes unfolding in 2018 which negatively impacted the Fund's portfolio: namely, the significant underperformance of markets outside of the U.S., especially emerging markets, in U.S. dollar terms. For a simple illustration of this, the MSCI All-Country World Index (ACWI) Net, in which the U.S. has by far the single largest country weighting (roughly 54%), declined by only 1% over the twelve months ended November 30, 2018. By comparison, The MSCI ACWI Ex-USA Index Net – which as the name suggests, excludes the U.S. – declined over 8%, and the MSCI Emerging Markets Index Net declined over 9% during the same period. In many markets outside the U.S., weak performance in local currency terms was, in most cases, compounded by weakening currencies relative to the U.S. dollar. Notably, the Fund currently has much *less* exposure to the U.S. (14.5% of assets, excluding cash at year-end) and much *more* exposure to emerging markets (over 25% of assets) than many global indices. As such, in 2018 the Fund's performance suffered partly due to the "underperformance" of international markets, which many investors fled (particularly from emerging markets) for the perceived "safety" of the U.S. market and more specifically its high-flying tech sector, which until recently attracted many investors drawn to its real or perceived growth prospects.

It is important to emphasize that wherever the Fund's assets are invested is simply a result of where we believe we are finding the most attractively valued, long-term opportunities at any point in time, period. It is not due to any benchmark considerations or top-down views on asset allocation. It is simply a result of where we believe we are seeing the best risk-adjusted values. Pursuing deeply discounted bargains wherever they may exist requires a contrarian bent, and therefore it is not surprising that we have been finding opportunities in unpopular areas that many others fled in 2018 (Latin America, which we discussed in detail in our Semi-Annual Shareholder Letter, comes to mind). On the other hand, the U.S. – in particular, its technology and other "growth" sectors – seemed to be one of the more "crowded rooms" in 2018, at least judging by the relative paucity of compellingly priced investment opportunities (in our view, anyway). But our longer-term views notwithstanding, the U.S. market held up well on a relative basis in 2018, which weighed on the Fund's performance in a relative sense.

However, the non-U.S. geographic composition of the Fund's investments was not the only factor impacting performance in 2018. Indeed, given what we have said thus far, you might then find it surprising that the U.S. was, in fact, the single largest detractor, by country, from the Fund's performance during 2018. The primary reason for this, in our view, is driven by the types of U.S. investments that the Fund owns. Namely, as we have discussed at length in past letters, we have avoided the broadly loved stocks whose valuations – excessively inflated, in our view – were fueled by growth prospects and momentum in earnings, revenue, subscribers, unique users, eyeballs, or whatever the case may be. Instead, the opportunities found in the Fund are generally more asset-based in nature, trading at what we believe are unusually attractive discounts to intrinsic value, and have been executing concrete actions that we believe are building intrinsic value over the long-term. These opportunities became available at attractive prices because they fell out of favor with most investors, primarily due to clouded immediate-term outlooks and a lack of reported current earnings, revenue or other metrics to please what we believe was a largely momentum-driven market in 2018. Holdings such as Spectrum Brands Holdings Inc., Tidewater Inc. and Jefferies Financial Group Inc. were punished excessively, in our view, due to disappointing short-term earnings and/or near-term outlooks, ironically despite longer-term, fundamental developments which we believe will increase intrinsic value over the long run.

Despite a painful 2018, longer-term we continue to be very encouraged by positive fundamental developments across many of the Fund's holdings, most notably among some of the most significant negative drivers of performance during the year. In many cases, we'd argue that intrinsic values grew even as the stock prices suffered, widening discounts and, in our view, making the long-term investment cases even more attractive. In the short run, stock prices are often driven more by popularity contests and investors' (sometimes irrational) hopes, fears, optimism and anxiety, than by underlying intrinsic value. The Fund seemed to suffer from this phenomenon in 2018.

Asset-based value investing of the type that we do at Moerus often requires enduring periods in which the lack of earnings-related momentum can cause stock prices and intrinsic value to diverge (we will return to this topic in greater detail later). In our view, 2018 was one of those periods. But in our experience, these large gaps between stock price and intrinsic value typically don't persist indefinitely. The discount might eventually narrow in the market as short-term adversity wanes and investor sentiment improves. Or failing recognition in the securities markets, value might ultimately be crystallized in the private markets through a takeover offer, asset sales, or other actions. Either way, provided that the company in question has the wherewithal, financial and otherwise, to weather short-term periods of uncertainty (an important caveat), we believe that more times than not, underlying value is recognized over the long run. In fact, two profitable exits from the Fund in 2018 resulted from value-realizing events (more on that shortly).

