Moerus Worldwide Value Fund

MOWIX - MOWNX

Q2 2024 Quarterly Review & Outlook

Performance (%) (As of June 30, 2024)	QTR	YTD	1 Yr	3 Yr*	5 Yr*	Since Inception June 1, 2016*
Moerus Worldwide Value Fund (Inst.)	3.66%	7.90%	20.53%	13.99%	9.57%	8.01%
MSCI All-World Country Index ex USA (Net)[1]	0.96%	5.69%	11.62%	0.46%	5.55%	6.69%
MSCI All-World Country Index (Net)[2]	2.87%	11.30%	19.37%	5.43%	10.76%	10.88%

**Performance for periods longer than 1 year is annualized.*

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. For performance current to the most recent month-end, please call 1-844-663-7871.

The gross total expense ratio of the Moerus Worldwide Value Fund Class I ("the Fund") is 1.72%. The Adviser has contractually agreed to reduce its fees and/or absorb expenses of the Fund, until at least March 31, 2025, 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 1.25% for Institutional Class Shares.

Fund Performance – Q2 2024

The Moerus Worldwide Value Fund Institutional Class ("the Fund") returned +3.66% in the Second Quarter ("Q2"); by comparison, the MSCI All Country World ex USA ("MSCI ACWI ex USA") Net Index returned +0.96%, and the MSCI All Country World ("MSCI ACWI") Net Index returned +2.87%. In short, in the Second Quarter, the Fund generated reasonably strong returns in *absolute* terms, while also outperforming the MSCI ACWI ex USA and the MSCI ACWI in *relative* terms. Year-to-date (as of 6/30/24), the Fund returned +7.90%, outperforming the MSCI ACWI ex USA (+5.69%), albeit while lagging the MSCI ACWI (+11.30%) during a period in which U.S.-based, mega-cap Tech stocks dramatically outperformed. We'll return to the Fund's performance after a brief review of markets in Q2.

Market Review – Q2 2024

The Second Quarter was yet another period that saw a decided bifurcation between the "haves" and "have nots" of equity markets. Namely, the U.S. equity market outperformed international markets, Growth stocks outperformed Value, and perhaps most notably, mega-cap Tech stocks (predominantly U.S.-based) and leading index constituents continued to soar, leaving much of the broader equity markets far behind. Speaking to the extent of the equity market bifurcation seen in Q2, a few figures: first, as compared to the *positive* performance of the benchmark MSCI ACWI in Q2 (+2.87%), the *Equal Weighted* version of the MSCI ACWI *declined* for the quarter (-1.06%). Similarly, the *Equal Weighted* versions of the S&P 500 (-2.63%) and the MSCI ACWI ex USA (-0.57%) also declined in Q2, illustrating that the headline index performance numbers – which were positive and, in the case of U.S. indices, particularly strong – fall far short of telling the story for the performance of the "average stock" in the respective indices, which was negative for the quarter. Meanwhile, pulling up those headline index performance numbers were the Magnificent Seven, which returned nearly 16% on average in Q2 – led once again by Nvidia, which surged by another 37% in Q2. This seemed to be fueled by the continued exuberance surrounding Artificial Intelligence, in addition to various economic data released during the latter half of Q2 that seemed to restore some confidence among many financial market participants in the ability and willingness of the Federal Reserve to potentially begin to cut interest rates later in 2024. In this context, capital seemed to flow overwhelmingly into the

[1] *The MSCI All-Country World ex USA Index (Net) is an unmanaged index consisting of 46 country indices comprised of 22 of 23 developed markets (excluding the US) 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 significantly from the portfolio. The Index is a trademark of MSCI Inc. and is not available for direct investment.*

[2] *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 significantly from the portfolio. The Index is a trademark of MSCI Inc. and is not available for direct investment.*

largest, most popular equities (mostly U.S.-based) at the expense of much of the rest of the equity universe. On a *relative* basis, U.S. stocks (S&P 500: +4.28%; NASDAQ Composite: +8.47%) meaningfully outperformed International markets (MSCI ACWI ex USA Index: +0.96%), while Growth stocks significantly outperformed Value (as illustrated by index performance); the MSCI ACWI *Growth* Index returned +6.20% in Q2, while the MSCI ACWI *Value* Index *declined* (-0.59%). Small-cap stocks continued their recent underperformance, with the MSCI ACWI Small Cap Index declining in Q2 (-1.56%).

