GREEN OWL®
INTRINSIC VALUE FUND

Letter to Shareholders **October 31, 2017**

Kovitz Investment Group launched the Green Owl Intrinsic Value Fund (the "Fund") with the goal of seeking long-term capital appreciation through high risk-adjusted returns. Relying on a fundamental, research-driven process, the Fund strives to build a diversified portfolio of equity investments through the purchase of competitively advantaged and financially strong companies at prices substantially less than our estimate of their intrinsic values.

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.

Market and Performance Summary

For the fiscal year ended October 31, 2017, the Fund returned 27.02%. In comparison, our benchmark, the S&P 500 Index, gained 23.63% during the same period. Since inception on December 28, 2011, the Fund has compounded at an average annual rate of 14.03%, versus 15.34% for the S&P 500 over the same time period.

The current bull market in stocks, which began in the still dark days of the financial crisis in early 2009, has now lasted for over 8 ½ years. But while many consider this to be getting long in the tooth, this past year has been one of the calmest stock markets on record. Volatility has been practically non-existent. In fact, the market (using the S&P 500 as a proxy) has not had a correction of more than 3% since the presidential election last fall. Historically, stocks have averaged at least one 15% correction per year and corrections of 5%-10% have been commonplace. Furthermore, with interest rates low, the economy on firm, if unspectacular, footing, and corporate profits strong, this bull market shows no signs of slowing any time soon.

However, one of the hallmarks of bull markets is that they dull investors' senses. Bull markets breed a certain complacency that leads many to assume more risk in their portfolios. Maximizing returns becomes the priority while risk management takes a backseat. Fear of missing out replaces investment discipline. It can be tempting to forget that nasty downturns happen with some regularity, and there is never a bell rung to announce their arrival.

With the market trading at elevated levels, many investors tend to justify continued investments on a relative basis. We constantly hear that stocks are cheap when compared to low yielding bonds or that buying stocks with some kind of dividend yield is better than keeping cash reserves with little or no yield. The acronym "TINA" (there is no alternative) is sometimes used to describe the rationale for the capital flows into equities.

So what are we doing in the midst of the second longest bull market in history? Since Fund management typically acts cautiously in the application of its investment process, we are exhibiting even more caution than usual. Our bottom-up research emphasizes business quality, industry structures, growth opportunities, management skill, and corporate culture. It is further augmented by our assessment of the company's ability to sustain earnings power over economic cycles through an understanding of its competitive advantages, business model, and management's proficiency in the allocation of capital. If a company passes these qualitative screens, our risk management principles will only allow purchase if the shares are trading at a sufficient discount to our estimate of their worth.

We therefore use absolute, rather than relative, methods to estimate companies' intrinsic values and we use the movement of market prices around these intrinsic value estimates to construct and manage a portfolio of high-quality businesses that have the potential to create sustained shareholder value over many years. When we can't find investments that meet these criteria, our default option is to hold cash, which we continue to maintain at levels higher than normal. We don't view cash sitting around earning negligible returns as an abdication of responsibility. Our primary responsibility is to protect the capital entrusted to us. Growth of that capital is an important, but secondary, consideration. Cash also affords maximum flexibility as it can quickly be channeled into investment opportunities with minimal friction and transaction costs. When – not if – this long-running bull market comes to an end and bargain-hunting comes back into vogue, we'll be happy we have it.

With the ongoing trend towards passive (index) investing and the increasing level of quantitative/algorithmic trading, a small fraction of trades today are being implemented by human beings making fundamental value judgments regarding companies and their stocks. And what should we think about the willingness of investors to turn over their capital to a process in which neither individual holdings nor portfolio construction is the subject of thoughtful analysis and decision-making, and in which buying takes place regardless of price? We'll stick to our time-tested principles of fundamental value investing that have served us well over more than two decades. To us, it feels like it's a better time to emphasize avoiding losses rather than seeking gains.

In the meantime, our job is to continue to identify companies that are unappreciated by the market and whose shares are undervalued. A contrarian approach – avoiding recently expensive securities and favoring recently cheap securities – may be uncomfortable in the short run, but it is a sound way to generate outperformance in the long run. Our job is to endure the emotional discomfort of deviating from the crowd, which sets the stage for our style of investing to continue to work over time. The bedrock of our philosophy is that price matters. Our clients would be poorly served if we chose to simply pile into whatever shares had appreciated the most over recent years, ignoring price, valuation, and underlying fundamentals. This is a time when paying calm, careful, and deliberate attention to the changing investment landscape can have a tremendous payoff.

Performance Attribution

Key Contributors to Relative Results

The individual positions that contributed the most to performance, on a dollar basis, during the year were: **Apple (AAPL)**, **Boeing Co. (BA), Bank of America Corp. (BAC)**, **Berkshire Hathaway (BRKB) and JPMorgan & Co. (JPM)**. On a percentage basis (excluding dividends), the top performers for the year were: Boeing (+81%), Bank of America (+66%), CBRE Group (CBG, +53%), CarMax (KMX, +50%), and Citigroup (C, +50%).

