Moerus Worldwide Value Fund

Institutional: MOWIX | Investor: MOWNX

Semi-Annual Shareholder Letter: Six Months Ended May 31, 2023

Dear Fellow Investors:

We hope this Semi-Annual Shareholder Letter finds you and your families well. We are writing to update you on recent developments regarding the Moerus Worldwide Value Fund (the "Fund") over the six months ended May 31, 2023 (as referenced herein, "First Half" or "H1"). In this Letter, we will discuss the Fund's performance in what was an interesting market environment, notable investment activity thus far in 2023, our thoughts on corporate activity and its role in the Fund portfolio, and our outlook looking forward.

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, 2023)*

Fund/Index	6-Months	1-year	Average Annual Returns 3-year	5-year	Since Inception**
Moerus Worldwide Value Fund - Class N	2.66%	0.16%	21.42%	2.66%	4.92%
Moerus Worldwide Value Fund - Institutional Class	2.81%	0.47%	21.71%	2.92%	5.19%
MSCI AC World Index Net (USD)***	3.45%	0.85%	10.07%	6.77%	8.97%

** 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 2,883 constituents, the index covers approximately 85% of the global investable equity opportunity set. You cannot invest directly in an index.*

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 for the 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, 2024, 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 1.50% and 1.25% for Class N and Institutional Class Shares, respectively.

With regard to the table above, as always, please note that the short-term and Index performance data are 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. Our investment approach is predicated upon taking a long-term view and striving to take advantage of near-term uncertainty by investing in depressed and/or unpopular businesses and assets at attractive prices. Short-term market or index performance, therefore, is never a primary focus for us, except insofar as it may offer us longer-term investment opportunities.

With that said, we will briefly highlight the noteworthy factors driving short-term performance during the period under review. The Fund's Institutional Class returned +2.81% during the First Half of its 2023 *Fiscal Year* – the six months ended May 31, 2023. By comparison, the Fund's benchmark, the MSCI All-Country World Index Net ("MSCI ACWI (Net)") returned +3.45% during the same period[1]. In short, during the six months ended May 31, 2023 – a period in which the general market environment was arguably hostile to Value stocks relative to mega-cap Growth stocks (more on that shortly) – the Fund nonetheless generated positive performance on an *absolute* basis, albeit while modestly lagging the MSCI ACWI on a *relative* basis. We will first briefly discuss the market environment, before discussing the significant drivers of Fund performance during the First Half.

Market Review – First Half 2023

The First Half of 2023 was a remarkable period – ultimately a positive one for most equity markets (in terms of index returns, at least), though not without quite a bit of volatility and wild swings in market sentiment along the way. First, optimism prevailed in the markets at the start of 2023, with renewed hopes of a deceleration in inflation and an eventual Federal Reserve pause, if not pivot (driving a strong January for markets). Then, markets took a turn for the worse in the latter half of February, as headline January 2023 Consumer Price Index (CPI) statistics in the U.S. came in higher than consensus estimates, which dampened the market's hopes of an imminent peaking of inflation and a Federal Reserve pause (leading to a negative February across most markets). But the biggest story of the First Half came in March, as fears of banking contagion swept across global markets amid the announced winddown and liquidation of California-based, crypto-focused bank Silvergate Capital, followed shortly thereafter by the failures of Silicon Valley Bank and Signature Bank, as well as the arranged marriage of UBS to a teetering Credit Suisse. Recurring jitters regarding continued problems in the U.S regional banking space continued for sometime thereafter, highlighted by the seizure of First Republic and its sale to JPMorgan Chase.

Yet interestingly, despite heightened fears of a potentially broader-based banking crisis spreading, most benchmark indices finished a tumultuous March higher – driven primarily by Growth and Technology stocks – amid renewed hopes in the market that this latest bout of adversity might bring a halt to the Federal Reserve's monetary tightening campaign that had disproportionately weighed on high-priced stocks in those areas in 2022. On the other hand, Value stocks suffered by comparison, as heightened recession fears (exacerbated by the trouble among U.S. regional banks) weighed on areas such as Financial Services and Natural Resources (given lower commodity prices). This generally continued for much of the remainder of the First Half.

[1] Source for Index returns: Bloomberg.

As a result, Growth stocks dramatically outperformed Value stocks in the First Half overall, with the MSCI ACWI *Growth* Index (+10.84%) beating the MSCI ACWI *Value* Index (-3.74%) by over 14.5 percentage points in H1. The extent of such a bifurcation in performance is somewhat curious (ironic?) to us, considering the epicenter of said banking turmoil was in Silicon Valley, one of the global centers for the Technology sector. We believe this turmoil could potentially result in tightening bank lending standards and a reduced availability of capital (both equity and debt) on attractive terms for Venture Capital investee companies and the Technology sector in general. Longer-term, this, in our opinion, could potentially prove problematic for longer-duration Growth stocks that burn cash in the near term in the pursuit of potential profitability at some point in the future – and therefore need access to external financing to bridge that gap. But notwithstanding that *longer-term* fundamental issue, thus far in 2023, the market's "reflex reaction" to recent events in the banking sector seems to have included meaningfully reduced interest rate expectations and hopes that the turmoil affecting some regional banks moves up the timeline of an eventual Federal Reserve pause and pivot. Implicit in this reaction is the assumption among some investors/speculators that lower interest rates and/or loosening monetary conditions will favor Growth stocks over Value *going forward*, as they have in the *recent* past throughout much of the post-Global Financial Crisis (GFC) era. On that point, we remain unconvinced; this is a topic we will return to later in our Outlook section.

Also noteworthy was the remarkably concentrated, top-heavy nature of the benchmark index performance seen thus far in 2023 as compared to the performance of the average stock. For an illustration of the magnitude of this, a few data points tell the story. First, in April, the *Financial Times* reported that just 20 stocks accounted for almost 90% of the S&P 500 Index's total gains (+7.48%) over the first three months of calendar 2023; ignoring gains for mega-capitalization Growth stocks, the rest of the S&P 500 rose just 1.4% during the First Quarter[2]. Looking at the full period that comprises the Fund's First Half (the six months ended May 31, 2023), this dichotomy between the market's "chosen few" stocks and the average stock was even more stark; the S&P 500 Index was *up* 3.31% during that period, whereas the S&P 500 Equal Weight Index was *down* 5.34%. The Fund's benchmark, the MSCI ACWI, was also top-heavy, with its First Half performance (*up* 3.45%) meaningfully outpacing an equal-weighted version of the MSCI ACWI, which was *down* over the period (-0.30%).

