Poplar Forest Funds Quarterly Report

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March 31, 2017

Poplar Forest Capital

About Poplar Forest

Formed in September 2007, Poplar Forest Capital provides investment management to select individual and institutional investors. We currently manage approximately $1.6 billion of assets using a focused, disciplined and long-term contrarian approach to investing. We offer access to our expertise through three mutual funds:

Poplar Forest Partners Fund: Established in 2009, our flagship fund is a U.S. focused, contrarian value fund designed to be a core portfolio holding. The Fund seeks long-term growth of capital by investing primarily in equity securities of underappreciated large and medium-sized companies and industries.

Poplar Forest Cornerstone Fund: Established in 2014, our balanced fund of U.S. focused equity and debt securities is designed to be a core portfolio holding. The Fund may be suitable for long-term investors who seek a combination of both capital growth and preservation with less volatility than would generally be inherent in an all equity account.

Poplar Forest Outliers Fund: Established in 2011, Outliers is a U.S. focused, contrarian value fund designed for long-term investors interested in the growth potential of underappreciated medium and small sized companies and industries. The Fund may be suitable for investors who seek capital growth and are comfortable with the increased volatility that can come with these kinds of investments.

Our Mission and Values

Our mission is to achieve superior risk adjusted returns, net of fees and taxes, over full market cycles by investing in underappreciated companies and industries. We strive to be successful and live by these values:

- Stewardship
  - We put our client-partners first, our associates second, and the company third.
  - We believe in remaining small, so that size won't impede investment results.
  - We continually strive to exemplify the highest ethical standards.
- Partnership
  - We personally invest alongside our client-partners.
  - We share the benefits of scale with our stakeholders.
  - We treat our associates equitably.
- Passion with Humility
  - We aim for nothing less than market beating, long-term returns.
  - Even in our convictions, we remember that the other guy may be right.
  - We recognize that mistakes are inherent in investing. We try to admit mistakes early while striving to learn from them.

Average Annual Total Returns as of March 31, 2017						
						SINCE INCEPTION
CONTRARIAN VALUE FUNDS						
Partners Fund	QTR	YTD	1 YR	3 YR	5 YR	12/31/2009
I Shares	0.61%	0.61%	23.50%	7.74%	14.28%	13.17%
A Shares No Load	0.56%	0.56%	23.21%	7.47%	13.99%	12.89%
A Shares With Load	-4.47%	-4.47%	17.06%	5.64%	12.82%	12.09%
S&P 500® Index	6.07%	6.07%	17.17%	10.37%	13.30%	13.29%
Russell 1000® Value Index	3.27%	3.27%	19.22%	8.67%	13.13%	12.76%
Cornerstone Fund						12/31/2014
I Shares	1.07%	1.07%	16.03%	-	-	6.45%
A Shares No Load	1.03%	1.03%	15.74%	-	-	6.19%
A Shares With Load	-4.03%	-4.03%	9.97%	-	-	3.78%
60/40 Blended Index*	3.95%	3.95%	10.26%	-	-	6.02%
CONTRARIAN MID-CAP FUND						
Outliers Fund	QTR	YTD	1 YR	3YR	5 YR	12/31/2011
I Shares	1.18%	1.18%	11.46%	2.45%	10.39%	13.33%
Russell Midcap® Index	5.15%	5.15%	17.03%	8.48%	13.09%	15.07%

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment 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 877-522-8860. Performance for Class A Shares with load reflects a maximum 5.00% sales charge. Class A shares without load do not take into account any sales charges which would reduce performance. The Partners Fund expense ratio is 1.25% net and 1.29% gross for the A Shares and 1.00% net and 1.04% gross for the I Shares. The Cornerstone Fund expense ratio is 1.16% net, 2.30% gross for the A Shares and 0.91% net and 1.98% gross for the I Shares. The Outliers Fund expense ratio is 1.13% net, 4.23% gross for I Shares. The Advisor has contractually agreed to the fee waiver through at least January 27, 2018.

The Outliers performance shown prior to December 31, 2014 is that of the Predecessor Partnership and includes expenses of the Predecessor Partnership. Simultaneous with the commencement of the Fund's investment operations on December 31, 2014, the Predecessor Partnership converted into the Institutional Class of the Fund. The Predecessor Partnership maintained an investment objective and investment policies that were, in all material respects, equivalent to those of the Fund. The performance returns of the Predecessor Partnership are unaudited and are calculated by the Adviser on a total return basis. The Predecessor Partnership was not a registered mutual fund and was not subject to the same investment and tax restrictions as the Fund, which, if applicable, may have adversely affected its performance.
**The 60/40 blended index includes 60% of the S&P 500® Index and 40% Bloomberg Barclays US Aggregate Bond Index.*

CONTRARIAN VALUE COMMENTARY

To My Partners,

After being down three goals, my youngest daughter's water polo team – the Polytechnic Panthers -- had battled back to tie the game. Now, with two seconds on the clock, the ball was in the hands of Poly's star player. She launched a rocket, but it bounced off the right post, sending the game into overtime. Both teams were tired, but the Poly girls' conditioning ultimately paid off in a victory. The win capped an incredible turn-around: the team had entered the season the lowest ranked of the division's 33 teams; now they were headed to the Championship Game!

