



Letter to Shareholders

March 31, 2015

Dear Shareholder:

The Green Owl Intrinsic Value Fund (the “Fund”) increased in value by 1.48% in the quarter ended March 31, 2015, versus a 0.95% increase for the Standard & Poor’s 500 (S&P 500).

As long-term investors, our research process emphasizes the appraisal of factors that we believe matter most to a business’s long-term success. These include the quality of the business, the strength of the balance sheet, the predictability of the cash flows, and the ability of the management team to allocate capital intelligently and judiciously. We believe these attributes are the most reliable predictors of a company’s ability to maximize intrinsic value on a per share basis.

Business quality may mean different things to different investors. When we think about a high quality business, we are referring to a company that not only earns high returns on capital today, but is likely to sustain high returns on capital long into the future due to a strong competitive position. Warren Buffett notably refers to such businesses as possessing a competitive “moat.” Buffett asserts,

“A truly great business must have an enduring ‘moat’ that protects excellent returns on invested capital. The dynamics of capitalism guarantee that competitors will repeatedly assault any business ‘castle’ that is earning high returns.” – Letter to Berkshire Hathaway Shareholders 2007

Buffett’s symbolic moat is formed when a business possesses one or more sustainable competitive advantages. The primary competitive advantages that we focus on include a low cost position, strong brand loyalty, high customer switching costs, and network effects.

As taught in introductory business classes, the value of any financial asset (e.g., stocks) should equal the present value of all of its future cash flows. Therefore, to effectively value a business we have to make a reasonably accurate forecast of that business’s future. Accurately predicting the future cash flow of a business is difficult. Without a moat, it becomes even more difficult because competition can quickly disrupt a business’s sales and margins resulting in diminished cash flow. On the other hand, predictability of cash flow increases if a business has a moat. The wider and more enduring we perceive a business’s moat to be, the more conviction we can have in our intrinsic value estimates. Assessing and appraising the strength and endurance of competitive advantages is the most difficult task in investing. Most of our mistakes can be traced back to an incorrect assessment of a company’s moat. Given the foundational nature of this exercise in our research process and its critical role in our future success, continual improvement in this area will always be our main focus.

While it is mandatory for a company to possess a defensible moat before the possibility of an investment is considered, the overriding factor for inclusion in our portfolio is price. Regardless of positive qualitative attributes, quantitatively, the company's stock must trade at a significant discount to our determination of its private market value (intrinsic value) before we will make an investment. This margin of safety provides further insurance against a permanent loss of capital should our assessment of a company's moat prove overly optimistic.

The results for the Fund's complete history through March 31, 2015, along with corresponding benchmark returns, are provided below. We remind you that your Fund's composition is significantly different from the broad market indices, so the performance will inevitably deviate from these indices, especially over shorter time periods. We manage the Fund for long-term results, and we encourage you to evaluate its performance over a multi-year time frame.

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

	Q1 2015	1-Year	3-Year	Since Inception (12/28/2011)
Green Owl	1.48%	8.39%	15.38%	18.52%
S&P 500	0.95%	12.72%	16.11%	18.76%

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

	Q1 2015	1-Year	3-Year	Since Inception (12/28/2011)
Green Owl	1.48%	8.39%	53.59%	74.02%
S&P 500	0.95%	12.72%	56.52%	75.19%

*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 1.38%. The net total annual fund operating expense is 1.11%. The Adviser has contractually agreed to limit its fees and to assume other expenses of the Fund until February 28, 2017, so that the total annual fund operating expense does not exceed 1.10%. 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.*

Bear Markets are Inevitable

An extended period of strong market performance, similar to what we have experienced since the historic lows of March 9, 2009, brings many investor worries and concerns to the surface. One of the biggest concerns weighing on investors is whether or not the market is overdue for a pullback or correction. It has been more than six years since the last bear market ended. When will the next rout come? We don't know and, despite the endless pontificating in the financial press, no one else does either. The only two certainties are that a correction will eventually occur, and the best way to manage through it is to avoid any attempt to pinpoint the top of the market ahead of time. More likely than not, endeavoring to pick a market top and a coinciding bottom will leave you worse off than if you just stayed the course. Instead, be accepting of its inevitability and emotionally prepared to ride it out.

The reason stocks have historically returned more than cash or bonds is not necessarily because they are more risky but that they are inherently more volatile. Accepting volatility is the price of admission investors must be willing to pay to achieve returns greater than those offered in less-volatile assets.