This characteristic of the market thus far in 2023 is related to Growth stocks' substantial outperformance in the First Half, as mega-cap Growth stocks – which have become increasingly significant components of benchmark indices in recent years – performed exceptionally well in H1. For example, consider the H1 performance of the seven largest constituents of the MSCI ACWI: Apple (+20%), Microsoft (+29%), Amazon (+25%), Nvidia (+124%), Alphabet (+22%), Meta (+124%) and Tesla (+5%)[3]. In the First Half, these stocks seemed to benefit disproportionately from not just the reduced interest rate expectations resulting from the recent tumult in the banking industry, but also from investor flight to (perceived) safe havens. That these stocks are perceived as such is somewhat understandable, as the group is (generally speaking) comprised of great businesses that generate a lot of cash and have performed very well in recent years. Still, with valuations not far from historically high levels (again, in general), we have avoided popular mega-cap Growth stocks due to what we believe are excessive levels of what we call "price risk" given the optimistic expectations that we think are currently being priced in (we have often written about this topic in recent years). As you know, our Fund is populated with what we believe to be our most compelling long-term investment opportunities at the moment, regardless of index considerations or any need to own what is in the benchmark; as such, we have eschewed such stocks on valuation grounds. Nonetheless, that group of stocks soared in the First Half. This rally was fueled further by the ongoing euphoria in the market

[2] https://www.ft.com/content/b01c0a46-1162-4893-8b92-d42fbf4424a0

[3] Source: Bloomberg Total Return Analysis (rounded to nearest percentage point).

surrounding Artificial Intelligence (AI), which seemingly lifted the share prices of any company perceived to have exposure to the rapidly evolving technology – a development that was somewhat reminiscent of the Technology bubble of the late-1990s during the early days of rapidly growing internet usage.

In summary, the First Half was a positive one for most benchmark indices, both in the U.S. (S&P 500 Index: +3.31%; NASDAQ Composite: +13.33%) and International markets (MSCI ACWI ex-USA: +3.99%), although the MSCI Emerging Markets Index was *down* 0.37% during the period. However, the headline benchmark performance numbers do not tell the whole story, as they were driven by the significant outperformance of a small subset of the market (mega-cap Growth and Technology), whereas the performance of the "average stock" was much more muted and, in many cases, negative (particularly among Value stocks).

First Half 2023 Performance

Against this backdrop, the Moerus Worldwide Value Fund (Institutional Class; "the Fund") returned +2.81%[4] in the First Half. By comparison, the benchmark MSCI ACWI returned +3.45%. Considering the context described above, in a period in which (in general terms) Growth stocks soared while the average stock treaded water and Value stocks declined, the Fund performed reasonably well, producing positive *absolute* performance, albeit while lagging the MSCI ACWI – with the latter being driven primarily by what the Fund *does not* own (e.g., mega-cap Tech stocks) rather than what it *does* own. We continue to believe that the stock prices of many of the most popular names in the market have run well ahead of underlying fundamentals and even optimistic expectations for the future, pricing in a degree of complacency that we think incorporates excessive levels of long-term "price risk" (due to overextended valuations). As such, we have avoided these popular areas of the market, which saw a resurgence in the First Half (driving benchmark outperformance). As you know, we will not invest in names we view as risky merely due to benchmark considerations or simply because they are "what's working" at the moment. We continue to believe valuation and underlying fundamentals will ultimately matter again in driving risk-adjusted returns going forward over the long run (a topic we will return to later).

As for what the Fund *does* own, the five most significant positive contributors to performance in the First Half (in order of magnitude) were **Tidewater**, **Conduit Holdings**, **Spectrum Brands Holdings**, **UniCredit**, and **Despegar.com**. The five most significant detractors in H1 were **Canfor Pulp Products**, **Aker ASA**, **Cromwell Property Group**, **International Petroleum Corp.**, and **Nutrien**. Our preceding discussion of the general market environment during the First Half notwithstanding, as we look at the list of contributors and detractors, it is somewhat challenging to describe the period's performance in general terms. As one example of this, the Fund's Energy-related holdings include both the single largest positive contributor to performance during the period (Tidewater) as well as two of the more significant detractors from performance (Aker ASA and International Petroleum). Nonetheless, below, we will highlight what we thought were some of the more notable factors behind the Fund's performance in the First Half.

[4] **Past performance does not guarantee future results. The performance data quoted represents past performance and current returns may be lower or higher. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. 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.moeruscap.com.**

Financial Services

Perhaps most notably and counterintuitively, given the overarching market environment, by *sector*, the largest *positive* contribution to Fund performance in the First Half came from its Financial Services holdings, despite a difficult March that saw most bank stocks sell off in sympathy with the turmoil affecting some of the more vulnerable industry players. The Fund's Financials holdings are a heterogeneous group of investments operating across different geographies (North America, Europe, India, and Latin America) and types of business (including Banks, Holding Companies, and Insurance Companies) that collectively offer, in our opinion, opportunities to invest in well-capitalized businesses with attractive long-term prospects at meaningfully discounted valuations. While a minority of the Fund's Financials holdings saw some declines during the First Half (e.g., Bancolombia), these declines were more than amply offset by meaningful gains in select holdings in areas such as Insurance (e.g., Conduit Holdings), Banking (e.g., UniCredit, IDFC First Bank, Banco Itaú Chile), and Holding Companies (e.g., Westaim Corp., Bajaj Holdings, and Investment Ltd.).

Interestingly, the Fund's investments in *banks alone* – after separating them from the non-banks in the Fund's Financial Services portfolio – collectively made up a meaningful positive contribution to the Fund's performance in the First Half. Indeed, this group's leading positive contribution might seem unusual in light of the banking industry difficulties, which have primarily afflicted the U.S. regional banking space to date. However, the banking business is, in large part, a local business – one which is typically subject to local regulatory requirements, the banking industry structure in the country where the bank operates, that country's business cycles, and the mix of industries that the bank serves. Further, the products any bank offers are usually determined by the needs of its local consumer base and the regulatory backdrop.

Additionally, different countries have adopted different interest rate regimes in the last three-plus pandemic-era years, which we believe may have played a role in how aggressively or conservatively their banks were managed. For example, to our eyes, some of the more vulnerable banks in the U.S. seem to have believed interest rates would stay low for a long time, and they configured their portfolios accordingly – with assets (loans) on their balance sheets that were either of dubious credit quality, subject to meaningful interest rate-related mark-to-market risks, and/or were made against collateral values that were themselves elevated due to the very low interest rates that had persisted for most of the post-GFC era. On the liability side, some of these banks had large amounts of uninsured deposits that could be quickly withdrawn as the indications of possible trouble ahead accumulated. In our view, the U.S. banks in question that ran into trouble were, in one way or another, beneficiaries of the large surge in wealth that accompanied the pandemic-related lowering of interest rates. We believe this led to said banks engaging in what we would argue was imprudent decision-making that was then laid bare by the sharp succession of interest rate hikes in 2022-23 – a scenario for which some banks proved to be unprepared. On the other hand, in Latin American countries such as Brazil, Chile, and Colombia, policymakers were more proactive in aggressively increasing interest rates (to much higher levels) in their efforts to rein in inflation – perhaps better "conditioning" their banking industries for a higher rate environment. We believe these local factors affect both the liability and the asset side of the banking business very differently in different jurisdictions.

