

Moerus Worldwide Value Fund

MOWIX - MOWNX



Q3 2021 Quarterly Review & Outlook

Market Review – 3Q 2021

The Third Quarter was a mixed period for markets. U.S. market indices tended to hold up relatively better (S&P 500 Index: +0.6%) but concerns about the spread of the Delta variant weighed on global markets, particularly those outside the U.S. (MSCI ACWI ex-USA: -3.0%) and especially in many Emerging Markets (MSCI Emerging Markets Index: -8.1%).

Growth stocks – which may generally be viewed as better-suited for pandemic-era policies (activity restrictions, social distancing, working from home, etc.) – outperformed Value stocks in July and August, amid heightened fears related to the Delta variant. Value then outperformed Growth on a relative basis in September, as markets were roiled by increasing energy prices and renewed inflation fears that seemed to weigh more on Growth stocks. Overall, for the quarter, the MSCI ACWI *Growth* Index Net (-0.7%) modestly outperformed the MSCI ACWI *Value* Index Net (-1.4%).

Fund Performance & Attribution – 3Q 2021

The Moerus Worldwide Value Fund (Institutional Class; “the Fund”) returned -0.1% during the during the Third Quarter 2021 and 14.4% for the year-to-date period (through September). By comparison, the MSCI All Country World Index Net (MSCI ACWI) returned -1.1% during the Third Quarter and 11.1% year-to-date. Increasing Delta variant-related fears during the quarter weighed on some of the same Fund holdings that had been hit hardest back during the early stages of the pandemic, in areas such as Real Estate, Restaurants, and in Latin America, among others. Yet, despite the challenging general backdrop in which Growth stocks outperformed Value and U.S. stocks generally held up better than international stocks, the Fund was virtually flat for the Third Quarter and outperformed the MSCI ACWI. The Fund has also outperformed the MSCI ACWI year-to-date through September.

By sector, Financials and Energy were the two largest positive contributors, while Real Estate and Consumer Discretionary were the two largest detractors in Q3. The largest positive contributors were Bajaj Holdings and Investment, Shinsei Bank, Spectrum Brands, Cameco and UniCredit. The largest detractors from performance were BR Properties, IDFC First Bank, Hammerson, Arcos Dorados and Sino Land. The Fund’s relative outperformance in Q3 was notably driven, in part, by stock-specific, M&A-related news flow that unlocked latent value in a few different Fund holdings: a tender offer for Shinsei Bank; Spectrum Brands selling its Hardware & Home Improvement business; and NN Group selling its asset management arm.

As long-term investors, we remain much more focused on fundamental developments affecting the businesses that the Fund owns, rather than on market sentiment or stock price fluctuations from one quarter to the next. On that note, the Third Quarter saw business-level developments, in our view, continuing to be encouraging across many Fund holdings, though we believe share prices still seem to be far from fully reflecting the progress that had been made at many underlying businesses. We believe that the attractive valuations across the Fund are more likely than not to be recognized over the long run, either by the market or failing that, through corporate activity such as M&A or asset sales that recognize value that the stock market would not (as in the cases noted above).

Fund Outlook – 3Q 2021

As we noted in past updates, the onset of COVID-19 in early-2020 interrupted what we had viewed as encouraging business-level developments that had been occurring across many Fund holdings in late-2019 and into 2020. Thereafter, with the initial market shock of COVID-19 behind us, many of the Fund's businesses resumed taking meaningful steps forward since mid-2020. Yet, for appropriate context, it remains important to point out that the strong recent performance of many Fund holdings was off of extremely depressed levels. The Fund, which consists of what we believe to be deeply discounted investments in some of the most disliked corners of the market over the past several years (e.g., Value in general, Latin America, Natural Resources, Financials) remains, in our view, unusually undervalued relative to its longer-term fundamentals, with *stock price* performance still lagging far behind underlying *business* performance and prospects. For one statistical indicator of the extent of the disparity in valuations between the Fund and the broader market, as of September 30, 2021, the Price-to-Book Value ratio (P/B) of the Fund was 0.75x, as compared to 2.96x for the MSCI ACWI.

We believe the broader market landscape continues to be bifurcated, with the U.S. equity market and Growth stocks near all-time highs (and appearing historically expensive by many metrics), while many of the areas in which the Fund is invested remain depressed. As such, despite strong performance since the March 2020 lows, in many cases the Fund's holdings remain significantly undervalued from a longer-term perspective, in our view, despite generally positive recent company-specific developments and attractive longer-term business prospects. Furthermore, as detailed in our May 2021 Semi-Annual Shareholder Letter, we believe that many of the more expensive corners of the market (and by extension, benchmark indices) are particularly vulnerable to higher inflation rates (should they persist). On the other hand, we believe the Fund is relatively better-positioned, given many Fund holdings own tangible, in-place assets, often marked at heavily discounted valuations *today*, which we believe are well-positioned to maintain or even increase in value under inflationary scenarios.