On a sector basis, the Fund's overweight stance in the Financial sector contributed significantly to results. Three of our bank holdings (JP Morgan, Bank of America, and Citigroup) were up at least 45% while **Leucadia (LUK)** and **American Express (AXP)** were also particularly strong.

Holdings in the Industrial sector also contributed meaningfully to results with Boeing, **Robert Half International (RHI)** and **Quanta Services (PWR)** the primary standouts.

The Fund's underweight position in the Telecommunication sector also contributed to results as Telecom was the only sector with a negative return over the fiscal year.

Key Detractors to Relative Results

The individual positions that detracted the most from performance, on a dollar basis, during the year were: **Walgreens Boots Alliance (WBA)**, **Harley Davidson (HOG)**, **CVS Health (CVS**), **Schlumberger (SLB)**, and **Haliburton (HAL)**. On a percentage basis (excluding dividends), the worst performers for the year were: Walgreens (-20%), Schlumberger (-18%), Harley (-17%), Haliburton (-7%), and CBS (CBS, -1%).

While the Fund's security selection was strong in the Technology sector its underweight position detracted from results.

Cash holdings were also a drag to the Fund's results.

Portfolio Activity

Portfolio activity during the year included the following:

Initiated positions in the following 5 companies: **Bayer AG (DB:BAYN**), **Blackstone Group (BX)**, **Cheesecake Factory (CAKE)**, **Delta Airlines (DAL)**, and **PPG Industries (PPG)**.

Increased position sizes in the following 8 companies: **Alphabet (GOOG)**, **Amerco (UHAL)**, **Aon (AON)**, CBRE, CBS, Citigroup, **General Motors (GM)**, and Harley.

<u>Exited positions</u> in the following 3 companies: **Coca Cola (KO)**, **CVS Health (CVS)**, and **Kohl's (KSS)**.

<u>Decreased position sizes</u> in the following 6 companies: Bank of America. Boeing, Jacobs **Engineering (JEC)**, **Leucadia (LUK)**, Quanta, and **Wells Fargo (WFC)**.

As of October 31, 2017, the Fund's ten largest positions were: Berkshire Hathaway, Apple, Quanta, JPMorgan, **General Motors (GM)**, Bank of America, Boeing, American Express, CBRE Group, and Alphabet.

Overall, we remain optimistic about the long-term outlook for the Fund, where the valuation of its holdings, in aggregate, is significantly lower than that of the overall market. The wide valuation disparities that characterize the current market offer significant opportunities for active management. We remain focused on the careful and patient application of our investment criteria and valuation requirements. Patience, persistence, and a long-term investment horizon are essential to long-term investment success. We encourage our shareholders to take a similar view.

Thank you for your continued support and trust in our ability to manage your investment in the Fund.

Kovitz Investment Group

The fund was incepted on December 28, 2011. As of March 31, 2018 the one year return for the fund was an increase of 8.78%, net of fees, compared to an increase of 13.99% for the S&P 500 Index. The five year average annual return for the fund was 10.23%, compared to 13.31% for the S&P 500 Index. Since inception, the average annual return for the fund was 13.06%, compared to 14.87% for the S&P 500 Index. 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. The total expense ratio is 1.35%, and the net expense ratio is 1.13%. The capped expense ratio after fee waiver contractual through February 28, 2019 is 1.10%. This operating expense limitation does not apply to interest, taxes, brokerage commissions, other expenditures which are capitalized in accordance with generally accepted accounting principles, other extraordinary expenses not incurred in the ordinary course of the Fund's business, dividend expense on short sales, expenses incurred under a Rule 12b-1 plan of distribution, "acquired fund fees and expenses," and expenses that the Fund has incurred but did not actually pay because of an expense offset arrangement.

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.

The views and opinions expressed in this material are of the author and may or may not be accurate over the long term. While we believe we have a reasonable basis for our appraisals and we have confidence in our opinions, actual results may differ materially from those we anticipate. These opinions are current as of the date of this report but are subject to change. There is no guarantee that any forecasts or opinions in this material will be realized. Information should not be construed as investment advice. The information provided in this material should not be considered a recommendation to buy, sell or hold any particular security.

Investing involves risk, including loss of principal. There is no guarantee that this, or any, investing strategy will be successful. Diversification does not ensure a profit or guarantee against loss. The Fund may invest in the stocks of small and medium capitalization companies, which may subject the Fund to additional risks. The earnings and prospects of these companies may be more volatile than larger companies. Small and medium capitalization companies may have limited product lines and markets and may experience higher failure rates than do larger companies.

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. Investing involves risk, including loss of principal. Diversification and asset allocation do not ensure a profit or guarantee against loss.

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