The Fund does not own any U.S. commercial banks; during this period, the Fund owned bank stocks based in Chile, Colombia, India, Italy, and the United Kingdom, though the principal investment in the U.K. (Standard Chartered) operates primarily across a variety of emerging markets in Asia, the Middle East, and sub-Saharan Africa. In our view, none of the markets where the Fund's banks operate experienced the degree of financial exuberance that we experienced here in the U.S., nor did they experience the specific circumstances that led

to problems in the U.S. regional banking space. In addition, we believe the banks owned in the Fund tend to be quite well-capitalized; in some cases, these holdings emerged from some form of distress that required a recapitalization, in what might be described as somewhat of a cathartic process that helped to clean up excesses from a prior era and prior management teams (e.g., Standard Chartered, UniCredit, Banco Itaú Chile). In addition to strengthening their respective balance sheets, we suspect this process might have also chastened their current management teams and resulted in a more conservative approach under the current regimes, which could potentially serve these holdings well amid the broader industry turmoil. Indeed, in May 2023, at the Dubai Fintech Summit, Standard Chartered CEO Bill Winters noted that the bank had recently become a net *receiver* of global deposits amid a period of industry angst that saw many of the vulnerable banks suffering deposit flight[5].

Among the Fund's bank holdings, the largest positive contributor to performance during the First Half was **UniCredit SpA**, an Italian bank whose strong performance during H1 was driven by solid recent business performance that has included a series of quarterly earnings results that meaningfully exceeded consensus estimates in terms of revenue, operating expenses, and profitability. Perhaps most notable of all was management's plans (subject to regulatory and shareholder approvals) of a total capital return to shareholders (via dividends and buybacks) of EUR 5.25 billion in 2023 – or roughly 13% of UniCredit's current market capitalization. Moving on from banks but staying within the Fund's Financial Services holdings, **Conduit Holdings Ltd.** was the second-largest overall positive contributor to performance in the First Half. Based in Bermuda, Conduit is a reinsurer that began its life in late 2020 without any legacy liabilities. We believe that a number of years of poor underwriting results across the industry has constrained the underwriting capacity of a number of its peers, leading to rising reinsurance rates. Without legacy liabilities but able to benefit from improving pricing, we believe Conduit has been well positioned to take advantage of this environment, and indeed the recent reported results of the company seem to have driven share price gains in H1.

A Mixed Bag by Sector

Elsewhere in the portfolio, results by sector were somewhat mixed. Within the Fund's Energy-related holdings, Offshore Energy Services provider **Tidewater** continued its strong recent performance and was the single largest positive contributor to performance, driven by continued improvement in business activity levels. We have written about Tidewater at length in a number of recent Shareholder Letters, so we won't delve too deeply into the investment thesis again here. In short, the offshore supply vessel (OSV) industry, of which Tidewater is the largest and (in our view) the financially strongest player, continues to approach an inflection point after coming out of an over seven-year industry-wide depression, as the vessel supply/demand balance in most of the company's markets continues to tighten considerably. Tidewater has also used its strong balance sheet to announce two acquisitions since 2022 (one completed and one pending) of vessels from financially distressed and/or otherwise motivated sellers, at what we believe are attractive prices that seem likely to serve the company well as industry conditions continue to recover. On the other hand, staying within Energy, the Fund's investments in Oil & Gas producers (indirectly via **Aker ASA** and directly via **International Petroleum Corp.**) saw their share prices decline in H1 as concerns of fallout from a banking crisis (and potentially a recession) have weighed on oil prices in recent months. Sentiment and short-term fluctuations notwithstanding, each producer, in our view, boasts strong financial positions and low-cost operations that, even at below current commodity prices, produce healthy cash flows. They have also, in our opinion, done well in recent years to acquire assets at cheap prices during periods of lower commodity prices, which we believe is likely to contribute to long-term value creation. Despite share price

[5] https://news.bloomberglaw.com/mergers-and-acquisitions/winters-says-too-big-to-fail-must-be-reviewed-after-us-crisis

declines from the Fund's investments in Oil & Gas producers, the Fund's Energy-related holdings, in total, contributed positively to performance, though this was largely attributable to Tidewater.

Like our investments in Oil & Gas producers, the Fund's other Natural Resource-related holdings as a group was the main detractor from Fund performance on a net basis, with gains in select precious metals related holdings (e.g., **Wheaton Precious Metals** and **Yamana Gold**) more than offset by declines in other Materials-related areas such as Forest Products (**Canfor Pulp Products**), Agriculture (**Nutrien**), Metals, and other resource-related areas of the Fund, many of which declined amid generally weaker commodity prices given recession concerns that were exacerbated by the banking turmoil. Although these holdings experienced some declines during the First Half, a somewhat challenging period for many Natural Resource-related equities, we continue to believe the Fund's portfolio of holdings in these areas, in general and as a group, represent some of the most attractively valued opportunities that we have found in recent years. In our view, for the better part of the past decade-plus, these real, tangible asset-centric areas have been devoid of investor attention, and perhaps more importantly, starved of investor capital – which has resulted in what we believe to be discounted valuations that bode well for potential risk-adjusted returns over the long run.

Briefly looking at the Fund's performance by *geography*, the most meaningful positive contribution to performance came from the United States (driven by **Tidewater** and **Spectrum Brands**), followed closely by the Fund's holdings in Latin America. Spectrum Brands was a beneficiary of news that the U.S. Department of Justice (DOJ) agreed to settle its suit to block the company's pending sale of its Hardware & Home Improvement (HHI) segment to Assa Abloy, clearing the way for the sale of the business to close subsequent to the Fund's First Half in June 2023. We believe Spectrum Brands is one of many examples of corporate activity underway within the Fund's portfolio that could potentially create considerable value at the company-specific level and, collectively, at the portfolio level (this is a topic we will return to later).