For seven years, I'd watched my two daughters play water polo. I knew virtually nothing about the sport before Caroline, a competitive swimmer since the age of four, took it up as a high school freshman. Three years later, her younger sister Lucy began playing, too. For seven thrilling seasons, I'd been a proud dad at the side of the pool watching my girls give their all for the team. They didn't always win, but they always did their best – what more can a father ask? After spending 17 years (a third of my life) as an ardent coach/fan of my kids' soccer, football, volleyball, tennis, swimming, baseball, softball, cross country and lacrosse teams' competitions, I was headed to a final game.

The Championship started in a familiar way: once again, our girls found themselves down by three as the first quarter neared its end. But they didn't give up, and stuck with their game plan, increasing the defensive pressure. When the rival team swarmed Poly's best shooter, the Panthers passed the ball to an undefended teammate who was free to shoot. The game was soon tied. As you have probably guessed by now, the Poly Panthers prevailed to win the Division 5 Title!

In a couple short months, Lucy will not only be a CIF water polo champ, she'll also be a high school graduate starting the transition to college, leaving me an empty nester. Transitions sometimes prompt discomfort, but change can also bring opportunity.

Recent Fund Results – Behind After the First Quarter

As you will read in our fund reviews beginning on page 10, the start of 2017 has been as frustrating for Poplar Forest as were the first periods of Lucy's final water polo games. We didn't lose money, but our funds have lagged behind the S&P 500®, which is up over 6% in the three months ending March 31. In some cases, this is simply a case of stocks that were strong in the last six months of 2016 giving back some of their gains, but in a handful of cases we hit a bump in the road on turnarounds that had appeared to be on track. We continue to have high conviction in these investments and, like the Poly Panthers, we believe that sticking to our game plan -- focusing on the normalized results of the companies in which we invest -- will deliver market-beating, long term results for our funds.

As I've discussed in the past, I wish I knew how to generate great results each and every quarter, but that's not how investing works. In order to generate above average long term results, one needs to hold a different than average portfolio. In the short term, intrinsic value can matter far less than changing sentiment. As sentiment swings, formerly in-favor stocks become unpopular. Those who have followed

us for years have noted that, historically, periods of weak results have been followed by strong periods as the market ultimately recognizes the formerly underappreciated value of the stocks that we, as contrarian investors, own. As recently as this time last year, our funds were down in absolute terms and well behind their respective benchmarks. We stuck with our game plan and the year turned out to be a very good one. I don't know if our 2017 results will follow the same pattern as they did in 2016, but with a long-term view, we see tremendous value in the investments we own today.

For many investors, the current investment environment feels challenging. The new administration in Washington is charting a very different path than that pursued by the Obama team. For much of the preceding eight years, the Federal Reserve was the focus of investor attention. Now it's the White House and President Trump's Twitter feed. For eight years, it seemed as if the ever present question was: "Risk On or Risk Off?" Now we seem to have transitioned to an environment of "Trump On or Trump Off?" The rules of the game seem to have changed and investors aren't quite sure what to make of it.

The cacophony of voices of criticism and support on Capitol Hill competes with talking heads and pundits on TV, all trying to predict what can and can't get through Congress. It seems as if everyone has an opinion and they all think they're right. In times like this, it is easy to get sucked into speculating on the future, but I don't think anyone can correctly predict how this will all play out. Insiders don't know any better than the rest of us; just ask Paul Ryan. If he couldn't get heath care reform through a Republican-controlled Congress, then how can we possibly make a call on the other big issues of the day? While it's likely that tax rates will decline, it's too early to confidently know how low they will go or what form they might take. And while the need for infrastructure spending seems obvious, it is unclear how much of President Trump's proposed $1 trillion plan will actually get funded just as there's no telling when any such projects might begin. If it were up to me, I'd save infrastructure spending for a recessionary rainy day, but of course, it's not up to me.

Transition periods are rife with uncertainty, and the one we are currently living through seems particularly uncertain. But as I remind myself, **life is always uncertain**. In the same way Poplar Forest didn't let Central Bank speculation drive the investments we made over the last eight years, we aren't going to let guesses about what Congress will or won't pass or repeal drive our process today. We readily acknowledge the big questions of the day, but we remain focused on a bottom up investment process that tries to identify companies about whom investors have unduly low expectations – stocks that we believe can produce market-beating, long-term results regardless of the reactions to today's goings on in Washington (or President Trump's latest 140-character tweet).

As my youngest readies for her first year as an undergraduate, I can't help but reflect on one of the most important events in my development as an investor. When I was at the University of Virginia, the final class for finance majors taught us to develop statistical models to predict economic growth. We were then told how to translate that outlook into expected growth for an industry of our choice. Finally, with that backdrop, we were asked to predict the fortunes of an individual company. In many ways, this class was practice for the approach many investors use in selecting stocks for their portfolios. It was a group project and our team got an A; we had done it exactly right, according to the professor. Based on all the available evidence, we demonstrated that the future was bright for Digital Equipment Corporation (a

computer company often referred to as "DEC”.)

Despite the good grade, however, it turns out we were completely wrong - the company for whom we’d projected rapid growth was soon in decline. Work that earned an A in the classroom earned an F in the stock market. I hate to be wrong and I detest losing money, and this final collegiate project really got my attention. In addition to delivering a healthy dose of humility, it taught me that top-down forecasting and investing in businesses perceived to have rosy futures could be hazardous to my financial health. I was determined to find a better way.