Stock markets always will—indeed, must—crash from time to time. To understand why, consider the work of the late economist Hyman Minsky. In the 1970s, most theories held that modern economies were fundamentally stable. Deep recessions and financial crises were anomalies, caused by outside “shocks” such as bad policy, war, or a spike in oil prices. Mr. Minsky thought differently. In his view, crises “were neither accidents nor the results of policy errors” but were “the result of the normal functioning of our particular economy,” as he wrote in a 1976 paper titled “*A Theory of Systemic Fragility*.” In short, Mr. Minsky believed that a stable economy leads to optimism, optimism leads to excessive risk-taking, and excessive risk-taking leads to instability. “Success breeds a disregard for the possibility of failure,” he wrote. Booming business (and/or booming markets) and “the absence of serious financial difficulties over a substantial period” leads to euphoria where consumers, businesses, and investors grow increasingly comfortable taking on debt in pursuit of financial gain and believe that stocks have nowhere to go but up. That is when the next crisis begins. The core of Mr. Minsky’s work is that a period without crises plants the seeds of the next crisis. Stability itself can be destabilizing. The paradox of investing is that if markets never crashed—or if investors perceived that they would never crash—stock prices would rise so high that a new crash would become inevitable. Stability in the stock market, like we have had for the last six years, becomes destabilizing. Ultimately, jubilation must turn to tears.

Said another way, market crashes every now and then are simply what’s *needed* in order for investors to earn satisfying long-term returns; they’re not something to be feared. With this as backdrop, we believe the worry about a correction (or crash) is given too much weight by investors and, as a consequence, blurs their long-term thinking. Instead of fretting about when it will come, we take ownership of excellent businesses with strong balance sheets at undemanding valuations. In a market downturn, these businesses will of course experience some degree of pain along with the

general market, but they will likely weather the storm better than many of the average, or below-average, businesses. We believe they will also provide ample upside when the cycle turns, particularly if we use the market sell-off as an opportunity to buy more.

While we need to be wary of long-term risk (i.e. permanent capital loss, not the volatility of the market's daily movements), we also believe that, instead of making equity investment decisions based on predicted market sentiment, we must focus on individual companies, their long-term fundamentals, and whether or not the current prices offer the opportunity to buy mispriced securities that could provide potential for meaningful long-term capital appreciation. In this regard, based on past experience, we continue to believe that periods of market volatility, marked by short-term drops in equity prices, should continue to provide compelling opportunities to buy financially strong, well-managed companies at very favorable prices. As value investors, we believe that having a long-term horizon in an environment that is maniacally focused on short-term events provides us with a strategic advantage. We believe that our long-term horizon, in conjunction with our emphasis on an in-depth analysis of financial statements and a relentless focus on the quantity and quality of a company's cash flow, should provide a big advantage to purchase outstanding companies at bargain prices.

While there are always forecasters predicting the next market downturn, downturns have always been part of the investment landscape. Although downturns tend to make investors nervous as prices decline, we believe our future returns are determined by our strategy leading up to and during these declines, not in attempting to avoid them.

Portfolio Activity

In contrast to the last quarter where we added seven new names to the portfolio (six as part of our energy-related basket), no new names were added during the first quarter of 2015. We did increase the position size in one portfolio name, **Valmont Industries (VMI)**, as we felt investor fears about its decline in utility project orders appeared overdone. Our feeling is that this segment is undergoing a temporary cyclical decline as opposed to a more worrisome secular one. As is often the case, at current prices, the market is ignoring Valmont's long-term earnings power and has focused instead on short-term disruptions.

We strategically decreased holdings in three names, **Kohl's (KSS)**, **Target (TGT)** and **Walgreens Boots Alliance (WBA)**, as appreciation in each company's stock price pushed shares closer to our intrinsic value estimates. Kohl's efforts in building out its omni-channel offering along with targeted marketing reforms have resulted in recent sales momentum that appears sustainable. We have long felt Kohl's business possessed unique advantages that, if harnessed properly, would ultimately lead to same-store sales growth. Target benefitted primarily from addition by subtraction as it announced that it was discontinuing its foray into Canada. The ill-conceived venture has been a drag on company profits since inception and new management made the bold decision to stop deploying

capital into what was likely a money losing effort for the foreseeable future. Walgreens is benefitting from strong sales in its U.S. stores and earnings accretion from its two-stage acquisition of Alliance Boots, which was completed in 2014. All three of these actions – Kohl’s decision to invest in its omni-channel offering, Target’s decision to stop throwing good money after bad in Canada, and Walgreens acquisition of Alliance Boots – are excellent examples of how capital allocation by management is one of the primary determinants of shareholder value.

We eliminated one holding, **Coach (COH)** as it reached our recently downgraded assessment of intrinsic value. While sales have likely stabilized at Coach, today’s price could prove low only if sales improve dramatically from here over the next couple of years, which we view as a low probability. We still believe the brand has value and management’s turnaround plan is credible, but execution risk remains high. We also think that there may be too much competitive pressure for sales to grow, even from today’s dramatically lower base, at rates that would make our exit price seem too pessimistic. In hindsight, we should have been more skeptical before initially purchasing the stock because the genesis for this mistake can be traced back to a poor assessment of Coach’s moat. We initially believed Coach’s brand possessed wide moat characteristics, but increased competition and the fact that the company needed to make large investments as a result demonstrated that the moat was actually much narrower than we believed.