As for the Fund's Latin American holdings, we have written at length in recent Shareholder Letters about our view that, as a result of various pandemic-related, macroeconomic, and political sources of uncertainty that weighed on local equity markets and on local currencies in recent years, we were able to find what we believe to be among the Fund's most exciting long-term investment opportunities. While we won't repeat our case here, we invested in a number of leading, domestically focused companies that we believe have performed quite well as businesses, only to have those results either obscured or overshadowed by a protracted period of poor stock market sentiment and local currency weakness. However, sentiment seems to have turned somewhat for the better in recent months, in our view, allowing for the attractions of each business to perhaps garner increased investor attention. During the First Half, the Fund's Latin American holdings were a meaningful positive contributor to performance, led by appreciation in **Despegar.com**, the largest Online Travel Agency (OTA) in the region, amid an ongoing recovery in travel-based activity from pandemic-era depths that had weighed mightily on the business in recent years. The Fund's Latin American holdings remain materially undervalued, in our view, and continue to represent what we believe are some of the Fund's most attractive investment opportunities going forward. On the negative side, the most material detractor from performance by geography was Canada, though this was more driven by declines in the aforementioned Materials and Natural Resources-related holdings than by anything Canada-specific.

Notable Investment Activity in the Fund

The First Half of the Fund's Fiscal 2023 was another busy period, as we strove to take advantage of short-term volatility and attractive pricing to add to several existing positions in the Fund. As for new positions initiated in the Fund in H1, again, Latin America continues to be a source of opportunity for the Fund, and

the region was home to two of the newly added Fund positions: shares of **LATAM Airlines Group S.A.** and **Natura & Co. Holding S.A**. Outside of Latin America, we added a new position in the Natural Resources space during the First Half, in shares of **Teck Resources Ltd**. We will highlight the investment case of each below.

LATAM Airlines Group S.A.

LATAM Airlines Group S.A. ("Latam") is the largest commercial airline in South America. Commercial passenger aviation in Latin America was particularly hard hit during the pandemic, as virtually all national borders were closed. The resultant paucity or virtual absence of revenue, not surprisingly, had dire consequences for much of the industry, with most of the companies being forced into drastic restructurings, both inside and outside of bankruptcy. As a region, Latin America was perhaps the last to enter into the pandemic era, and (aside from China) has been among the last to emerge from it. The path back to normalcy for the region's airlines has entailed the emergence from bankruptcy (during the last 18 months) of the three largest carriers in the region – Avianca, Latam Airlines, and Aeromexico – and negotiated settlements with creditors (outside of bankruptcy) for others, such as Gol and Azul. Notably, unlike the European, North American, and some Asian airlines, this return to normalcy happened largely without government assistance or involvement.

We purchased shares of Latam when they became available at what we believed to be a modest valuation, shortly after the company's exit from bankruptcy. During these proceedings, the company significantly reduced its average headcount by roughly 25% as compared to 2019 and renegotiated a number of vendor and supplier contracts, while rejecting others with terms they considered to be non-competitive. In addition to key cost saving initiatives implemented, the bankruptcy also allowed the balance sheet to be restructured, with the company's debt load being sharply reduced from $10.4 billion (pre-filing, around May 2020) to $6.7 billion (as of December 2022), with no significant debt maturities until 2027. As a result, the airline entered the post-pandemic period with what we believe to be a much-improved operating cost and financial profile.

Furthermore, we believe the competitive landscape to which Latam has returned is somewhat altered since before the pandemic. Avianca, a major competitor across a few markets (notably the Andean ones), has significantly shrunk the size of its fleet during its own bankruptcy proceeding and has reconfigured much of its continuing fleet to effectively become a low-cost carrier – a quality offering that we believe is materially different from Latam's. This may well translate into a diminished competitive intensity that Latam could benefit from, as passenger numbers continue to rise amid the industry's emergence from the pandemic-era. In addition to the organic growth in passenger-miles being flown that one might envision as the region continues to recover from the severe 2020-2021 downturn, there might be potential inorganic growth acquisition opportunities that become available to Latam, given the overall industry's recovery has been somewhat uneven, with some carriers benefiting more from this rebound than others and still others falling by the wayside. In sum, we believe Latam is modestly valued and could benefit from a recovery.

Natura & Co. Holding S.A.

Natura & Co. Holding S.A. ("Natura") is a Brazilian retailer that primarily sells beauty products. The company's operations include door-to-door sales of beauty products through the Natura and Avon (excluding the United States) brands, as well as its ownership of The Body Shop (a mass-market beauty retailer with almost 2,500 stores globally) and Aesop (a luxury cosmetics brand with a global presence). During the pandemic, the door-to-door sales model performed exceptionally well, helping mask the persistent difficulties the company was experiencing integrating two of its recent acquisitions, The Body Shop and Avon. As the pandemic tailwind faded, those difficulties became increasingly apparent to the market as profitability declined and the company's financial leverage shot upward, contributing to a stock

price decline of over 80%. Although fundamentals remain challenging due to the continued integration issues and macroeconomic headwinds, we believe that Natura's core business and brands remain very attractive.

While we have followed the company for the past couple of years as its stock price has declined, what caught our attention recently was that, in October 2022, the company announced that it was exploring ways of unlocking value at its high-end brand Aesop, ranging from contemplating a potential IPO to an outright sale of the business. The process was closely covered in the press (with many interested parties involved) and it culminated in the announcement in April 2023 that Natura had entered into an agreement to sell the entire Aesop business to L'Oreal for $2.5 billion in cash. Despite the announced deal achieving a higher price than initially expected, and despite the fact that the proceeds from the sale are expected to result in Natura having a net cash balance sheet, the stock price initially declined following the announcement of the transaction, as many industry analysts felt that they were selling their best, fastest-growing brand.

We felt that the market reaction following the announcement of the sale was inconsistent with the announced sale (in our view) being a positive development for the company, and, in late April, we initiated a position in shares of Natura. Post transaction, we think Natura will be in an interesting position where the balance sheet issues will be largely resolved, the core remaining businesses are valuable – even if they are currently underperforming their potential – and the stock is trading at a modest valuation (we estimate that our entry price implies a trailing EV/EBITDA multiple of around 4.5x for the remaining businesses after adjusting for the sale of Aesop and one-time costs). While the near-term outlook remains challenging for the business, we believe that initial turnaround efforts are starting to bear fruit, the (pro-forma) strong financial position will see the company through this challenging period and provide funding to resume fixing their remaining businesses, and, over the long-term, in our view, the company could potentially earn substantially more than it is earning today.

Teck Resources Ltd.

Teck Resources Ltd. ("Teck") is a Canadian natural resource group whose activities include mining, smelting, and metals refining. Teck's mining activities focus primarily on base metals, notably copper and zinc, along with high-grade metallurgical coal. In our view, Teck's business attractions reside, firstly, in the company's prodigious reserves of these base metals (in particular, copper), and secondly, in its highly cash generative metallurgical coal business.