I found my answer in value investing and the writings of Graham & Dodd and Warren Buffett. Though they weren’t doing it the way I had been taught in school, their approach made intuitive sense to me. They turned the problem on its head by focusing on value over macroeconomics. In essence, **when a company deemed to be troubled becomes less troubled, its stock price often experiences a large gain**. Conversely, **when a great company becomes merely good, its owners often suffer a terrible decline**. My work on DEC was a stark demonstration of this principle.

In 1991, when I started at the Capital Group, I was assigned research coverage of the energy industry. In thinking about this task, I identified oil prices as the key variable in assessing the worth of these companies. Much of the investment research I read on these companies included a healthy dose of oil price forecasting, just as it does today. As I contemplated the problem, I concluded that I had no special ability to correctly discern hydrocarbon prices with any degree of precision. I felt comfortable that prices were unlikely to sustainably fall below $15 or exceed $25 a barrel given the economics of the business, but within that range, it wasn't clear to me that $18 made any more or less sense than $20. That $2 difference doesn't sound like much, but it had a big impact in determining which stocks looked attractive. I decided to focus on trying to identify investments that didn't need a precise price projection to be profitable.

The energy business has changed a lot since 1991. Extraction and operating costs have gone up dramatically since then and these higher costs suggest that, in the current environment, a realistic price range for oil is $45 to $75 per barrel, in my opinion. When oil prices got towards the low end of that range, we started seeing an increased number of opportunities in energy stocks. When oil got to $30, many investors threw in the towel and we excitedly bought more at what we thought were bargain prices. A big reason for our great results last year was oil prices returning to a reasonably normal range based on long-term economics. Now that prices are back in an economically justified range, our focus has turned to ensuring that our investments have company-specific factors that can drive their future results.

The Poplar Forest Game Plan – Avoid Unanswerable Questions

Having experiences with DEC and energy stocks early in my investing career convinced me it was **necessary to distinguish between important questions that are knowable and those that can't be answered with confidence**. Take corporate tax rates, for example. I am fairly confident that tax rates aren't going up in the next few years. Furthermore, I think there is a better than 50% chance rates will go down - but to what level? What form they will take? Will taxes be border adjusted? I don't know, but I do

know that **if** we get material tax reform, some companies will be big winners. How then does one invest when the answers to key questions like this are unknowable?

I like to start with valuation multiples. For me, the valuation of a stock suggests the consensus opinion of investors about an individual company's prospects. While I find the ratio of a company's price to its sales or book value to be even more informative, for the sake of simplicity, I'll use the price/earnings (P/E) ratio (stock price divided by earnings per share) for this discussion as it is probably the valuation metric used most widely by investors. In simplest terms, **a below average P/E ratio suggests that investors expect the company in question to either grow earnings at a below average rate or to have higher than average risk**. A higher than average ratio implies just the opposite.

Instead of spending time trying to answer unanswerable questions, **I look for situations where the consensus opinion, as expressed in a stock's valuation multiples, seems to imply that we might be able to make money without having to correctly forecast some macroeconomic variable**. For example, let's take President Trump's $1 trillion infrastructure plan. As I discussed in my year-end letter, I worry that the country simply doesn't have the resources to do all that the President wants to do. That said, the country has real infrastructure needs and it would be easy to put a lot of money to work, if the money were available. Furthermore, improved infrastructure would likely improve the job market and the nation's productivity. As my colleague Steve Burlingame discusses in his letter (beginning on page 12), we are near a generational low in productivity largely stemming from weak capital investment. While we have the need, and while the potential returns likely justify the investment, we simply may not have the money to spend. Will a massive infrastructure bill get through Congress and onto the President's desk? If it does, on what will the money be spent? Honestly, I don't know.

What I do know is that the shares of AECOM are trading at roughly 12x earnings at a time when the average stock in the S&P 500® is being valued at 17-18x. AECOM is an engineering, design and construction company that would likely be a big beneficiary if we build lots of new roads, bridges, water systems and airports. The market is saying that AECOM has well below average prospects relative to the average company. I find this curious. Effectively, the current valuation of AECOM suggests there will not be a big new infrastructure program in the U.S. What makes this particularly notable is a comparison of AECOM's valuation to other, better-known companies that would be expected to be beneficiaries of a big U.S. infrastructure program. As you can see below, many of these companies have above average P/E ratios suggesting investor optimism about the future. Disconnects like this make me very excited!

	Price 3/31/17	Consensus 2017 EPS	Price/ Earnings Ratio*	Market Value ($billion)
Caterpillar (CAT)	$92.76	$3.08	30.1x	$54.7
Deere (DE)	$108.86	4.81	22.6x	$35.0
Vulcan Materials (VMC)	$120.48	4.01	30.0x	$16.1
Martin Marietta (MLM)	$218.25	8.20	26.6x	$13.8
AECOM (ACM)	$35.59	$2.93	12.1x	$5.5

*Forward NTM Price/Earnings

We were invested in AECOM well before the election as we were attracted to the company's potential to improve its margins through cost cutting and by the free cash flow that was being directed at debt reduction. We were enthused about AECOM regardless of who was elected last November, but now the odds feel even more firmly in our favor. Investors appear to be pricing AECOM shares as if there will be no big infrastructure bill. If nothing comes to pass, then we would appear to have little to lose given the current 12x forward P/E ratio, but if a big spending bill makes it through Congress, as is suggested by the 23-30x multiples on the other companies listed above, we may be handsomely rewarded.

