Moerus Worldwide Value Fund

MOWIX - MOWNX

Q3 2024 Quarterly Review & Outlook

Performance (%) (As of September 30, 2024)	QTR	YTD	1 Yr	3 Yr*	5 Yr*	Since Inception June 1, 2016*
Moerus Worldwide Value Fund (Inst.)	9.79%	18.46%	30.81%	17.62%	12.72%	8.97%
MSCI All-World Country Index ex USA (Net)[1]	8.06%	14.21%	25.35%	4.14%	7.59%	7.48%
MSCI All-World Country Index (Net)[2]	6.61%	18.66%	31.76%	8.09%	12.19%	11.39%

**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 – Q3 2024

The Moerus Worldwide Value Fund Institutional Class ("the Fund") returned +9.79% in the Third Quarter ("Q3"); by comparison, the MSCI All Country World ex USA ("MSCI ACWI ex USA") Net Index returned +8.06%, and the MSCI All Country World ("MSCI ACWI") Net Index returned +6.61%. In short, in the Third Quarter, the Fund generated 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 9/30/24), the Fund returned +18.46%, outperforming the MSCI ACWI ex USA (+14.21%), albeit while slightly lagging the MSCI ACWI (+18.66%) during a period that included dramatic outperformance by U.S.-based, mega-cap tech stocks over the first half of 2024. We'll return to the Fund's performance after a brief review of markets in Q3.

Market Review – Q3 2024

The Third Quarter was another strong period across most equity markets, despite a sharp (albeit brief) selloff in early August that many pundits blamed on an unwinding of the yen carry trade (following the Bank of Japan indicating that it would move to normalize monetary policy). However, the Bank of Japan backtracked quickly after the selloff, with officials indicating that further rate cuts would be unlikely if financial market volatility remained heightened. Most equity markets recovered quickly thereafter, though this bout of volatility (along with some economic data that suggested a slowing U.S. labor market) contributed to increased recession fears and growing expectations of imminent interest rate cuts. The first of these long-awaited cuts indeed arrived in September, as the Federal Reserve reduced rates by 0.50%. Other central banks lowered interest rates in Q3 as well, including the European Central Bank and the Bank of England. Perhaps most notably, in September the Chinese government announced a range of stimulus measures in an effort to kickstart a sluggish Chinese economy. Equity markets in China and Hong Kong rose significantly late in Q3 in response to these announcements. Overall, most equity markets performed well in Q3; in general (as illustrated by index performance), International markets (MSCI ACWI ex USA Index: +8.06%) led U.S. markets (S&P 500: +5.89%; NASDAQ Composite: +2.76%) and Value stocks (MSCI ACWI *Value* Index: +9.42%) led Growth (MSCI ACWI *Growth* Index: +4.07%) in Q3 – representing a change in direction from what was seen during much of the prior 18 months when the opposite prevailed.

[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.*

Fund Attribution – Q3 2024

Against this backdrop, the Fund generated strong performance on an *absolute* basis and outperformed the benchmarks on a *relative* basis in Q3. The Fund's five most significant positive contributors in Q3 were Edelweiss Financial Services, Douglas Elliman, Grupo Financiero Galicia, Hong Kong Exchanges & Clearing, and Osisko Mining. The five largest detractors in Q3 were John Wood Group, Türkiye Sigorta, MEG Energy, International Petroleum, and Aker ASA. As was the case last quarter, the Fund's strong absolute and relative performance in Q3 was once again driven, in no small part, by the Fund's unconstrained investment approach, which allows us to opportunistically pursue compelling bargains *wherever* they are and *whenever* they present themselves. In a world in which the typical fund, we would argue, owns many of the same popular holdings seen in increasing concentrations in major equity indices, the Fund's unconstrained approach, by comparison, tends to result in a portfolio that generally lacks the household names familiar to U.S.-based investors. Instead, the Fund's portfolio includes what we believe are unusually attractive investment opportunities that are either (a) deeply out of favor at the time of investment; and/or (b) are found well off the beaten path, where fewer investors are looking, due to a variety of constraints – be it benchmark-related, geographic, institutional, analytical, et al.