Under normal circumstances, we believe the company would represent an attractive takeover candidate for one of the other resource companies that are seeking such sizable reserves. However, the presence of a shareholder controlling Teck via a class of super-voting shares renders such a takeover difficult, if not impossible. Seeking to burnish its ESG credentials, the company recently proposed an arguably cumbersome restructuring, which entailed the wind down of the aforementioned super-voting share class over a period of some years, while also proposing a separation of the base metals and the coal unit following an initial, multi-year transition period during which a significant portion of coal-related cash flows would be diverted to funding the capital expenditure needs of the base metal business. Perhaps unsurprisingly, this proposed restructuring was voted down given the tentative nature of the separation of the coal mining business and the distant sunset provisions on the super voting rights of the control group shares. A bid emerged for the company during the period pending the vote, but was, largely for the reasons noted above, unsuccessful.

Given the existence of other potential bidders, the company has begun a rethink of the restructuring process and, possibly, a solicitation of other bids for some of its assets. Given the size and quality of reserves it

possesses, especially in its base metals business, we believe a thoughtful restructuring could potentially surface considerable value for the shareholders (hence we established a position in Teck shares in the Fund).

Notable Selling Activity

The most noteworthy selling activity that took place in the Fund in the First Half of 2023 included the sale of long-time holding **NN Group**, as well as the eventual elimination of two much more recently added holdings (**Banco Itaú Chile** and **Yamana Gold Inc.**). First, we decided to eliminate the Fund's position in Dutch insurer NN Group, closing the book on what was a profitable investment for the Fund and redeploying the proceeds into some new and pre-existing investment opportunities (including those noted above). Since we first acquired a position in NN Group shares in 2017, a key component of our investment case has always been our view that NN Group represented an interesting opportunity for the Fund to invest at a depressed valuation in a high-quality collection of businesses operating from a position of financial strength, with ample capacity for healthy shareholder distributions (dividends and share buybacks) and additional upside potential if interest rates were to increase. Indeed, this thesis played out; since the July 2020 news of the Dutch Central Bank dropping its early pandemic-related call for insurers to suspend dividends, NN Group has paid out €7.22 per share in dividends alone, equating to over 20% of the Fund's cost basis, according to our estimates.

With that said, February 2022 storms in the Netherlands weighed on NN Group's non-life insurance business, while the better part of the rest of 2022 saw heightened market volatility, lower equity markets, and rising interest rates – which, all else equal, seemed likely (to us) to weigh on mark-to-market values of some of NN Group's pre-existing investment holdings (such as government bonds and real estate). In turn, we believed these developments, in aggregate, could potentially reduce the long-running strength of NN Group's excess capital position, thereby potentially constricting the company somewhat in terms of how much capital they might be able return to shareholders looking forward. As such, while we generally remain positive on NN Group, given what we believe to be a number of more compelling investment opportunities for the Fund at this point in time (and with the opportunity cost of the Fund's capital in mind), we decided to eliminate our position in NN Group, taking the profits and redeploying the proceeds into what we believe to be more attractive opportunities at present.

The Fund's positions in both **Banco Itaú Chile** and **Yamana Gold Inc.** – each of which had been recent additions to the portfolio – were also eliminated, essentially as a result of a tender offer (in the case of the former) and a takeover bid (in the case of the latter), both of which were made at meaningful premiums to their respective share prices (and the Fund's cost bases) prior to the offer. In the case of Banco Itaú Chile (formerly Itaú CorpBanca), we eliminated the Fund's position in the Chilean bank after its shares were subject of a tender offer made by its parent company (Brazil-based Itaú Unibanco). In the case of Yamana Gold, we decided to eliminate the Fund's position in the shares of the Canada-based, precious metals producer after it was the subject of a joint takeover bid made by Agnico Eagle Mines and Pan American Silver. Although each of these investments in the Fund proved short-lived (both were added in 2022), the aforementioned transactions surfaced shareholder value, leading us to decide to exit each position in favor of what we believe to be more compelling long-term investment opportunities at this time.

Corporate Activity as a Driver of Value Creation

As described earlier, the First Half of 2023 was quite the challenging period for Value-oriented investment strategies that, rightly or wrongly, are often judged by many in the investing world relative to short-term benchmark index performance. For one, the highly concentrated, top-heavy nature of benchmark

performance in H1 2023 was dominated by mega-cap Growth stocks *that already had been* trading at what, in our view, were quite gaudy valuations. Further, the euphoria surrounding Artificial Intelligence resulted in soaring stock prices of a number of Technology stocks that are deemed – credibly, in some cases, perhaps not so much in others – to have meaningful potential exposure to the rapidly developing technology. Combined with a "*bad news is good news*" narrative in which a banking crisis was deemed "good news" for expensive Tech stocks because it lowered interest rate expectations, the period saw "story stocks" return with a vengeance after a painful 2022. Like many of the recent years prior to 2022, mundane characteristics that we tend to value in our investment approach, such as attractive valuations and fundamentals, once again took a back seat to the allure of the future in the market's eyes. Meanwhile, Value stocks in areas such as Energy, Commodities, etc., suffered by comparison during the period, in some cases regardless of what we believe are attractive valuations and long-term fundamentals, due to shorter-term concerns, such as a potential recession – for them, the "bad news" *was* deemed, well, bad news. In summary, the shift to more of a risk-on mood and concentrated Tech leadership has (thus far) made for a challenging 2023 in a relative sense for Value-oriented, price-conscious investment strategies. As measured by benchmark performance, the extent of the market's bifurcation was quite pronounced. As a result, as noted earlier, Growth stocks dramatically outperformed Value stocks in the First Half overall, with the MSCI ACWI *Growth* Index (+10.84%) up substantially while the MSCI ACWI *Value* Index (-3.74%) was down.

Yet, despite that challenging overarching backdrop, the Fund generated a positive return (+2.81%) during the First Half and only modestly lagged the benchmark MSCI ACWI (+3.45%). As you know, we are long-term investors whose goal is to achieve attractive risk-adjusted performance over the long term. Our approach involves taking a long-term view and striving to take advantage of near-term uncertainty by investing in depressed and/or unpopular assets at attractive prices, regardless of short-term or benchmark index-related considerations. That notwithstanding, the fact that the Fund, in our view, performed reasonably well despite a difficult relative environment for our investment style highlights a characteristic of our investment approach that we believe is worth noting: the potential for individual corporate events and developments (M&A, asset sales, recapitalizations, share buybacks, etc.) to positively affect the Fund's rates of return, over and above overarching market sentiment or economic developments around the world that investors tend to focus on.