In situations like this, I try to determine why we seem to be seeing something other investors aren't. Why are we getting such a seemingly compelling opportunity? First, AECOM isn't well known - and its name does not provide a clue as to the company's line of work. Second, it isn't a big company - the market value is just $5 billion. As a result, it's an easy company for most fund managers to ignore. The stock hasn't been selected for inclusion in the S&P 500®, despite it being larger than several other companies on the list. In an environment increasingly dominated by large, often passive funds, it is easy for a company like AECOM to slip through the cracks. Given our size and structure, a situation like this is ideal for Poplar Forest. We own the stock in all three of our mutual funds, though the lack of a dividend has led us to a smaller position in the more conservative Cornerstone Fund. Searching for overlooked opportunities like AECOM is something I particularly enjoy; it's why I love going to work every day.

In Closing – We See Opportunity

In mid March, I attended a conference for the U.S.'s top 200 financial advisors. It was an impressive group and it attracted several well-known investors. These brave men and women were not afraid of the unanswerable questions – they claimed to have the answers! Interestingly, their presentations suggested a wide range of outcomes for stocks. One economist demonstrated that stocks were priced at a 65% discount to fair value; others predicted increasing volatility and low returns. All the presenters were experienced and spoke with conviction. With so many smart people making such widely divergent forecasts, it was hard to know what to think. I'm glad that you don't count on us for general market forecasts. I may have opinions, but most of the time I think the broad market is within 5-10% of fair value.

In my experience, two things kill a bull market: excessive optimism and/or a flattening of the yield curve engineered by the Federal Reserve. From my vantage point, I continue to see evidence of skepticism on the part of investors, despite the recent new high in the S&P 500®. The yield curve is still upward sloping, though a little less so than it was last week.

Trying to determine where the market is going in the short term doesn't seem like a good use of our time. At Poplar Forest, we acknowledge that markets have generally moved higher over the long run, but it's never a straight line. There have been corrections along the way and we assume there will be more in the future, but trying to predict when they will occur seems like a fool's errand. I'll stick to what I've done for more than 20 years: working from the bottom up to find opportunities that we believe will be rewarding over a multi-year investment horizon.

In much the way my daughter's water polo coach was confident his team would pull out a victory despite starting off behind, I feel great about the prospects for the companies in our portfolios. Yes, the year has

started out on a less-than-robust note, but our assessment of fair values suggests considerable upside potential for the companies in our portfolio on both an absolute and relative basis. At Poplar Forest, we tend to go shopping in the parts of the market where stocks appear to be on sale, and that sometimes means our results lag as we make new investments. In 2011-12, we saw lots of bargains in financial service companies. In 2014-15, energy and materials stocks were on sale. In both cases, our willingness to buy what others were discarding proved rewarding.

I don't know how long this current period of weakness will continue, but we love what we own and we continue to find what we believe are attractive new investment opportunities. Everyone on the experienced Poplar Forest research team has invested his or her own money in our funds, and we look forward to hopefully reporting better results as we move through the remaining quarters of the year.

Thank you for your continued confidence in Poplar Forest,

Dale

J. Dale Harvey

March 31, 2017

PARTNERS FUND REVIEW

Portfolio Manager: J. Dale Harvey

The Partners Fund Institutional Class shares produced a 0.61% return versus the S&P 500®'s 6.07% in the quarter ending 3/31/17. The recent period saw an unwinding of the "Trump trade" which had benefitted many of our energy, industrial and financial service investments. This reversal was difficult for value strategies like those employed by Poplar Forest; the Russell 1000® Value index, for example, also lagged the S&P 500® with a gain of 3.27%. Despite the weak quarter, results for the last twelve months were still quite strong on an absolute basis with a 23.50% total return as compared to 19.22% for the Russell and 17.17% for the S&P.

For the quarter, the Fund benefitted from investments in several different industries with our best stocks being Coach (+19%, consumer), Zimmer Biomet Holdings (+19%, healthcare), Abbott Labs (+16%, healthcare), MSC Industrial Direct (+12%, industrial), and Bank of America (+7%, financial services). The stocks that were most detrimental to our results were Chevron (-8%, energy), Baker Hughes (-8%, energy), Ralph Lauren (-9%, consumer), Dun & Bradstreet (-11%, industrial), and Signet Jewelers (-27%, consumer).

In my last letter, I discussed our new investment in Signet Jewelers, the leading jewelry retailer in the country. Shares of Signet, like those of many retail oriented companies, declined in the recent quarter as investors grew worried about weak consumer spending. An unusually slow pace of tax refunds and shifting of some holiday dates on the calendar have been challenging for many retailers. Worries that Amazon will slowly drive traditional retailers out of business don't help.

