GREEN OWL®
INTRINSIC VALUE FUND

Letter to Shareholders — September 30, 2013

Dear Shareholder:

The Green Owl Intrinsic Value Fund (the "Fund") gained 4.80% in the quarter ended September 30, 2013, versus 5.24% for the Standard & Poor's 500 (S&P 500). In the first nine months of this year, the Fund has returned 21.72% versus 19.79% for the S&P 500.

The performance data quoted above represents past performance. ***Past performance is no guarantee of future results.*** *Current performance may be lower or higher than the performance data quoted. The investment return and principal value vary so that an investor's shares when redeemed may be worth more or less than the original cost. The gross total annual fund operating expense is 1.72%. The Adviser has contractually agreed to limit its fees and to assume other expenses of the Fund until October 31, 2014, so that the total annual fund operating expense does not exceed 1.40%. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 1-888-695-3729.*

The results for our complete history through September 30, 2013, along with corresponding benchmark returns, are provided below. Our goal is to outperform the S&P 500, which serves as a proxy for the total U.S. equity market, over the long term. At this point in the life-cycle of the Fund, its history is relatively brief. However, we are off to a solid start in realizing this goal.

Green Owl vs. S&P 500
Annualized Equity Performance (Net of Fees)

	Q3 2013	1-Year	Since Inception (12/28/2011)
Green Owl	4.80%	24.71%	23.63%
S&P 500	5.24%	19.34%	20.14%

Green Owl vs. S&P 500
Cumulative Equity Performance (Net of Fees)

	Q3 2013	1-Year	Since Inception (12/28/2011)
Green Owl	4.80%	24.71%	45.28%
S&P 500	5.24%	19.34%	38.15%

The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 1-888-695-3729.

One of KIG's biggest strengths is the long-term time horizon that we and our clients share. As a result of this aligned orientation, we have been rewarded with a stable capital base that affords us additional flexibility in pursuing our capital allocation strategies. We believe this puts us at an advantage over those who work with fleet-footed capital, where demands for consistent quarterly or yearly returns force them into a capital allocation strategy based on perceived stock price movements instead of underlying value. Focusing our energies on unearthing values, as opposed to guessing where markets are going, while not necessarily easy, is at least an exercise that we believe holds a higher probability of success.

The type of fundamental investing that we practice is not as much about doing smart things as it is about <u>not</u> doing dumb things. Avoiding mistakes, resisting market fads and focusing on allocating capital into ideas that are highly likely to produce satisfactory returns while offering a margin of safety against permanent capital loss are the dominant themes of our approach**.** We don't follow the bulls, the bears or the lemmings. We make our own decisions and are ready and willing to be held accountable for them rather than seek safety in whatever everyone else is doing. We also put our money where our mouths are: we align our interests with our investors' interests by investing a substantial amount of our investable net worth directly in the Fund.

Contributors/Detractors

On an individual security basis, the largest contributors to the Fund's performance for the quarter (based on return relative to the S&P 500 and position size) were **Apple Inc. (AAPL)**, **Walgreen Company (WAG)**, **Robert Half (RHI)**, **Expeditors International (EXPD)**, and **Boeing (BA)**. These more than offset the results of our largest detractors, which were **Target (TGT)**, **International Business Machines Corp (IBM)**, **Berkshire Hathaway (BRKB)**, **Coach (COH)** and **Wells Fargo & Company (WFC)**. Though Wells Fargo and Berkshire each managed positive performance in the quarter, that positive performance was less than the benchmark's, and their large weightings hurt our relative performance.

Apple benefitted from the disclosure that activist investor Carl Icahn took a stake in the company and will likely agitate for deployment of the company's massive cash balance to fund share buybacks – something we have advocated in past *Shareholder Letters*. Apparently, Icahn's message resonated a little more strongly than ours. Apple's stock price was also helped by a strong rollout of its latest iPhone iteration. To us though, at the current price, Apple remains much less a product story than a balance sheet story, and it seems that management may be more open now than in the past to exploring ways of returning capital to its shareholders through more aggressive balance sheet management. While we are generally leery of utilizing financial engineering as way to boost the value of a company's equity, we have never seen a balance sheet stronger than Apple's, which limits much, if not all, of the risk in doing so.

While the price of Walgreen's stock rose strongly in the quarter, we discerned no noticeable change in its operating fundamentals. There were, however, several analyst upgrades that most likely propelled the stock. Why there is sudden excitement in a company which we've felt has been undervalued for quite some time is unclear. However, this is a textbook example of why we believe valuation can act as its own catalyst when we buy undervalued companies and patiently wait for the market to agree.

Target shares sold off after it disclosed disappointing results in its Canadian store rollout. While somewhat discouraging, Target's Canadian foray is still in its early stages and we are prepared to endure some hiccups for what we believe is a natural market extension. While we think it's unlikely the Canadian stores won't ultimately be profitable, as the start-up costs for the Canadian expansion dissipate, earnings will normalize at higher levels even if the stores merely run at a break-even level. As stewards of capital, it's extremely satisfying to own a high quality, growing company with this type of margin of safety.

Portfolio Activity

KIG Theorem: "There is an *inverse* relationship between the trajectory of the market (upward/downward) and the amount of qualifying investments (less/more) that are available for purchase."

Given that we've been in an upward phase for some time now, it should come as no surprise that we are finding little to do on the buy side. However, as opposed to last quarter where we did not initiate any new positions, we were able to uncover what we believe are two promising situations during the quarter, **DirecTV (DTV)** and **Vodafone (VOD)**.