Fund Attribution – Q2 2024

Against this backdrop, the Fund performed fairly well on an *absolute* basis and outperformed the benchmarks on a *relative* basis in Q2 despite a market environment that (in general terms) heavily favored Growth stocks over Value, U.S. markets over international, and mega-cap, leading index constituents over the broader equity market universe. Year-to-date (as of 6/30/24), the Fund performed well in absolute terms and outperformed the MSCI ACWI ex USA, while lagging the MSCI ACWI due largely to what the Fund does *not* own – namely, mega-cap U.S. Tech and Growth stocks that we believe are priced for perfection in an imperfect world (with potential downside price risk if lofty expectations are not met). The Magnificent Seven (for better or worse) have an outsized impact on the performance of the MSCI ACWI given the index's growing concentration in these names; whereas the MSCI ACWI has returned +11.30% YTD (through 6/30/24), the Equal Weighted version of the index was barely positive for the year so far (+0.88% YTD). As we have noted before, we are long-term investors who don't focus on short-term relative performance. We will not invest the Fund's assets in high-priced stocks that we believe incorporate excessive levels of longer-term risk, merely in an effort to chase short-term performance – regardless of such securities being heavily index-owned and having performed exceptionally well of late.

Returning to the Second Quarter, the Fund's five most significant positive contributors in Q2 were Türkiye Sigorta, John Wood Group, Grupo Financiero Galicia, Dundee Corp., and Despegar.com. The five largest detractors in Q2 were Natura & Co., Douglas Elliman, Companhia Brasileira de Distribuição ("CBD"), Arcos Dorados, and Hong Kong Exchanges & Clearing. The Fund's positive absolute and relative performance in Q2, despite a general market environment that was a considerable headwind facing price-conscious Value strategies, was driven largely by holdings that are a product of the Fund's unconstrained investment approach, one which offers us a couple of principal benefits. For one, we are not compelled to be invested in any area that we believe is overvalued or unattractive at a given point in time. On the other hand, the Fund's unconstrained approach allows us to opportunistically pursue compelling bargains *wherever* they are and *whenever* they present themselves. This allows us to look in areas where there is generally less competition in finding opportunities – places where many investors are either unwilling or unable to go for one reason or another. This often results in a portfolio of investments that are generally not household names (especially for U.S.-based investors), but which, in our view, offer investors unusually attractive characteristics. Whereas some of the investment universe is priced for perfection, these other areas, in our view, are often priced for worst-case scenarios, with low expectations priced in.

Looking at the five largest positive contributors to the Fund's performance in Q2 provides a few such examples. The Fund's top performance contributor in Q2 was Türkiye Sigorta, a Turkish non-life insurance company that we believe boasts numerous attractive attributes, including a leading position in an underpenetrated market with ample long-term growth potential. We built the Fund's position in early 2023, after a period of rampant inflation and unorthodox economic policies in Turkey had sparked capital flight out of the country in general and also weighed heavily on Türkiye Sigorta's profitability, presenting us with what we believed was an attractive opportunity from a longer-term perspective. Since then, Türkiye Sigorta has benefited from a dramatic improvement in profitability due to a combination of increased insurance pricing (to better reflect inflation) and much-improved investment portfolio returns, as the Turkish Central Bank (out of necessity) began raising interest rates significantly in 2023. Expectations for John Wood Group, the second-most significant positive contributor to performance in Q2, similarly hit rock bottom in 2023. The U.K. based provider of consulting and engineering services had suffered through years of underperformance following a poorly executed acquisition in 2017, but the management team was replaced and the company began a turnaround plan that involved exiting or selling none-core businesses and repairing the balance sheet. Apollo Global Management launched a takeover bid for Wood Group in 2023, but the deal fell through and the share price fell back to pre-bid levels, offering us what we believed to be an opportunity to invest in a cleaned up, high-quality business at a deeply discounted price. In Q2, Wood Group shares rose sharply in response to a preliminary (and conditional) takeover proposal made by Sidara, which is currently conducting due diligence and has until July 31 to announce a firm offer for Wood Group. Stay tuned.