The industry is going through a tough time right now and we recently learned that as many jewelry stores closed in 2016 as in 2009. But jewelry is something consumers seem to want to see, touch, and hold in their hands before they buy, and Signet seems positioned to take share of this fragmented market. There is room for cost reduction and elimination of risk via divestment of their credit operation. Our estimate is for revenue growth of just 3% for the next few years, but with cost cutting and deployment of free cash flow, earnings per share should grow roughly in line with the market. What makes the stock so compelling is the valuation: its trading a P/E ratio of less than 10x. In our opinion, the outlook for earnings growth seems to be in line with the average company in the S&P 500®, yet the stock trades at a 40% discount. Attention shoppers, Signet's on sale! We used the recent weakness as an opportunity to add to our holdings and we now have a full position in the stock.

In addition to building up our Signet stake, we've continued to find new investments that we believe offer returns that exceed our three-year return expectation. We made new investments in AmerisourceBergen and Ally Financial, while eliminating Halliburton, Intersil, and JPMorgan. In addition, our investment in St. Jude was converted into shares of Abbott once the merger of the two companies was completed. As a result of these changes, the Fund ended the quarter with 30 investments and roughly 2% cash.

CORNERSTONE FUND REVIEW

Portfolio Managers: J. Dale Harvey and Derek Derman

The Cornerstone Fund Institutional Class shares produced a 1.07% return versus 3.95% for a 60/40 blend of the S&P 500® (6.07%) and the Bloomberg Barclay's Aggregate bond Index (0.82%) in the quarter ending 3/31/17. For the trailing twelve months, the fund generated a total return of 16.03% as compared to the blended index's 10.26% return.

For the quarter, the Fund benefitted from investments in several different industries with our best stocks being Coach (+19%, consumer), Zimmer Biomet Holdings (+19%, healthcare), Abbott Labs (+16%, healthcare), Cisco (+13%, technology), and MSC Industrial Direct (+12%, industrial). The stocks that were most detrimental to our results were American International Group (-4%, financial services), Chevron (-8%, energy), Baker Hughes (-8%, energy), Devon Energy (-8%, energy), and Dun & Bradstreet (-11%, industrial).

We've continued to find new investments that we believe offer returns that exceed our three-year return expectation. We made new investments in Plains GP Holdings and Ally Financial, while eliminating Johnson & Johnson, and JPMorgan. In addition, our investment in St. Jude was converted into shares of Abbott once the merger of the two companies was completed. As a result of these changes, the Fund ended the quarter with 34 equity investments.

While the overlap between the equities owned in the Cornerstone and Partners funds is quite high, the Cornerstone Fund remains far more defensive with roughly 10% in cash and equivalents and 25% in fixed income investments. Over time, we would expect the Fund to hold between 25% and 50% in bonds, and our current exposure is driven by concerns that interest rates could increase materially in coming periods. When interest rates rise, the value of bonds generally falls.

In Cornerstone we remain focused on trying to manage downside risk while also striving to protect our investors' long-term purchasing power. With equities accounting for 65% of the Fund, the potential draw-down in a weak stock market environment should be less than what we would expect from the Partners Fund. Furthermore, our fixed income investments offer a far different profile than what would commonly be found in a balanced fund. Roughly 25% of our fixed income portfolio is invested in Inflation Protected Treasury bonds (TIPs). The income produced by TIPs increases in periods when inflation rises. We also own a Treasury bond whose income is indexed to short-term interest rates and this security should also protect purchasing power if interest rates rise as we expect.

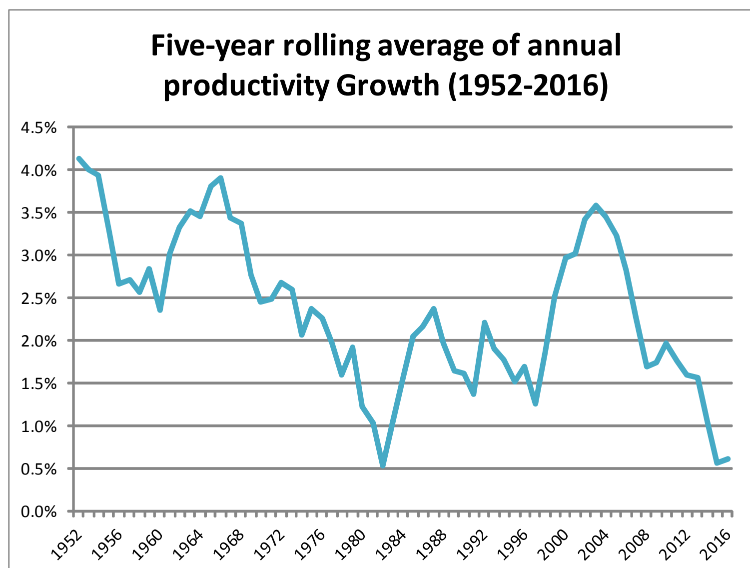
As we look ahead, we believe our portfolio is well positioned to generate solid inflation-adjusted returns. The Fund remains focused on high quality companies that are trading at what we believe are discounted valuations, while our bond selections continue to emphasize our goal of capital preservation.