Of course, the timing of such value-realizations is highly uncertain, and as we have cautioned in the past, given our contrarian approach the Fund can and will endure unpleasant periods of underperformance. While 2018 was an example of one of these periods and was a painful and frustrating year, we will maintain our long-term focus. We remain confident and encouraged that the Fund is well-positioned to ultimately benefit from sound fundamentals and valuations that we believe have gotten even more attractive from a long-term perspective as a result of stock price declines. In many cases, provided that our investment thesis holds and continues to develop in a sensible way, these declines have enabled us to add to existing positions.

Investment Activity in the Fund

In fact, in Fiscal Year 2018 (twelve months ended November 30, 2018), we added to 28 existing positions, in addition to initiating three new positions in the Fund that we discussed at length in the Fund's Semi-Annual Shareholder Letter: Aspen Insurance Holdings Limited, Shinsei Bank, Ltd., and Tidewater Inc. As of November 30, 2018, the Fund's portfolio included 38 holdings. The Fund also held roughly 11.1% of its assets in cash as of the end of November, which we believe provides us with flexibility and the ability to quickly respond if further market volatility provides us with opportunities to add to new or existing investments.

Portfolio Exits

The Fund's investment in Aspen Insurance, however, proved to be short-lived, as it was one of two notable exits made from the Fund in 2018. As we had noted in our last letter, Aspen Insurance had a sound long-term underwriting track record. However, the company (and its stock) had fallen on hard times in 2017 due to hurricanes Irma, Harvey and Maria, wildfires in California, and growing pains associated with the primary insurance business it had been expanding. We began building the Fund's position in Aspen stock in March 2018, at prices around book value, which represented a significant discount to recent industry transaction multiples.

In our prior Shareholder Letter, we also noted that Aspen management had recently acknowledged that the Board of Directors was considering all options to create shareholder value. On August 28, in what appears to have been the culmination of those efforts, the company announced that it had agreed to be acquired by Apollo Global Management LLC for $42.75 per share in cash. We would have liked to have owned Aspen for a much longer period – our holding period turned out to be only about eight months – but the deal's completion seemed to be a *fait accompli*, albeit at a price representing an over 5% premium to the Fund's cost basis. As Aspen stock began to approach Apollo's proposed purchase price (thereby limiting further upside potential, in our view), in consideration of the fact that the transaction is not expected to close until sometime in the first half of 2019, and until then is subject to break clauses that could potentially be triggered by major natural catastrophes, we decided to sell the Fund's position in order to redeploy the capital into other opportunities.

The other notable exit from the Fund in 2018 was its position in Guoco Group Limited ("Guoco"), a Hong Kong-listed holding company with interests in various areas, including real estate, financial services, gaming, and hospitality. Guoco is a company with which our team is very familiar, as we have followed the company for many years. Back in 2001, Guoco sold its controlling stake in Dao Heng Bank Group Ltd. to DBS Group Holdings Ltd. in 2001 at what we deemed to be a rich price. Over the ensuing years, the company reinvested the proceeds from the sale – shrewdly, in our opinion – in various areas, including property development and investment, banking services, and gaming. Our investment thesis, in a nutshell, was that Guoco boasted an extremely strong, net cash balance sheet, a controlling shareholder (Quek Leng Chan) with a track record of value-accretive purchases and sales of assets, and an attractive valuation at a roughly 40% discount to our estimate of intrinsic value, the majority of which consisted of publicly traded assets.