Generally, qualitative characteristics of qualifying investments include the strength of the franchise, the predictability and sustainability of free cash flow, and how well management is allocating that free cash flow. Quantitatively, the valuation multiple (price to earnings/cash flow) must allow for expansion. DirecTV, which provides digital TV service via satellite to over 20 million customers in the United States and over 16 million in Latin America, fits the bill. Trading at an attractive 9% earnings yield, truly discretionary free cash flow far exceeds reported earnings as the cost to gain new subscribers, an optional investment with high long-term returns, is deducted from current profits. With a mature U.S. business, these subscriber acquisition costs are set to decline. Latin America, where satellite TV sits in an even stronger competitive position given the prohibitive cost to build fiber networks, continues to experience robust growth rates as its economies further develop. DirecTV has been an extremely aggressive share repurchaser, having retired over 20% of its shares over the last two years and with a commitment to buy in another 10% this fiscal year. Based on these factors, we believe DirecTV will produce meaningfully greater growth on a per share basis than what the market has "priced in" with respect to its current valuation.

We also took an initial position in Vodafone, a company that may be familiar with longer-term clients as we have successfully bought and sold it in the past. Vodafone is one of the world's largest providers of mobile services with over 400 million customers in 40 countries, primarily in Europe. However, its most valuable asset is its 45% ownership stake in U.S.-based Verizon Wireless. Our thesis, then and now, is simple: When you strip out the value of its Verizon Wireless stake, Vodafone's remaining assets sell at a large discount to our estimate of fair value. The last time we owned the company, this exercise was more theoretical because the range of values that could be ascribed to the Verizon Wireless piece was wide. Recently, however, **Verizon Communications (VZ)** (the parent company of Verizon Wireless) announced its intentions of buying its long-time partner Vodafone's stake in Verizon Wireless for $130 billion. Even after taking into account associated tax liabilities from the sale, this value was significantly higher than what we had assumed, thus making the remaining assets that much cheaper in our eyes.

We increased our exposure to **Coca-Cola (KO)**. Shares of Coca-Cola trended lower during the quarter most likely due to a listless quarterly earnings report that revealed volume growth below expectations. We're not sure which is worse: that analysts believe they can calibrate sales levels precisely to three-month intervals, or that investors react when the actual results differ from these estimates (also known as guesses). Regardless, we'll take our investment cues from different measures, including the quality of the company's competitive advantages and its price in relation to our estimate of intrinsic value. Coke has the former in spades with its superior brand equity and scale, while it's trading at a price that does not reflect these attributes. Admittedly more mundane (some may say simplistic), we believe these characteristics are more important to the investment outcome than whether the company misses or exceeds a quarterly sales or earnings number.

Corollary to KIG Theorem: "There is a *direct* relationship between the trajectory of the market (upward/downward) and the number of portfolio companies we are actively looking to sell (more/less)."

Given that we've been in an upward phase for some time now, it should come as no surprise that we are looking to be more active on the sell side. Along these lines, we eliminated our interest in **Lowes (LOW)** and trimmed our position in Robert Half during the quarter. While this may not constitute as much activity as our corollary suggests, several other holdings are getting much closer to price-to-value ratios where action may be required. After the large market moves over the past couple of years, the fact that we haven't sold more positions speaks more about the low valuations from which many stocks were at rather than how richly they are valued today.

After multiple years of ownership, we exited our position in Lowe's. While our enthusiasm for the company (its business model, financial strength, competitive positioning) has only grown stronger over our long holding period, its stock price reached a level we thought was more than fair. In other words, it was a great holding for us, and we continue to think it is a great business, but we no longer believe it represents a great value. We can't continue to hold a security that doesn't offer the reward of better-than-market returns with less risk regardless of how much we admire the underlying company. A successful investment outcome is typically determined by relatively few variables. In this case, Lowe's management made two important decisions that we believe drove the stock's return: slowing store expansion and using the resulting increase in free cash flow (supplemented with cheap debt) to buy back stock. When a company's stock represents good value, the best (and least risky) capital allocation decision management can make is to repurchase shares. For a mature business selling at a discount like Lowe's was, we believe it was the best way for management to maximize intrinsic value on a *per share basis*, which is what we care about most.

We may admire Robert Half even more than Lowe's. Still, we thought it prudent to scale back our exposure during the quarter as the stock's price has appreciated substantially. We did not eliminate it entirely like we did with Lowe's, as the range of future outcomes for this business includes scenarios with further upside. However, its margin of safety is less than what we prefer for a position the size of Robert Half's before we trimmed our holdings.

The decision between selling completely and trimming is a difficult one. Mathematically, it's based on our probabilistic scenario analysis and resulting upside versus downside projections. In non-mathematical terms, we view our options something like this: if it's a great business and is priced as such – sell; if it's a great business but priced as if it's merely a good business – trim. This all starts with the premise that, initially, we are trying to buy great businesses that are priced as average or less-than-average businesses.

We are honored that our shareholders entrust their assets to this Fund. We thank you and welcome your questions and comments

As of 9/30/13, Apple represented 4.4%, Berkshire Hathaway 7.0%, Boeing 2.6%, Coach 2.4%, Coca-Cola 2.0%, DirecTV 2.5%, Expeditors 2.6%, International Business Machines 3.4%, Lowes 0.0%, Robert Half 2.1%, Target 3.5%, Vodafone 1.9%, Walgreen 3.5%, and Wells Fargo 4.4% of the Fund's total net assets. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual stocks.

The S&P 500 Index is a broad market-weighted average of U.S. blue-chip companies. This index is unmanaged and investors cannot actually make investments in this index.

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The Fund's prospectus contains important information about the Fund's investment objectives, potential risks, management fees, charges and expenses, and other information and should be read and considered carefully before investing. You may obtain a current copy of the Fund's prospectus by calling 1-888-695-3729.

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