CONTRARIAN MID-CAP COMMENTARY

Dear Partner,

I was first introduced to the concept of productivity when I was 12. In the prior year, my Dad had tasked me with maintaining our yard in suburban Maryland and the job was taking me well over three hours each Sunday, two of which were dedicated to lawn mowing. As an active family that was juggling sports, church, and various other weekend activities, my Dad was getting frustrated with how long the yardwork was taking me and suggested I pick up the pace. I was already doing the job efficiently and the only way to reduce my work time would be to run the mower across the lawn instead of walking it. To prove my point, I did a "running mow" one Sunday which shaved 30 minutes off my work time, but the grass didn't look so great and my 12 year old legs were completely spent. My Dad had a good laugh and then decided to invest in a riding mower. The combination of better technology and increased capital investment dramatically improved my productivity and, with the throttle fully open, I was able to mow the lawn in 45 minutes instead of two hours. The riding mower also enabled me to start mowing some of our neighbors' lawns to generate extra income. While my lawn mowing experience may seem quaint, it is fairly representative of how productivity improvements impact society at large.

As the chart below highlights, the pace at which American workers are improving their productivity is currently nearing lows not seen since the early 1980's, a period that represented the weakest readings since World War II. While many businesses are priced to assume stagnant productivity, I believe there are reasons for optimism. First, history suggests that productivity experiences 10-20 year cycles and, on that basis, we may already be pregnant with a new trend since we are 13 years into the current down cycle. Second, recent improvements in consumer and executive confidence may lead businesses to finally engage in capital investments that were delayed in the aftermath of the 2008-2009 recession. Finally, it seems unlikely that regulations and taxes will get any worse.

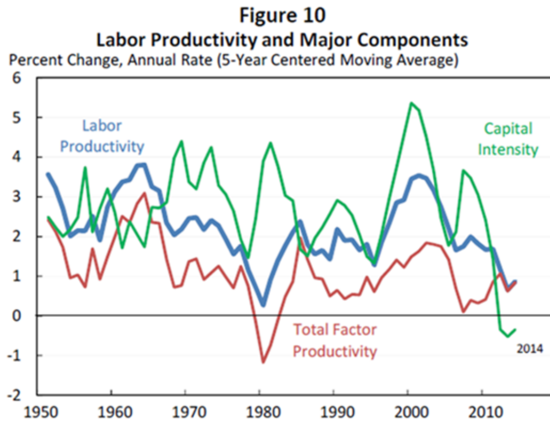


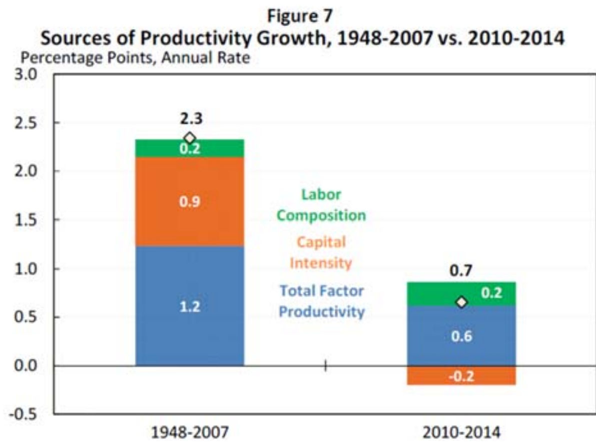
Sources: Department of Labor, Poplar Forest estimates

Excessive regulations and relatively high taxes tend to hurt the small and medium sized businesses that we focus on in the Outliers Fund more than larger companies. Should the Republicans have some success in simplifying the legal code and reducing taxes, I believe many of our investments would see an added benefit, above and beyond the company specific reasons we have for owning them.

Productivity gains typically come from technological progress which, in the case of my lawn mowing example, would represent adding a steering wheel, small engine, and an improved bagging system to the walking mower. For society, these sorts of improvements tend to increase average hourly income, allowing workers to either cut back on how much they work and/or afford to consume more goods and services. In my case, I chose to work more hours to generate extra income mowing my neighbors' lawns which allowed me to increase my savings and enjoy more pizza with my friends. **Enhanced productivity improves our standard of living *and* increases our incomes.** For instance, in the late 19th century, greater than 50% of the American labor force was estimated to have been engaged in farming to meet our needs for food[1]. As of 2015, less than 2% of the labor force was engaged in farming[2]. Innovations and investments in tractors, fertilizers, and seed technologies enabled our economy's yield per acre and yield per worker to increase dramatically and we now export a fair amount of food in addition to satisfying domestic demand. More importantly, these improvements led to dramatic and broad-based increases in American standards of living, income, and wealth.

When deconstructing labor productivity, economists refer to technological improvements as gains in "total factor productivity". The amount and pace of capital investment also impacts labor productivity and is referred to as "capital intensity" or "capital deepening". As you can see in the chart below, since the last recession, there has been a pronounced decline in capital intensity relative to historical trends. I believe the recession resulted from excesses in debt and consumption that created unsustainable levels of demand for various goods and services. In the aftermath of the recession, many companies focused on paying down their financial obligations and restructuring their businesses to deal with reduced demand and increased regulation. With the benefits of hindsight, it is not surprising that these sorts of uncertainties led to the widespread pursuit of margin enhancing corporate takeovers and share buybacks as primary strategies for growing earnings per share. Given the highs we are now seeing in corporate and consumer confidence, investments in long-term projects (aka capital intensity) may finally begin to improve and serve as a potential catalyst for increased labor productivity.