We began acquiring shares of Guoco at the Fund's inception in June 2016 and continued to build a position throughout 2016 and much of 2017, at an average cost of around HK$91.50. Guoco stock gradually rose until July 2018, when an entity affiliated with the controlling shareholder offered to take Guoco private for HK$135 per share, at a greater than 14% premium to the previous close and a roughly 47% premium to the Fund's cost basis. In the weeks that followed the offer, Guoco stock approached the offer price, thereby limiting further upside potential in the event the transaction were completed. Further, we judged it possible that minority shareholders might reject the going-private plan given the fact that the offer, while at a nice premium, was nonetheless priced at a discount to the company's disclosed intrinsic value (which again was based primarily on ownership stakes in other publicly listed securities). With the controlling shareholder, in our estimation, unlikely to increase the offer price, and in light of the possibility of the offer being rejected, we decided to exit the Fund's position in Guoco at an average price of roughly HK$130, electing to realize a meaningful profit. After the Fund's exit, the controlling shareholder's offer to take Guoco private was indeed subsequently rejected by shareholders, and Guoco's share price has since declined by over 20%. If the share price were to once again decline to levels that offer, in our estimation, attractive risk-adjusted return potential with an adequate margin of safety, it is not inconceivable that we could potentially revisit an investment in Guoco at some point in the future.

As we noted earlier, large discounts to intrinsic value often exist from time to time for various reasons, but in our experience they often do not last indefinitely, instead eventually being recognized by either the public securities markets or failing that, in the private markets. Aspen and Guoco are two examples of the latter scenario playing out. While the positive impacts of these two events on the Fund's performance were overshadowed in 2018 by the mostly market sentiment-driven negative impacts on stock prices that we previously discussed, we believe that these types of value-surfacing events are likely to contribute meaningfully to the Fund's performance over the long run, as they have in our past experience. Despite a disappointing 2018, we believe that the Fund is well-positioned to benefit from these kinds of events going forward.

The Bumpy Road of Asset-Based Investing: When Momentum and Intrinsic Value Diverge

A defining characteristic of most investment approaches, particularly those of value investors, is their approach toward valuation. Namely, what constitutes a valuation attractive enough to result in the inclusion of a security in an investment portfolio? Different approaches employ a variety of data – backward-looking as well as forward – or a combination of past, present and future data to divine what the security in question might be worth. At Moerus, however, our methodology for assessing the valuation of a security tends to draw upon the actual data at that specific point in time, reflecting the past and present, but with very limited conjectures or predictions about the future. For a longer discussion of this approach to investing, please refer to our January 2016 Investor Memo *Asset-Based Investing in an Earnings-Focused World*. Our preference for evaluating an opportunity on an "as is" basis is predicated upon our belief that the future is inherently unknown, and that the likelihood of repeatedly, correctly estimating the future variables that influence an individual company's operating performance (and by implication its valuation) is low.

It's not always easy, but as investors we must accept that regardless of how confident we might be in a potential outcome, we simply do not possess a crystal ball that will tell us the future with an adequate degree of certainty. It is therefore critical, in our view, to acknowledge this and formulate an approach that adequately addresses this inconvenient truth about investing. At Moerus this involves a pursuit of conservatism, in which we undertake an evaluation of each investment with a reduced dependence upon assumptions of unknown future variables. This approach ascribes estimated realizable values for companies based on the here and now. Importantly, these are often periods of adversity for the company, industry, or geographic regions in which it operates, and thus our estimates may well understate the "ultimate" values which might be realized in a more normal (*e.g.,* a more benign) operating environment.

As we have often discussed, bargains in the investment world are not often easy to come by. Like a department store, in which the largest discounts are typically offered on merchandise that has not sold briskly, in the securities markets deeply discounted investment opportunities often are available because for whatever reason, they are not in fashion at that point in time. It may be a poor current or near-term outlook for an industry or country, or perhaps a company-specific event (*e.g.*, a misstep by management). Whatever the reason for it, valuations are often most attractive when the investment in question is out of favor. Following this investment approach therefore requires a long-term investment horizon. And given this longer-term holding period, it is of paramount importance that the investment in question have a strong financial and business position with an ability to survive, or preferably, thrive during the periods of adversity that will almost inevitably occur over the lifecycle of a typical investment.

Circumstances that could close the discount between price paid and intrinsic value could entail a more traditional path, such as the improved operating performance of assets stemming from management initiatives or an improving operating environment for the business, *inter alia*. Alternatively, value could also be surfaced by sales of assets, or the entire business, at attractive prices, as in the Aspen Insurance and Guoco Group cases highlighted earlier. In each case, to implement this approach successfully, the investor's focus needs to be less on near-term earnings expectations, and more on the nature of the measures that could potentially be taken to create and realize value – which are necessarily longer-term in nature. Accordingly, this requires one to largely ignore earnings-related movements of securities prices, and focus instead on the evolution of the intrinsic value underlying the company in question. The overwhelming importance most investors attach to earnings (and to changes in earnings expectations), coupled with the ever-shortening investment horizons of most market participants, makes such patient investing, where most (non-fundamental) near-term stock price movements are treated as noise, a challenging endeavor for most investors. This is especially true in the current era of 24-hour news cycles and market-moving presidential tweets.