The five largest positive contributors to the Fund's performance in Q3 are examples of opportunities that fit this general theme, originating from areas that include India, North America, South America, and East Asia – reflecting the Fund's go-anywhere approach. The first two holdings operate in areas that are well-liked *most of the time,* but had fallen upon hard times (temporary, in our view) that offered us rare opportunities to invest at what we believed to be unusually attractive prices. The Fund's top performance contributor in Q3 was Edelweiss Financial Services, an India-based Non-Bank Financial Company (NBFC) that provides a broad range of financial services, including life and non-life insurance as well as financing to retail and commercial borrowers. We have long found India attractive for many reasons, not the least of which is its economy's formidable growth potential, but we have often been priced out of the market due to rich valuations that reflect such attractiveness. Yet opportunities do periodically become available to the patient value investor, even in one of the world's growthier markets. The Fund's investment in Edelweiss dates back to 2020, when what had already been a challenging period for NBFCs in India got much grimmer still with the onset of the pandemic and the lockdown implemented by the government in response. The scary near-term outlook enabled us to build the Fund's position in a business that boasted what we saw as enviable long-term *growth* prospects, but at a *value* price that comes around rarely in the Indian equity market. Since then, those dark early days of the pandemic eventually passed, investor enthusiasm towards India returned, Edelweiss continued to grow and develop its various businesses, and in 2023 it spun off Nuvama Wealth Management – both of which have performed quite well since then (Nuvama was recently sold from the Fund).

A bit closer to home, Douglas Elliman, a U.S.-based residential real estate brokerage firm, boasts a prominent, well-regarded franchise in the industry and a leading market share position in luxury residential markets such as New York, the Hamptons, Miami, California, etc. These attributes, however, did not insulate the business from cyclically depressed industry conditions driven by a rapid increase in mortgage rates, which led to a sharp slowdown in residential transaction volumes. These depressed conditions, as well as Douglas Elliman perhaps being under-the-radar of most investors – it is a small-cap stock that was previously spun out of a tobacco company – enabled the Fund to initiate a position earlier in 2024 in Douglas Elliman at a price that implied a valuation of its real estate business (after adjusting for the excess cash balance at the time) of less than $20 *million*, in our estimation. This is for a business that generated about $1 *billion* in revenue in 2023. We believed that such a beaten-down valuation reflected extreme adversity and pessimism, offering upside potential in the event future developments proved more benign than the draconian expectations priced in suggested. In Q3, Douglas Elliman shares rose by over 57% amid increased financial market expectations of monetary easing, interest rate cuts and their (perceived) favorable impact on the business. It's important to note that the Fund's investment in Douglas Elliman did not reflect any view on the future direction of interest rates, but rather, what we saw as an unusual opportunity to invest in what we believe to be an attractive business at an exceptionally discounted price.

Whereas Edelweiss and Douglas Elliman are the types of businesses that we'd argue are usually well-liked by investors but ran into periods of temporary adversity, the next two largest contributors to performance come from markets that had been considered "un-investible" for quite some time: Argentina and Hong Kong, respectively. Argentine bank Grupo Financiero Galicia ("GGAL") was a leading contributor to the Fund's performance for the third consecutive quarter. As such, throughout 2024 we have highlighted in these pages the investment case for 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. 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, enabling us to acquire shares at what we believed to be an unusually discounted price that reflected extreme pessimism and investor flight from the region. In Q3 and throughout 2024, GGAL shares have generated strong performance, rebounding off of those low levels amid encouraging (though nascent) signs of macroeconomic improvement, including a modest deceleration in inflation and fiscal surpluses achieved under the Milei administration. Similarly, in the first half of 2024, we initiated a position in Hong Kong Exchanges & Clearing ("HKEX") – the fourth-most significant contributor to the Fund's Q3 performance – following a protracted and significant decline in investor interest in Hong Kong over the past several years. A number of adverse developments in recent years (2019 street protests, the 2020 implementation of the National Security Law, strict COVID-19 lockdowns, economic challenges in Mainland China, etc.) cast a pall over investor interest in the region, and some global investment banks even took to calling China (and by extension Hong Kong) "un-investible," This bleak backdrop resulted in an opportunity to acquire shares in what we think may be one of the world's best exchange businesses – given the monopoly position it enjoys in Hong Kong, Net Income margins that have averaged roughly 65% over the last ten years, and its impressive long-term growth characteristics – at an attractive valuation for the Fund. In Q3, HKEX generated strong performance as investor sentiment towards Hong Kong swung positively in a significant way with the raft of stimulus measures announced by the Chinese government in September 2024. Whether or not the recently renewed enthusiasm for the region continues in the short-term remains to be seen. More importantly from our perspective, investor sentiment toward the region seemed to hit rock-bottom (prior to recent developments), enabling the Fund to acquire what we believe is an exceptional business at an attractive price. Finally, Osisko Mining, a long-tenured holding in the Fund purchased when gold prices were depressed, was the fifth-largest contributor to the performance in Q3, driven by a takeover bid made for the company in August by Gold Fields Ltd. at a roughly 66% premium to its prior closing price. By *sector*, the largest contributors to Fund performance in Q3 were: Financials, led by the aforementioned Edelweiss, GGAL, and HKEX; Real Estate, led by Douglas Elliman, Hammerson, and Cromwell Property Group, all of which benefited amid lowered interest rate expectations; and Materials, primarily driven by the Fund's precious metals-related holdings (including Osisko Mining, Dundee Corp. and Wheaton Precious Metals) as gold and silver prices rose during the quarter.