**Our review of 2015-2016 productivity trends suggests minimal change since 2014. Source: "Productivity Growth in the Advanced Economies: The Past, the Present, and Lessons for the Future."Remarks by Jason Furman Chairman, Council of Economic Advisers Peterson Institute for International Economics, July 9, 2015.*

Strayer Education (STRA) is a good example of a portfolio company we think is poised for improvement that has struggled with weak margins and productivity. As a leader in the controversial for-profit education industry, Strayer has endured a significant increase in regulations *and* multi-year declines in demand which led Strayer's management to adopt a defensive mindset. Over the last few years, management reduced their workforce, campus footprint, and began hording cash instead of reinvesting in operations. From 2011-2016, Strayer reduced investments in capital expenditures by more than 50%. At the end of 2016, Strayer had over $11 per share in cash on their debt-free balance sheet, which represents 15% of Strayer's recent share price. Versions of Strayer's defensive mindset still persist in many parts of the economy.

In the last six months, however, Strayer's business fundamentals have stopped deteriorating. The regulatory backdrop appears to now be, at worst, stable and potentially improving should the Republicans succeed in reducing regulations. With conviction that things aren't likely to get worse, Strayer's management team recently instituted a modest dividend and began making some productivity enhancing investments. While not abandoning their conservative and defensive attitudes, offense appears to be re-entering the playbook. For instance, Strayer recently announced making some investments to broadly roll out a major redesign of their curriculum and teaching model. Despite the business pressures of the last few years, management had been quietly experimenting with new technologies for content creation and tracking student engagement. The early indications are that this new teaching model will serve to enhance (perhaps significantly) the effectiveness of Strayer's workforce while simultaneously improving student outcomes. Through the application of new technology and increased investment, Strayer seems well-positioned to improve the productivity of its teachers. Strayer may well be on the cusp of a more aggressive shift from investing just to maintain their business towards investing to grow their business. At today's valuations, we believe Strayer's future growth opportunities are underappreciated by the market. If the Republicans have some success with their agenda to de-regulate the economy and reduce taxes, the investment case for Strayer becomes even more compelling since they are a full tax payer in a highly regulated industry.

Reduced regulations, lower taxes, and/or tax incentives to stimulate capital investment all have the potential to enhance the competitiveness of smaller and medium sized firms relative to larger firms. Given our strategy's focus on medium sized companies, this topic has obvious relevance to our investment strategy. The services sector, which often isn't exposed to foreign competition, seems particularly ripe for improved productivity if regulations are reduced for companies providing education, financial, health and other essential services.

While we profess no ability to forecast macroeconomic variables like productivity, we do take an interest in thinking about the implications of changes in these factors when (1) they appear to be at extreme levels and (2) we aren't paying for such changes. We have investments in some of the sectors which have seen the greatest deterioration in productivity over the last 10-15 years. Given the tendency of most investors to extrapolate the recent past into the future, many of our companies are valued assuming no change in trend-line productivity. While each of our portfolio companies has a business specific rationale for improving earnings power, I believe that, in aggregate, the market is pricing in minimal credit for productivity improvements within our portfolio. At quarter end, the portfolio was valued at approximately 11x our estimates of normalized earnings power, which doesn't assume broad-based improvements in national productivity. With the market currently valued at a high-teens price-to-earnings multiple, we believe our portfolio is trading at an attractive discount to fair value.

History suggests that most things in life are cyclical and the stage may be set for a new cycle in productivity. As Nobel Prize winning economist Paul Krugman observed, "Productivity isn't everything, but in the long run it is almost everything. A country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker."

Dale and I look forward to discussing with all of you the exciting investment opportunities we are finding in out of favor Mid-Cap companies.

Thank you for your interest and continued support!

Cordially,

Stephen A. Burlingame, CFA

April 1, 2017

OUTLIERS FUND REVIEW

Portfolio Managers: J. Dale Harvey and Stephen Burlingame

During the quarter, the Fund's Institutional Class shares generated a return of 1.18% which lagged the Russell Midcap® Index return of 5.15%. Our goal is not to outperform every quarter or even every year but rather to generate market-beating annualized returns over a full market cycle. Since inception on December 31, 2011, the Fund has generated an annualized return of 13.33% which compares to a 15.07% return for the Russell Midcap® Index.

Relative to the Russell Midcap® Index, the Fund's quarterly underperformance was driven mostly by stock selection. Investments in the Industrials and Financials sectors contributed the most to the Fund's relative returns, whereas investments in the Consumer Discretionary and Healthcare sectors detracted the most. Within Industrials, NN Corp was a primary driver of quarterly returns following favorable management commentary on 2017 order trends and improving sentiment regarding the company's ability to refinance its debt. Quarterly gains in the Financials sector were aided by Progressive Corp, which is gaining market share in the auto insurance sector while also generating better margins than competitors. The primary drivers of weak performance in the Consumer Discretionary sector were Signet Jewelers and Ralph Lauren. Both companies suffered from industrywide weakness in non-Internet retail sales which was compounded by company specific surprises. In the case of Signet Jewelers, investors grew concerned about brand dilution following allegations of historical sexual harassment by senior male executives towards female sales associates and store managers. We are closely monitoring this issue but don't believe permanent damage has been done to the brand. Signet's current valuation implies the business will never grow earnings again and appears to more than compensate us for risks related to this issue. Ralph Lauren's stock price was hurt by the resignation of CEO, Stef Larsen. We continue to believe the Ralph Lauren brand is stronger than current business fundamentals and have conviction that the company is following the right strategy. We would expect a new CEO announcement later this year.