We can’t promise this will be our last mistake. They say mistakes are the portal to discovery and we will make sure we learn something from each one. On the other hand, we can promise to treat your money as if it were our own and to remain fully transparent in the decisions we make.

The Case Against Indexing

The debate over how investment capital should be managed has raged for years. Should funds marked for investment be placed, as they have typically been for many decades, with “active” managers (that is, the practice of using human judgment to select securities based on the merits of business quality, valuation, and risk) who attempt to construct portfolios using individual securities in an attempt to outperform a market index? Or should they be entrusted to “passive” managers who merely try to match a market index and can therefore charge a much lower fee for their services? Passive investors sacrifice the opportunity to earn more than the applicable index, knowing that they also forgo the risk of earning substantially less.

One of the accelerating trends of the post-crisis investing landscape is the marginalization of “active” management in preference for “passive” management in the form of index funds. For active managers, 2014 was an awful year in which they failed to match their market benchmarks on a scale not seen in decades. Some estimates suggest that as many as 90% of active managers in the U.S. underperformed their benchmark in 2014 (including us). In fact, sentiment toward stock pickers has gotten so bad that searching for “active management” on Google displays results like “Can Anything Save Active Management?” and “Is Active Management Dying?”

Meanwhile, inflows into actively managed funds have collapsed, particularly in the huge market for U.S. funds investing in equities, as investors have expressed their displeasure by moving money to low-cost funds that mimic indexes. In 2014, actively run U.S. stock funds suffered \$98 billion in net redemptions, while index funds took in \$167 billion. According to recent data, actively managed funds still held a majority of all stock fund assets, or roughly 63% of the \$8.7 trillion stock fund business, but the numbers are changing quickly as more than 98% of inflows to stock funds in the first nine months of 2014 were directed to index funds. Passive managers' 37% share has more than doubled from 10 years earlier, Morningstar data show.

The stream of money from institutions and retail investors that was already flowing instead to rival passive funds has turned into a flood. Fidelity Investments, once the world's largest fund manager, saw \$25 billion flow out of its active funds this year. Vanguard, its successor as the largest US mutual fund group, took \$189 billion into its passive funds. As these flows indicate, the outcry for passive over active and that active management is a waste of time are louder today than they have ever been.

Before delving further, it is important to understand the logic that sparked the invention of index funds in the first place. Theoretically, an index fund benefits from the "free rider" concept, in which daily market prices are established via the fierce competition amongst active managers, each of whom is diligently working to uncover and exploit pricing inefficiencies through fundamental research and nuanced judgment. Over time, greater assets accrue to the most capable at this game, thereby constantly increasing the influence of the most successful active managers at the expense of those less successful. The index buyer benefits from this competitive price discovery without the effort of being an active participant, and achieves the "fair" market return with lower costs and easy diversification.

Naturally, any free rider benefit is best exploited when the rider is as close to invisible as possible. If the market share of the free rider becomes too large relative to the active players, the index begins to distort the pricing mechanism by its own participation. It is a matter of debate where the line might be drawn, but when 37% of all investments are managed to an index and when 98% of new money that enters into a market is ultimately funneled into the securities represented by those indices, it seems clear that popular indices have gone from reflecting competitive market prices to actively driving them.

Stocks have moved in lockstep to an unusual degree since the 2008 financial crisis. Indeed, monthly dispersion among S&P 500 members, a measure of how much individual stock prices move relative to the market, narrowed for the fifth year in a row during 2014 and reached the lowest level since 1979 in August, according to data compiled by JPMorgan Chase & Co. and Bloomberg. It's not a stretch of the imagination to conclude that this increased correlation is due to the massive inflows into passive products, such as index-linked mutual funds and Exchange Traded Funds (ETFs). (An ETF is a marketable security that generally tracks an index composed of equities, bonds,

commodities, etc., and, unlike mutual funds, an ETF trades like a common stock on a stock exchange.) ETFs, in particular, have encouraged rapid, mass movements of stocks, and caused them to trade more closely together.

These higher correlations, by definition, make it more difficult for active managers to generate alpha, or outperformance, at least in the short term. A vicious cycle may well be underway. Active managers could be lagging the index by virtue of underweighting the low-quality “tail” of the indexes, while passive flows may be bidding up this very segment. If investments with active managers are then redeemed in favor of ETFs and index funds, it could result in more selling pressure for higher-quality names, more buying pressure for lower-quality names, more relative underperformance by active managers—and around we go.