On the negative side, the main detractor from performance was the Fund's collection of Energy-related holdings (including MEG Energy, International Petroleum, and Aker ASA), whose share prices were negatively impacted by oil prices which declined in Q3 amid heightened fears of slowing economic activity. We remain pleased with the long-term investment cases for these holdings, each of which, in our view, offers attractive prospects to grow long-term shareholder value through both going-concern operations as well as through corporate activity (e.g., share repurchases, M&A, etc.). The largest individual detractor in Q3, John Wood Group, declined after Sidara withdrew its preliminary proposal to acquire the company in August during the brief global equity selloff, citing "rising geopolitical risks and financial market uncertainty." We had reduced the Fund's position in Wood Group prior to that, in order to take some profits after the shares had appreciated sharply following the preliminary proposal. We continue to believe Wood Group's long-term case is compelling at its currently deeply discounted price, in our view, as the company continues to progress in its turnaround plan. Furthermore, we believe there is ample potential for Wood Group to compound shareholder value over the longer-term as an independent company, absent a takeover.

Fund Outlook

The past two years of economists' and financial market experts' predictions have proven (yet again) why forecasting near-term economic variables (including inflation and interest rates) is not a particularly productive use of our time, in our view. The recession of 2023 (widely presumed late in 2022) 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. A similar pattern repeated over the past few months, as economic data that suggested weakening in the U.S. labor market resulted in increased expectations of monetary easing – with the long-awaited, first interest rate cut arriving at last in September 2024. However, the latest U.S. employment data (released in October) indicated a more resilient labor market than generally expected, resulting (yet again) in a tempering of expectations regarding the ultimate magnitude of monetary easing. All told, these past two years have offered numerous reminders of why we do not base investment decisions on near-term macroeconomic forecasts. Looking forward, various scenarios remain possible: 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 two years than they were over the previous two. The financial markets' obsession with forecasting the path of 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.

On that last point, in recent years we have indeed seen a healthy, increasing number of attractive long-term investment opportunities become available amid the short-term volatility in financial markets' expectations and notoriously fickle macroeconomic forecasts. In assessing the current state of equity markets globally, we see an interesting picture. On the one hand, certain pockets of the market seem to be priced for perfection, in our view, thereby incorporating meaningful downside price risk in the event such great expectations are ultimately not met (e.g., U.S. Tech and Growth stocks). On the other hand, at the same time, we believe that there has been no shortage of unusually attractive investment opportunities elsewhere for the patient, price-conscious investor, including those discussed above. On the contrary, we have found plenty to do, both during the long period of unusually *low* interest rates and relatively benign inflation that preceded the pandemic (e.g., banks and insurance companies that were adversely affected by the low interest rate environment), as well as among other opportunities made available, in part, due to the *higher* interest rate environment that has prevailed more recently, weighing upon different types of businesses to varying degrees (e.g., real estate-related holdings such Douglas Elliman, the Fund's Hong Kong investments such as HKEX, etc.). Our focus is not on trying to forecast how interest rates or inflation might fluctuate, but rather on finding attractive long-term investment opportunities that become available when they are temporarily banished to the bargain bin as a result of the prevailing macroeconomic or market narrative of the day. Furthermore, relative to our past years of experience, we believe we are currently seeing fewer competing eyes searching for the same kinds of deep value, out-of-favor opportunities that we seek – perhaps as a result of both attrition among the ranks of value investors in recent years, as well as style drift towards Growth among those who have modified their approach amid a long period of outperformance by Growth strategies. We believe this combination of factors bodes well for the Fund and for our investment approach looking forward over the long run.

In conclusion, we continue to believe the Fund is well positioned for a changing world, one of heightened geopolitical risk and perhaps increased macroeconomic volatility (as compared to the relatively benign period that characterized much of the post-Global Financial Crisis era). 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 9/30/24 as a % of the Fund's net assets: Hong Kong Exchanges and Clearing Ltd (4.11%), Grupo Financiero Galicia SA (3.67%), Dundee Corp. (3.55%), Jefferies Financial Group Inc. (3.41%), Companhia Brasileira de Distribuição (3.26%), Wheaton Precious Metals Corp. (3.18%), Hammerson PLC (3.08%), Douglas Elliman Inc. (3.06%), ESR Group Ltd (3.03%), and Cromwell Property Group (2.99%).

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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