In looking at some examples of such corporate activity, we'll start with a couple of the positions eliminated from the Fund during the First Half that we just mentioned earlier – **Banco Itaú Chile** and **Yamana Gold Inc.** – both of which had been added in 2022. Although we would have liked to have held them in the Fund for a much longer period and benefited from long-term value creation and compounding of that value, the tender offer for the former and takeover bid for the latter – each at meaningful premiums to both the previous market price as well as the Fund's cost basis – led us to decide to cash in our chips and redeploy the proceeds into other investment opportunities that we deemed more compelling looking forward.

Some of the leading positive contributors to the Fund's performance in the First Half also offer examples of how various forms of corporate activity could create value. In the case of **Tidewater**, the company underwent a debt restructuring and emerged from bankruptcy in 2017 with what we saw as the strongest balance sheet in an industry of distressed competitors that had been severely weakened by a sharp industry downturn. At that point, we began to take interest in Tidewater, thinking that its cleaned-up balance sheet in a depressed industry full of excessively indebted players represented a key competitive advantage and a potential opportunity for the company to acquire assets at discounted prices from forced/motivated sellers. Ultimately, we decided to begin establishing a position in Tidewater shares in 2018. Since then, Tidewater has indeed made three sizeable acquisitions at what we believe to be quite attractive prices, upgrading their

fleet, generating cost synergies, and meaningfully improving their competitive position in the OSV industry. As a result of such corporate activity, we believe Tidewater is well-positioned to take advantage of a recovery in the OSV space – one which had been delayed by the pandemic but now seems to be gathering pace, helping to drive the stock's strong recent performance.

Another leading contributor to performance in the First Half, Italian bank **UniCredit**, has seen its shares benefit recently from a series of earnings results in 2022 and into 2023 that surpassed consensus analyst expectations. But, in our view, UniCredit's strong recent performance is a result of years of hard work and corporate activity, with significant progress made in disposing non-core assets, building a strong capital position, and creating a competitive cost position in its various markets as a result of its ongoing cost reduction programs. Also, as noted earlier, UniCredit has been repurchasing shares at meaningful discounts to Net Asset Value (NAV), which we believe can be quite accretive to shareholder value over time.

In-Process Corporate Activity in the Fund

Another leading contributor during the First Half, U.S.-based consumer products company **Spectrum Brands**, is another example of corporate activity in the Fund – some of which has recently been completed, with more expected to follow looking forward. Specifically, as noted earlier, in June 2023 (subsequent to the end of the Fund's Fiscal First Half), Spectrum Brands completed the sale of its Hardware & Home Improvement (HHI) business (a maker of mechanical and electronic locks and the like) to Assa Abloy after a settlement with the DOJ allowed the transaction to proceed. Highlighting the significance of this transaction, which we believe was completed at an attractive price for Spectrum Brands, the company was set to receive roughly $3.6 billion of net proceeds from the sale of its HHI unit; by comparison, Spectrum Brands' current equity market capitalization in *its entirety* is roughly $3.2 billion, while the company continues to operate in its three other business units (Home & Personal Care, Global Pet Care, and Home & Garden) going forward. The large cash inflow from the sale of its HHI business is likely to enable Spectrum Brands to reduce its debt, repurchase shares, and still have its three remaining divisions that we believe are quite valuable. In fact, in conjunction with the completion of the HHI sale, the company announced that it intends to materially pay down its debt and that a new share repurchase program authorizing the purchase of up to $1 billion worth of stock has been approved by the Board, pursuant to which the company intends to enter into an accelerated share buyback agreement for $500 million in shares. We believe the sale of the HHI business opened up a spectrum of opportunities available to the company at this point that could potentially create considerable shareholder value over the long term.

Still another Fund holding, Brazilian grocery retailer **Companhia Brasileira de Distribuição** ("CBD"), also has a noteworthy corporate event currently underway, which the company expects to be completed by the middle of 2023. Specifically, CBD intends to distribute to shareholders the majority of its holding in **Almacenes Exito S.A.** ("Exito") – the largest retailer in Colombia, the largest food retailer in Uruguay, and one of the majors in Argentina – of which CBD owns 96.6%. What makes this transaction quite interesting and attractive, in our view, is that, based on Exito's current share price, the total equity market capitalization of CBD at present *implies a discount to the market value of CBD's ownership stake in Exito alone*. In other words, at CBD's current share price, in our estimation, CBD shareholders are getting the company's entire leading Brazilian grocery retail business, as well as a 34% stake in Cnova NV (a French e-commerce retailer) it also owns, essentially for a "negative cost." Furthermore, we believe Exito's current market value, in turn, is currently depressed due to the stock's very limited public float and trading liquidity. We believe this transaction, which would result in a dramatic increase in public float and trading liquidity, could eventually result in a more robust valuation at the Exito level as well. All told, we believe the transaction, if successfully

completed, could potentially unlock considerable value for CBD shareholders, given what appears to us to be a compelling valuation disconnect.

Similarly, another Fund holding, **The Westaim Corporation** ("Westaim"), is currently undergoing some in-process corporate activity that we believe could potentially unlock substantial value for shareholders. Westaim is a Canada-based Holding Company whose two principal assets comprised a 37% economic stake in Skyward Specialty Insurance Group ("Skyward"), a U.S.-listed specialty insurance company, and an ownership interest of an unlisted asset management business (Arena Group) and associated investment vehicles. Westaim has long traded at a significant discount to its NAV, in our opinion, perhaps reflecting its long-term investments in what had historically been exclusively private, early-stage businesses (albeit ones which we think have been progressing nicely). However, this changed in January 2023 with the IPO of Skyward, whose shares subsequently appreciated meaningfully in the stock market. As of May 31, 2023, the value of Westaim's stake in Skyward shares alone was roughly equivalent to Westaim's entire equity market capitalization. Subsequent to the end of the First Half, Westaim announced the sale of just over a quarter of its Skyward shares via a Secondary Offering, bringing in net proceeds to the company of $87 million, or roughly 22% of Westaim's current market cap. Since then, the company has announced that it will be repurchasing shares, given its Board's view that the current share price does not reflect their underlying value. We agree with that assessment; given the substantial discount to estimated NAV at which Westaim currently trades, we believe repurchasing shares is likely to create value for shareholders over the long term. In the future, we believe Westaim will continue to offer meaningful potential for value creation through a variety of possibilities, including the sale of additional Skyward shares, the repurchase of its shares at a discount to NAV, and/or the further growth and development of its asset management business.