What Implications Does the Asset-Based Approach Have for the Fund's Portfolio?

This asset-based approach functions well, we believe, as a means of assessing a conservative value of a business to a potential purchaser of the company – such as Apollo Global Management in its pending acquisition of Aspen Insurance, or Guoco's controlling shareholder in its proposal to take the company private. It is also, in our opinion, of considerable importance in mitigating price risk (as a result of buying cheaply) in a longer-term context. However, we must emphasize that this approach is of limited utility as a timing tool for buying "at the bottom." Looking back through our years of investing, we believe that buying securities based on this valuation methodology has historically tended to diminish price risk in a longer-term context, but it has generally proven unhelpful as a guide to side-stepping transitory price declines in the short-term. To wit, buying cheaply mitigates, but certainly does not eliminate, the likelihood of experiencing price declines and significant stock price volatility along the way.

Another implication is that, again, investment time horizons matter. An asset-based investor such as Moerus would typically view any operating development through a long-term investor's lens, assessing any earnings-impacting operating development quite differently than a typical earnings-focused investor might. A long-term investor would typically assess the impact, if any, that the development had on the long-term intrinsic asset value of the underlying business. On the other hand, for the shorter-term, earnings-focused investor, the primacy of earnings and the information contained in the income statement or earnings release would dominate, prompting hair-trigger trading responses, which even small earnings changes (which may be immaterial in the long-term) can cause.

Example: Tidewater Inc.

An example of the potentially divergent interpretations of reported operating results is offered by the reaction to the most recent reported results of Tidewater Inc., a company we wrote about in our last Shareholder Letter. The company provides offshore service vessels and associated services to offshore oil exploration and production installations, which are currently experiencing significantly depressed levels of business activity. The weakness of the current level of business activity was evident in the company's recently reported results (released in November), which nonetheless showed positive cash earnings, no small achievement in a fragmented industry in which many of its peers are at death's door. Meanwhile, also in November, Tidewater merged with a peer (Gulfmark Offshore) that had complementary operations, continuing to broaden the geographic scope of its operations while acquiring Gulfmark's fleet at what seems likely to be a significant discount to replacement cost. Our take on the merger and earnings results was generally positive in the context of the long-term building of the business value. But the majority of other investors, who are earnings-focused and probably shorter-term in nature, seemed to view these events far more negatively, with an ensuing impact on the company's stock price. In our opinion, the currently depressed levels of offshore activity that drove Tidewater's results are long-known, and the company's results for the past quarter were therefore not surprising. Yes, the past quarter's reported earnings were weak, but from our perspective as a long-term investor in a business that we believe is building intrinsic value and strengthening its position for an eventual normalization in business conditions, it merely reflects noise that is irrelevant to the long-term operation of the business.

Emerging Markets

Nowhere is this dichotomy more visible, in our opinion, than in emerging markets. Normally the domain of growth investors, emerging market stocks accordingly seem to be subject to heightened sensitivity to changes in earnings estimates in both directions. Additionally, the reaction in emerging markets' securities prices to changes in earnings estimates/expectations is usually amplified by the relative illiquidity of the securities in such markets. The volatility resulting from a downward revision in earnings estimates, which in turn has often been amplified as a result of relative illiquidity, has historically proven to be a quite good source of attractively valued investment opportunities for us in developing markets, despite their reputation as a home primarily of growth investors. We have found this to be especially true in the area of asset-rich companies, where current earnings provide a poor yardstick for assessing value.

Example: BR Properties S.A.