In addition to the plethora of index-related mutual funds, there are currently 1,700 different ETFs where you can express a market view. Based on availability and ease of use, many investors are forgoing choosing individual stocks in order to choose sectors, countries, risks, or mixing and matching all of the above. A typical commercial for an ETF goes something like this: *“Thinking of buying Apple, Google, or Microsoft? Why own a single technology stock when you can own them all. With the technology sector ETF, take the risk out of owning individual stocks.”*

The ETF industry would love to see the asset management industry continue to move from an emphasis on security selection to ETF selection. The rationale for creating more and more of these products designed to slice and dice the market every which way is that investment managers need them. The industry’s rapid growth has been interpreted as proof that, in fact, they are needed and managers just didn’t realize how much until they had them. Well, kids don’t need matches, but, if they are given a pack, they sure as shootin’ will use them. And they will likely burn down the house.

Will the new wave of index/ETF investors burn down house? The “no hands” index approach works well when there is momentum in the market and it’s moving primarily in one direction, which is exactly the environment we’ve been in for roughly the last six years. The problem is that feedback loops go in both directions. When a positive feedback loop turns into a negative feedback loop, what should be a modest sell-off or correction can quickly turn into a crash. As history has shown, when a large number of price-insensitive investors whose primary attraction to an index was that it was going up wish to hit the exit door at the same time, there may not be enough natural buyers to fill the need for liquidity in an orderly fashion. This creates a vacuum that only much lower prices can fill.

Much like today, in the late 1990s, after widespread underperformance by active managers in a market run that failed to distinguish companies with good fundamentals from those with bad fundamentals, many investors moved into what had done well, including passive strategies in technology (NASDAQ 100 ETF) and U.S. large cap equities (S&P 500 index funds/ETFs). The momentum of more money flowing into the largest and most expensive stocks forced the

capitalization weighted indexes to add more to those stocks, driving prices well beyond the values of the underlying businesses. For those who believe that investing in vehicles that mirror index performance is always sensible regardless of valuation, what happened next is part of investment lore: From the peak in March 2000, the NASDAQ 100 and the S&P 500 lost approximately 80% and 45%, respectively, over the next two and one-half years. In the multi-year period that followed, individual company qualities and valuations mattered, and the relative performance of proven active managers versus passive indices reversed itself, as we believe it will again. As our long-term clients would expect, at this moment of weak relative performance and active management in disrepute, our optimism about future relative performance is exceptionally high.

We have a basic view of the investing world that price matters, independent research matters, and that there are opportunities in the marketplace because share prices regularly move more than company values do. ETFs do not distinguish between good and bad companies or undervalued and overvalued stocks—but that does not mean there are no such differences, or that they will not have ramifications for investors. With so many stocks trading together and with valuations that fail to reflect striking differences among them, we believe that active investors should see the current environment as a major opportunity. The key, in our view, is to have patience enough to avoid short-term speculative choices in favor of focusing on a long-term time horizon tied to underlying fundamentals.

One argument for indexing revolves around the fact that information is so widely and readily available that no one can get an edge because all available information is immediately factored into stock prices. On the contrary, the challenge to investing is and always will be to filter out relevant information from the massive quantity available. Of the hundreds of factors or variables in any investment, typically it's only a small handful that are truly important. Deciphering what those important factors are and how they may impact a company's future business and economic results takes judgment, acumen, and a dose of common sense. Indexing assumes this away.

At the end of any long-trending market, people would not be people if they had not imbibed the idea that stocks are more alike than not, along with the corollary that they are not so much fractional interests in individual businesses as they are disembodied ticker symbols. During a great bull market, the difference between companies is likely to matter a great deal less than the fact that the market is going up. Why bother to read the 10-K and the associated footnotes if one stock is essentially as good as another?

The case against indexing is ultimately straightforward as this simple thought experiment demonstrates. Take the S&P 500 with its 500 large capitalization companies. Assume 499 are solid, reasonably valued companies, but there is one predictably inferior company (e.g., outmoded business model, wild overvaluation, weak management, etc.) whose future price performance will surely be worse than the overall index over a reasonably long period of time. A passive investor in this index assumes ownership of all 500 companies, including the inferior one. An active manager, on the other

hand, could choose to own just the 499 good ones and will therefore outperform the index. If two clearly inferior companies can be identified, then the active manager will be that much better off. If three inferior companies can be identified . . . well, you get the idea. While this example is contrived, the basic concept of a competent active manager attempting to weed out inferior companies while owning better ones seems to validate that active management has an important role to play. Believe us when we say that the fine art of security analysis is not dead.

As of 03/31/15, Coach 0.0%, Kohl's 4.0%, Target 2.4%, Valmont 2.3% and Walgreens Boots Alliance 2.0% 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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