Notwithstanding our views on the vulnerability of many Growth stocks, in the early part of the Third Quarter we saw increasing concerns about the spread of the COVID-19 Delta variant once again briefly result in a flight to highly-priced stocks that are seen as relative beneficiaries of lockdowns and a work-from-home environment – despite valuations that we believe are risky longer-term. A similar situation could potentially develop if there are subsequent waves of infections and/or new, difficult-to-manage variants. However, back in early-2020, the holdings across the Fund survived what, in our view, was a real-world, real-time, stress test that was arguably unprecedented – one in which, in the case of some businesses, a large majority of revenue evaporated virtually overnight. If there are additional waves of new COVID-19 cases to come in the future, it is important to note that, in our view, there are significant mitigating factors that were not in play back in early-2020—namely, a much improved level of preparedness, especially in terms of increasing numbers of people who are vaccinated, healthcare infrastructure, established protocols for reducing the spread of the virus, new procedures that may allow businesses to operate more fully during shutdowns, etc.

Thus, we remain ready to take advantage of any compelling long-term opportunities (both new and existing) made available by any future bouts of short-term, pandemic-related volatility. In the long run, we continue to believe that the unusually attractive valuations, sound long-term fundamentals, and staying power of many Fund holdings offer attractive margins of safety and bode well for the portfolio's prospective risk-adjusted returns – particularly in a world where broader benchmark indices trade at historically rich valuations and are increasingly concentrated in a relatively small number of popular mega-cap companies. In our view, this extremely bifurcated market continues to provide us with some very attractive investment opportunities, sowing the seeds for potentially attractive longer-term returns.

FUND PERFORMANCE

Trailing Returns (as of September 30, 2021):	One Month	Three Months	Year-to-Date	One Year	Annualized							
					Three Years	Five Years	Since Inception ¹					
Moerus Worldwide Value Fund (Class Inst.)	2.23%	-0.08%	14.38%	45.65%	1.49%	3.54%	4.39%					
Moerus Worldwide Value Fund (Class N)	2.15%	-0.17%	14.11%	45.21%	1.23%	3.28%	4.13%					
MSCI All-Country World Index (Net) ²	-4.13%	-1.05%	11.12%	27.44%	12.58%	13.20%	13.28%					
Monthly Returns:	Oct 2020	Nov 2020	Dec 2020	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021	Aug 2021	Sep 2021
Moerus Worldwide Value Fund (Inst.)	-1.58%	21.43%	6.54%	-1.25%	10.97%	0.61%	2.00%	7.93%	-5.69%	-1.26%	-1.02%	2.23%
Moerus Worldwide Value Fund (N)	-1.70%	21.51%	6.54%	-1.25%	10.88%	0.61%	2.00%	7.86%	-5.70%	-1.26%	-1.02%	2.15%
MSCI All-Country World Index ²	-2.43%	12.33%	4.64%	-0.45%	2.32%	2.67%	4.37%	1.56%	1.32%	0.69%	2.50%	-4.13%

Gross Expense Ratios: Class Inst.: 1.42%; Class N: 1.67%.

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. Investment performance reflects expense limitations in effect. In the absence of such expense limitations, total return would be reduced.

The funds advisor has contractually agreed to reduce its fees and/or absorb expenses of the fund, until at least March 31, 2022, to ensure that total annual fund operating expenses after fee waiver and/or reimbursement (exclusive of any taxes, brokerage fees, commission fees, 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 litigation) will not exceed 1.65% and 1.40% for Class N and Institutional Class Shares respectively.

1. Inception date of the Moerus Worldwide Value Fund is June 1, 2016.
2. The MSCI All-Country World Index (Net) is an unmanaged index consisting of 50 country indices comprised of 23 developed and 27 emerging market country indices and is calculated with dividends reinvested after deduction of withholding tax. The Index is shown solely for comparison purposes and the underlying holdings of the Index may differ significantly from the portfolio. The Index is a trademark of MSCI Inc. and is not available for direct investment.

Investing involves risk, including possible loss of principal. Equity securities are subject to market, economic and business risks that may cause their prices to fluctuate. Investments made in small and mid-capitalization companies may be more volatile and less liquid due to limited resources or product lines and more sensitive to economic factors. Fund investments may be concentrated in a particular country geographic region, sector, industry, or group of

industries, and the value of Fund shares may rise and fall more than more diversified funds. Foreign investing involves social and political instability, market illiquidity, exchange-rate fluctuation, high volatility, and limited regulation risks. Emerging markets involve different and greater risks, as they are smaller, less liquid, and more volatile than more developed countries. Frontier market countries generally have smaller economies and less developed capital markets than even traditional emerging markets, and, as a result, the risks of investing in emerging market countries are magnified in frontier market countries. Currency risk is the risk that the values of foreign investments may be affected by changes in the currency rates or exchange control regulations. Significant investments in cash or cash equivalents may run the risk that the value of the cash account, including interest, will not keep pace with inflation. Please see the prospectus for details of these and other risks.

Top ten holdings as of 9/30/21 as a % of the Fund's net assets: Tidewater Inc. (4.30%), Exor NV (4.29%), Straits Trading Co Ltd (4.18%), Aker ASA (4.14%), Despegar.com Corp (3.43%), Emaar Properties PJSC (3.41%), Not yet publicly disclosed (3.36%), Enerflex LTD (3.26%), Arcos Dorados Holdings Inc. (3.25%) and Westaim Corp (3.21%).

Investors should carefully consider the Moerus Worldwide Value Fund's (Fund) investment objectives, risks, charges, and expenses before investing. This and other important information about the Fund are contained within the prospectus, which can be obtained by calling 1-844-MOERUS1, or visiting www.moerusfunds.com. The prospectus should be read carefully before investing.

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