An example of this would be the Fund's investment in BR Properties S.A., a Brazilian company whose *modus operandi* has been to acquire a portfolio of very high-quality office properties, primarily in São Paulo and Rio de Janeiro, at unusually attractive prices from stressed or motivated sellers. The acquisitions of properties at uniquely attractive prices have been made possible by a severe economic downturn that resulted in a sharp rise in vacancy rates and a plunge in office rental rates in Brazil. Buying high-quality buildings cheaply in such an environment with low occupancy rates and depressed rents is unlikely to result in meaningful earnings contribution to the reported results or demonstrate earnings momentum in the short run. The earnings momentum will only get going when occupancy and rental rates stabilize at higher, more normalized levels (at which point in time a presumably ample or less-discounted valuation, mirroring a less depressed outlook, would make it a far less attractive investment opportunity in our view). In fact, acquiring high vacancy buildings in the midst of weak rental rates is likely to do just the opposite, making the company's income statement look worse as costs pile up while revenues remain elusive and depressed. Accordingly, earnings-focused investors have steered clear of BR Properties, as its earnings were deemed to be low and disappointing (perversely endowing it with a stratospheric Price/Earnings multiple). From our perspective, however, the company's management has done a credible job building a formidable portfolio of prime office properties in a cyclically depressed market, which we believe would, in more normal times, command far higher prices than those at which they are currently valued on the balance sheet. This, in our view, presents an opportunity which lay in plain sight for a long-term investor.

Example: Spectrum Brands Holdings, Inc.

Another area of divergence between the asset-based approach and the traditional earnings-based approach relates to corporate events that crystallize value (*e.g.,* by asset sales), but which might have an adverse (or ambiguous) earnings impact over the shorter-term. These are often viewed by the traditional earnings-centric investor as a loss in earnings power for the business and therefore usually are viewed negatively. In contrast, we would view such an event positively if it were to realize value at an attractive price. An example of this is our investment in Spectrum Brands Holdings Inc., which sold two of its (previously six) businesses for what we'd argue were very attractive prices. The sale proceeds, which are significant in the context of a company of this size, will now afford it the opportunity to significantly strengthen its balance sheet, reinvest in its remaining business, and potentially return excess capital to shareholders. These are significant positives in our interpretation of these asset sales, but the benign neglect (disdain?) with which the consummation of the sales was greeted by the market has left the shares at multi-year lows, which seems to us to be a reaction (overreaction?) to the market's resulting forecast of diminished earnings.

Not for Everybody

Of course, the long-term, asset-based investment approach that we implement at Moerus is not for everybody, or even for most. Quarterly earnings reports, momentum, and near-term outlooks are much more important for those who practice different approaches to investing/trading. For example, for very short-term oriented investors with very high turnover, who actively churn their portfolios, a quarterly earnings report, or management's guidance for the next six months might indeed be very important. At Moerus, however, this is much less relevant to us other than as a frequent source of opportunity to find longer-term bargains that have found themselves in temporary disfavor.

Short-term outlooks, reported earnings and momentum take on much greater importance for another subset of investors: those who employ margin debt (financial leverage) in their portfolios. While margin debt can enhance returns when things work out, it also makes getting short-term variables "right" much more critical, because even temporary price declines, if sharp enough, could trigger margin calls and forced selling (often at the worst of times, when a security is depressed). The Fund, however, does not invest on margin. Not doing so suits the Moerus investment approach quite well; when businesses become available at depressed prices due to temporary adversity, we'd much rather be the opportunistic buyer than the forced seller.

These are just two examples of the many market participants who focus mainly on the short run and particularly on earnings-related momentum. Because this perspective tends to predominate across much of the securities markets, our asset-based approach to valuation and our long-term investment horizon often cause us to view corporate and market events quite differently than much of, if not most of the market. The upshot: as in the Tidewater, BR Properties and Spectrum Brands examples above, our approach to valuation and our long-term investment horizon might, and often does, lead to selection of securities that, while potentially rewarding over the long term, might experience considerable bumps in the road along the way, in the form of price volatility over the holding period. This volatility will often mirror what is, in our opinion, shorter-term earnings-related noise that, in the longer-term, might well amount to little true impact in economic terms, given the financial strength of the underlying businesses in which we strive to invest. Volatility can certainly be unsettling at times. But as we have often said, at Moerus we view volatility as “friend” rather than “foe,” as in our experience it has provided us with very attractive opportunities from a long-term perspective.

As always, many thanks for your continued support, interest, and curiosity. We look forward to writing you again later in the year. Best wishes for a happy, healthy, safe, and prosperous 2019!

Sincerely,

Amit Wadhwaney

Portfolio Manager