For the second quarter in a row, the Fund's Argentina-based holdings were among the leading positive contributors to performance, including the third-most and fifth-most significant contributors in Q2: Grupo Financiero Galicia (GGAL) and Despegar.com, respectively. In last quarter's commentary, we detailed our thoughts on Argentina, a market that is no stranger to extreme volatility, economic chaos, and dysfunction. We believe Argentina is a market that is perhaps best avoided *most of the time*, but which also periodically offers potentially exceptional investment opportunities for those who have the ability and willingness to tolerate short-term volatility. We built the Fund's position in GGAL in 2023, as Argentina saw a massive currency devaluation and raging inflation that surpassed 200% late in the year. The macro chaos offered us an opportunity to acquire GGAL – one of Argentina's largest banks that, in our view, is strongly-capitalized and well-positioned within a relatively concentrated Argentine banking industry that is consolidating further – at what we view as an unusually discounted price that reflected extreme pessimism. Thus far in 2024, GGAL shares have surged off of those low levels amid encouraging (albeit still very early) signs of improvement that have included a deceleration in inflation (though it is still quite high) and the recently elected Milei administration achieving fiscal surpluses. Meanwhile Despegar.com, the largest Online Travel Agency in Latin America, continued its strong recent performance in Q2, driven by continued improvements in profitability amid an accelerating recovery in travel-based activity from pandemic-era depths. All told, Argentina was the most significant positive contributor by *country* to the Fund's performance in Q2.

On the negative side, the main detractor from performance by *sector* was Real Estate, an area that continues to be pressured by the higher interest rate environment, which has weighed on asset values and investor sentiment towards the space in general. Of this group, the detractors from Fund performance included Douglas Elliman, a U.S.-based residential real estate brokerage firm, as well as (to a lesser extent) Australia-based property owner and manager Cromwell Property Group and U.K.-based Retail REIT Hammerson. In our view, the Fund's Real Estate-related holdings are well-financed and currently trade at what we believe to be unusually attractive valuations. As for the sector in general, while risks are likely growing in certain areas given the higher interest rate environment (e.g., commercial real estate with imminent refinancing requirements), we believe the sector-wide volatility and fallout could potentially provide attractive longer-term investment opportunities, particularly if and as babies are thrown out with the bathwater. Finally, by *country*, the largest detractor from Fund performance in Q2 was Brazil, with beauty products retailer Natura & Co. and grocery retailer CBD declining during the quarter. We believe both holdings were adversely impacted in Q2 by generally negative investor sentiment towards the Brazilian equity market (one of 2024's worst performing markets thus far) and its local currency (the Brazilian Real weakened by roughly 13% against the U.S. dollar over the first six months of 2024). This backdrop likely weighed on Arcos Dorados' shares as well (Brazil is by far its largest market) in Q2. More importantly from our perspective, however, the long-term investment cases of each remain unchanged (other than a more attractive valuation following recent share price declines), and we have found recent company-specific developments encouraging.

Fund Outlook

The near-term future for the economy, inflation and interest rates remains uncertain and subject to much debate and forecasting – pursuits which we do not believe are particularly productive. The widely presumed recession of 2023 never arrived. Talk of a hard landing morphed into that of a soft landing, then to perhaps no landing at all, as 2023 progressed. Late in 2023 and into 2024, slowing inflation rates led to increased expectations for Federal Reserve interest rate cuts (both in terms of their imminence and ultimate magnitude) to be priced into markets – only for subsequent inflation data to come in hotter than expected, dampening those expectations just a few months later. Since then, the most recent economic datapoints (as perceived by consensus opinion) have renewed hopes that rate cuts are coming in 2024. All told, the past 18 months have offered numerous reminders of why we do not risk capital or base investment decisions on near-term macroeconomic forecasts. Looking forward, various plausible scenarios could conceivably play out: recession or no recession; hard landing, soft, or none at all; or 1970s-style stagflation, among others. We do not expect the forecasters to be any more accurate over the next 18 months than they were over the previous 18. Because of this, the financial markets' all-consuming obsession with forecasting the path of interest rates – and changing such forecasts upon the release of any economic datapoint – is hardly of any interest to us as a long-term investor, except to the extent that the fallout from such fluctuations in near-term expectations provides attractive investment opportunities from a longer-term perspective.