Corporate Activity Looking Forward

We thought it might be helpful to provide some examples of corporate activity among the Fund's holdings because over our years of experience, event-driven value creation and realization have often played a meaningful role in positively contributing to performance. What's more, we believe a significant portion of the Fund currently offers meaningful potential for value creation via corporate activity looking forward. To wit, the table below illustrates that, as of May 31, 2023, of the 35 holdings in the Fund, 13 holdings (totaling over 36% of Fund assets as of 5/31/23) had either announced or were actively undertaking some sort of significant corporate activity, ranging from significant returns of capital to shareholders, spin-offs, sales of assets or a complete division, as well as others.

Fund holding	**5/31/23 Weight**	**Corporate activity** *(as of 5/31/2023)*
Companhia Brasileira de Distribuição	4.10%	Spin-off of Almacenes Exito (pending)
Spectrum Brands Holdings Inc.	3.94%	Substantial return of capital post-sale of HHI business unit
Tidewater Inc.	3.67%	Acquisition of Solstad Offshore PSV fleet (pending)
Westaim Corp.	3.59%	Substantial return of capital post-partial sale of Skyward Specialty Insurance shares held
Natura & Co. Holding S.A.	3.04%	Sale of Aesop (pending)
Standard Chartered PLC	2.79%	Substantial return of capital (underway)
Cromwell Property Group	2.77%	Spin-off of directly-owned Real Estate into REIT (announced)
Teck Resources Ltd.	2.53%	Proposed takeover bid by Glencore; proposed spin-off/sale of met coal assets
Jefferies Financial Group Inc.	2.31%	Substantial return of capital (underway)
UniCredit SpA	2.08%	Substantial return of capital (underway)
Cameco Corp.	2.02%	Joint acquisition of Westinghouse (pending) and formation of joint venture
Edelweiss Financial Services Inc.	1.77%	Spin-off of Nuvama Wealth Management
Nutrien Ltd.	1.52%	Substantial return of capital (underway)
Total	36.13%	

Source: Company disclosures; Moerus Capital research

Closing Thoughts on Corporate Activity in the Fund

Importantly, we believe such company-specific events could sometimes impact rates of return in ways that are somewhat uncorrelated with overarching, top-down economic factors or market sentiment. We would argue, for example, that corporate activity favorably contributed to the Fund's performance in the First Half, despite it being a difficult period for many Value strategies in absolute terms and especially relative to Growth strategies and benchmark indices.

A caveat worth emphasizing, however, is that the timing of value-realizing corporate events tends to be uncertain and unpredictable. Although we have conviction in the underlying value proposition of our investments, it is quite often unclear to us precisely *when* that value will be either unlocked via corporate activity or eventually more fully appreciated by the securities markets. Indeed, while some areas of the Fund's portfolio *realized* some of their value via recent corporate events, other holdings have *not* been rewarded yet via value *realization* in the market, despite taking actions that, in our opinion, are *creating* shareholder value – though we believe such activities are likely to be recognized over the longer term. One example from the list of the First Half's detractors is **Nutrien**, a Canada-based, leading global crop input producer and distributor. Like many of our Materials-related holdings, Nutrien shares depreciated during the period amid commodity price concerns. Nevertheless, Nutrien has been using its robust cash flows to return prodigious amounts of capital to shareholders, including $5.6 billion via dividends and share buybacks in 2022 alone. Given what we believe to be its modest current valuation, we believe the share repurchases will prove to be value accretive to shareholders over the long run.

Similarly, some of the Fund's leading *positive* contributors to performance in the First Half (e.g., Tidewater, Spectrum Brands, UniCredit) had been meaningful *detractors* from performance in prior years; although some of the latent value in these holdings has arguably been *realized* through share price appreciation thus far in 2023, we'd argue much of it was *created* over the months and years prior, even though the stock market might not have been giving them credit for it at the time. Again, the eventual timing of value realization at the individual company level is uncertain.

However, if we are successful in identifying and assembling a portfolio of well-financed, undervalued investment opportunities with management teams that we believe are creating shareholder value rather than destroying it over time, we believe that corporate activity could serve the Fund well over the long-term on a *portfolio* basis – with some holdings further along in the path towards value realization, while others are earlier in their journey, sowing the seeds for future value creation. Furthermore, we believe the Fund's portfolio currently offers numerous opportunities for value realization via corporate activity that might not necessarily be highly correlated with, nor heavily reliant upon, the whims of market sentiment.

Fund Outlook

In some ways, the First Half of 2023 looked a lot *less* like 2022 and a lot *more* like most of the recent years that preceded 2022 – at least in terms of *stock price* performance. Growth stocks (especially mega-cap Tech) dramatically outperformed Value stocks despite valuations that remain, in our view, dangerously stretched by historical standards. What's more, this was despite the fact that the banking troubles that erupted in H1 began in financial institutions whose activities are focused to various degrees on the Technology space (e.g., venture capital, crypto). Nonetheless, it seems to us that this crisis was viewed by some speculators as a "*bad*

news is good news" scenario – one in which the recent bank failures lowered interest rate expectations going forward by increasing the probability that the Federal Reserve is eventually forced to prioritize the stability of the financial system over its efforts to rein in inflation. The market's reflex reaction (with Growth significantly outperforming in H1) seems to imply a prevailing view that lower rates will favor Growth and Technology stocks *going forward*, likely based largely on the *recent* experience from much of the post-GFC era.

For our part, we remain unconvinced that lower interest rates are *always* a good thing for Growth stocks – particularly if such a lower rate environment is brought about by a banking crisis that could potentially result in tighter lending standards among banks and reduced availability of capital for those same Growth-oriented businesses. Many such companies have business models that are not yet generating positive cash flow. They therefore must depend upon recurring access to external capital on favorable terms to finance those growth aspirations in order to bridge the gap to profitability (hopefully) in the future. As for investors fleeing to the perceived safe havens of Big Tech and mega-cap Growth thus far in 2023, we acknowledge that clearly some (if not most) of these businesses are highly profitable, cash generative, and possess formidable market positions. Nonetheless, as great as some of them are, it is unclear to us that these businesses would be immune to the fallout from a broad-based banking industry retrenchment, considering the headwinds that could potentially confront their less robust customers in the tech sector that are more reliant on access to external capital on forgiving terms. Again, we'd emphasize that many of the popular mega-cap Growth stocks are, in our view, still trading at historically expensive valuations that are (in our opinion) priced for near perfection, not adversity. Therein lies the rub, in our view.

Looking forward, there is much uncertainty and numerous possible paths the global economy could take. The Federal Reserve's rate hike campaign could very well contribute to a meaningful slowdown/recession, leading to a cyclical slowdown in inflation rates; we have seen some signs of this, and in June 2023, the Federal Reserve indeed paused, leaving interest rates unchanged. Yet, we remain unconvinced that some of the primary drivers of the recent surge in inflation – for example, years of underinvestment in Natural Resources needed to support long-term economic growth – have been adequately addressed in terms of long-term, supply-side solutions. In other words, a *cyclical* reduction in inflation that allowed for a Federal Reserve pause and possibly a pivot at some point, absent sufficiently meaningful solutions to some of the *structural* causes of recent inflationary pressures, could potentially reverse course, with inflation seeing a resurgence if/when economic activity begins to regain momentum. Alternatively, stagflation remains yet another possibility. Simply put, uncertainty abounds, with numerous paths the economy might take in the months ahead.

With that said, we continue to believe it is reasonably likely that inflation in the future, while subject to cyclical volatility, might generally remain higher than it had been throughout much of the recent past. Drivers of this include massive monetary and fiscal stimulus in recent years; on the latter, significant U.S. spending on infrastructure and clean energy initiatives will likely be making its way through the economy over time. We have also observed many governments seemingly becoming increasingly interventionist in matters of international trade and economic policy (with explicit trade barriers coming into play in some cases). In Europe, the Russian invasion of Ukraine and related energy crisis also seem to have resulted in more government intervention, not less. Increased geopolitical tensions have begun to reverse momentum away from globalization and the increased global economic collaboration seen over the past 30-plus years – long-running trends that we believe had played a meaningful role in the relatively benign rates of inflation experienced over that timeframe. We continue to believe that these factors, taken in combination and in aggregate, point to an increased probability of a period ahead with variable, volatile changes in inflation rates

– but one in which, in general and on average, inflation seems likely to remain higher than it had been in the recent past.

As a result, we continue to believe that security selection and the fundamentals behind it (e.g., valuations, financial positions, and long-term prospects) will ultimately matter more in determining investment outcomes going forward than they have at any other point in the post-GFC world, given the current context of higher inflation, increasing geopolitical risk and the cost of capital rising from artificially low levels. We believe this environment bodes well for the Fund longer-term because, as you know, our investment approach has always remained focused on valuation and long-term fundamentals, in an effort to uncover potentially compelling *longer-term* bargains that become available as a result of *short-term* volatility. We believe a number of stock-specific attributes, which had seemed near-irrelevant in determining investment outcomes in recent years due to seemingly endless waves of liquidity, began to matter more in 2022 and, notwithstanding a resurgence in "story stocks" in early 2023, are apt to continue to matter in the future.

One such attribute is valuation. When capital is more expensive and harder to come by, we believe an attractive valuation – one that prices in skepticism and pessimism rather than optimism that the party will continue unabated – is particularly vital in potentially mitigating price risk on the downside as well as offering upside potential. For one statistical indicator of the disparity in valuations between the Fund and the broader market, as of May 31, 2023, the Price-to-Book Value ratio (P/B) of the Fund was 0.90x, as compared to 2.60x for the benchmark MSCI ACWI[6].

Other important attributes include financial position strength and a business model whose sustainability is not beholden to the whims of capital markets. We believe these qualities provide a business with survivability and its management team with the flexibility to take advantage of financially weaker competitors during challenging times by opportunistically acquiring assets at bargain prices or reinvesting organically in the business when others cannot. We believe these attributes take on greater importance in a world where external capital is more difficult to come by and interest costs on debt are higher.

As discussed earlier, another important quality is that, independent of the stock market's whims, long-term value creation is taking place at the company-level through corporate activity (e.g., acquiring assets cheaply, selling assets at attractive prices, repurchasing shares at discounted prices, etc.). We believe such corporate activity (if done well) can drive long-term value creation while investors "wait" for those efforts to eventually be rewarded either by the market, a takeover, or other means. Indeed, while the Fund's holdings were generally out of the market's favor in recent years, to our eye, many of their management teams were nonetheless making significant progress via such corporate activity – in our opinion, sowing the seeds of long-term value creation that we believe will eventually be recognized.

In conclusion, while we may continue to see a volatile, bumpy road for markets, we intend to remain focused on the long run, for which we continue to believe the Fund is well positioned, given our focus on what we believe to be well-financed, deeply discounted investment opportunities in areas that seem better suited in a *relative* sense for an environment in which we believe valuation and fundamentals may reassert their critical role in determining long-term, risk-adjusted investment returns. Over 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 portfolio-level benefits and bode well for the Fund's prospective risk-adjusted returns – particularly in a world where broader benchmark indices continue to trade at what we see as rich valuations.

[6] Source: MSCI Fact Sheet – as of May 31, 2023

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

Sincerely,

Amit Wadhwaney, Portfolio Manager

IMPORTANT INFORMATION

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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.moeruscap.com. The prospectus should be read carefully before investing.

Date of first use of this material: August 2023

Fund Performance (as of June 30, 2023)*		**Average Annual Returns**		
Fund/Index	**1-year**	**3-year**	**5-year**	**Since Inception****
Moerus Worldwide Value Fund - Class N	25.63%	22.49%	4.67%	6.10%
Moerus Worldwide Value Fund - Institutional Class	25.76%	22.75%	4.92%	6.35%
MSCI AC World Index Net (USD) ***	16.53%	10.99%	8.10%	9.73%

Gross Expense Ratios: Class Inst.: 1.76%; Class N: 2.00%

Net Expense Ratios: Class Inst.: 1.26%; Class N: 1.51%

Past performance does not guarantee future results. The performance data quoted above 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. Please call 1-844-MOERUS1 for the most recent month end performance.

The Fund's adviser has contractually agreed to reduce its fees and/or absorb expenses of the fund, until at least March 31, 2024, 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 as litigation) will not exceed 1.25% and 1.50% for the Institutional Class and Class N shares respectively.

** Performance data quoted is historical and is net of fees and expenses. All performance percentages greater than one year are annualized.*
*** Inception date of the Moerus Worldwide Value Fund is June 1, 2016.*
**** The MSCI All-Country World Index (Net) is an unmanaged index consisting of 47 country indices comprised of 23 developed and 24 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 slightly 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.

Current and future portfolio holdings are subject to change and risk.

Top ten holdings as of 06/30/23 as a percentage of the Fund's net assets: Cia Brasileira de Distribuição (5.37%), Despegar.com Corp. (5.05%), Tidewater Inc. (4.17%), Spectrum Brands Holdings Inc. (3.90%), EXOR NV (3.73%), Westaim Corp. (3.66%), Conduit Holdings Ltd. (3.57%), Natura & Co. Holding SA (3.55%), Enerflex Ltd. (3.50%), and Arcos Dorados Holdings Inc. (3.45%).

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307 West 38th Street
Suite 2003
New York, NY 10018

212-461-4088
ir@MoerusCap.com