With that said, on the topics of interest rates and inflation, it's important to make a distinction between the short-term and the long-term, which we believe is much more relevant for the Fund. In the *short-term*, we believe the Federal Reserve may very well be inclined to lower interest rates, if/when given sufficient cover from cooling economic data. Nonetheless, over the *longer-term*, we continue to believe it is reasonably likely that future inflation, while subject to cyclical volatility (both up and down), might generally and on average remain higher than it had been for much of post-Global Financial Crisis (GFC) era. In these pages, we have often detailed the numerous reasons why we hold this view, including years of underinvestment in Natural Resources needed to support long-term economic growth (including demand for power-intensive AI), years of unorthodox *monetary* policy, and massive *fiscal* stimulus (heavy deficit spending). Fiscal profligacy seems likely to continue given recent legislation and defense spending, and neither political party seems particularly interested in belt-tightening. Wars in Ukraine and the Middle East continue, as does the potential for an even larger regional/global conflict, with significant potential risks to the supply of oil & gas, agriculture and other commodities that the financial markets may be underestimating. Geopolitical rivalry has intensified and government intervention in matters of trade has increased. In sum, these factors point, in our view, towards an increased probability of a future in which inflation may remain higher than it had been in the recent past, in general and on average over the long-term (cyclical fluctuations in both directions notwithstanding). Said another way, the post-GFC era of extraordinarily low interest rates, cheap/free money, and low inflation could prove to be more of a historical anomaly, rather than the norm to which many in the investment community (who have grown up and built their careers during this era) have become accustomed.

We continue to believe that security selection and fundamentals are apt to matter more in determining investment outcomes in such a world, one of heightened geopolitical risk, higher inflation, and the cost of capital increasing from the easy money days of the past 15 years. We believe this bodes well for the Fund longer-term because our investment approach has always remained focused on valuation, fundamentals, and ideally, the ability to withstand the more adverse of the potential paths the economy might take in order to thrive over the long run. Notwithstanding a resurgence in "story stocks" in 2023 and thus far in 2024, we continue to believe certain stock-specific attributes that we seek, many of which were overlooked in recent years amid a flood of liquidity, are likely to matter much more in determining risk-adjusted returns. These attributes include discounted valuations that price in adversity and capitulation rather than perfection; consider, for example, the expectations (or lack thereof) priced into the Fund's holdings noted above in Turkey or Argentina, or in a stigmatized (but much-repaired) Wood Group, versus those currently priced into Nvidia. Another is a business model that is not dependent on easy capital markets, with the financial position strength to survive and even take advantage of challenging times. Armed with the level of comfort that this attribute provides, we have the ability to turn away from the distraction of ever-changing macro forecasts, and instead turn towards potential longer-term opportunities that such volatility can provide. Still another important attribute we seek is ample potential for event-driven value creation via corporate activity that (if done well) isn't necessarily highly correlated with, nor heavily reliant upon, the whims of stock market sentiment or top-down economic factors. Indeed, corporate activity favorably contributed to the Fund's outperformance back in 2023 – a challenging year for many Value strategies *relative* to Growth strategies and benchmark indices. We believe the Fund's portfolio remains rich with possibilities for event-driven value creation.

In conclusion, we continue to believe the Fund is well positioned in a *relative* sense for a changing world – one in which low-cost capital might be harder to come by (we may not go back to the easy money days of yesteryear). In a world in which broader benchmark indices continue to trade at what we see as rich valuations and are increasingly concentrated in what we view as highly correlated areas (e.g., mega-cap Tech), we continue to believe that the attractive valuations, sound long-term fundamentals, and staying power of many Fund holdings, as well as their potential to unlock value via corporate activity, offer attractive portfolio-level benefits and bode well for the Fund over the long run. Many thanks for your continued support, interest, and curiosity.

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

Top ten holdings as of 6/30/24 as a % of the Fund's net assets: International Petroleum Corp (3.84%), Hammerson PLC (3.13%), John Wood Group PLC (3.05%), Türkiye Sigorta AS (3.05%), Jefferies Financial Group Inc. (2.99%), Despegar.com Corp. (2.99%), Wheaton Precious Metals Corp. (2.96%), Teck Resources Ltd (2.95%), Dundee Corp. (2.94%), and Grupo Financiero Galicia SA (2.90%).

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

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