While generating favorable absolute performance during the quarter, our investments in the Healthcare sector were a modest drag on relative performance. As noted below, we exited our position in Horizon Pharma and initiated a position in Perrigo. This swap further high grades our Healthcare holdings, and we continue to be excited by the long-term value we are finding in the sector. The Fund continues to have no exposure to Utilities or Real Estate Investment Trusts (REITs). Many of these companies pay investors high dividend yields and are often viewed as fixed income equivalents. Over the next three to five years, investors may become less interested in Utilities and REITs if interest rates on competing fixed income assets rise.

Quarterly Changes:

During the quarter, we initiated investments in Ally Financial (ALLY), Coach (COH), Hewlett Packard Enterprises (HPE), Plains GP Holdings (PAGP), and Perrigo (PRGO). We also received shares in Abbott Labs (ABT) following the completion of their acquisition of St. Jude Medical (STJ), which was previously owned in the fund. Ally Financial is a leading auto lender valued at a significant discount to book value.

We believe Ally represents a compelling long-term investment since investors are already pricing in significant deterioration in Ally's loan book and not giving the company credit for improvements in its funding mix and underwriting strategies. As Ally's book value grows, our expectation is the stock price will follow. Coach is a leading designer and retailer of handbags and shoes which has significantly reduced its store base, streamlined its cost structure, and shifted its strategy to favor profitability over growth. We believe investors are underappreciating the earnings power that will result from Coach's turnaround strategy. Hewlett Packard Enterprises represents an underpriced collection of midcap technology companies and, over the course of 2017, will spin out two of its major segments to shareholders in tax free distributions. We believe substantial value will be released as the company streamlines its operations. Plains GP Holdings represents an underappreciated collection of oil and gas pipelines. The company's pipes serve many of the lowest cost oil regions in the United States and these regions are positioned to gain share of domestic oil production even if oil prices don't increase. Aside from offering us an attractive dividend yield, we believe the company can significantly grow its dividends and market value over time while also benefiting from any potential long-term improvement in oil prices. Perrigo is the global leader in over-the-counter (OTC) medications for cough, cold, flu and many other ailments. The company grew too fast and made a number of bad deals over the last few years. We believe the new management team and significantly improved Board of Directors will right the ship and get Perrigo back on a sustainable earnings growth trajectory that warrants a much higher stock price. At current valuations, Perrigo's industry leading product portfolio appears underappreciated by the market.

Recent sales include exiting the Fund's investments in Check Point Software Technologies (CHKP), Gildan Activewear (GIL), and Horizon Pharma (HZNP). The sale of Check Point Software Technologies followed the realization of our price target whereas the sales of Gildan Activewear and Horizon Pharma reflected reduced conviction in these business's long-term return potential relative to current prices. The Fund continues to look quite different from the Russell Midcap® Index with notably higher allocations to the Healthcare and Energy sectors, notably lower allocations to the Consumer Staples sector, and no exposure to the Real Estate, Utilities, and Telecom sectors. Our conviction in the portfolio combined with multiple new investment opportunities resulted in a cash balance of approximately 3% at quarter-end.

Disclosures

The Funds' objectives, risks, charges and expenses must be considered carefully before investing. The summary and statutory prospectuses contain this and other important information and can be obtained by calling (626) 304-6000 or by visiting www.poplarforestfunds.com. Read it carefully before investing.

Mutual fund investing involves risk. Principal loss is possible. The funds may invest in debt securities which typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. The funds may invest in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. These risks are greater in emerging markets. Investing in small and medium sized companies may involve greater risk than investing in larger, more established companies because small and medium capitalization companies can be subject to greater share price volatility. The funds may invest in options, which may be subject to greater fluctuations in value than an investment in the underlying securities. When the Cornerstone Growth Fund invests in other funds and ETFs an investor will indirectly bear the principal risks and its share of the fees and expenses of the underlying funds. Investments in asset-backed and mortgage-backed securities involve additional risks such as credit risk, prepayment risk, possible illiquidity and default, and increased susceptibility to adverse economic developments. Diversification does not assure a profit, nor does it protect against a loss in a declining market.

Earnings growth is not a measure of the Fund's future performance.

Opinions expressed are subject to change at any time, are not guaranteed and should not be considered investment advice.

Poplar Forest Capital LLC is the advisor to the Poplar Forest Partners Fund which is distributed by Quasar Distributors, LLC.

As of March 31, 2017, the Poplar Forest Partners Fund's 10 largest holdings accounted for 45.54% of total fund assets. The Fund's 10 largest holdings at March 31, 2017:

ZIMMER BIOMET HOLDINGS INC	**4.87%**
CITIGROUP INC	**4.85%**
MSC INDUSTRIAL DIRECT INC	**4.83%**
LINCOLN NATIONAL CORP	**4.81%**
METLIFE INC	**4.61%**
ABBOTT LABORATORIES	**4.54%**
RELIANCE STEEL & ALUMINUM	**4.49%**
HEWLETT PACKARD ENTERPRISE	**4.43%**
AMERICAN INTERNATIONAL GROUP	**4.08%**
SIGNET JEWELERS LIMITED	**4.04%**

As of March 31, 2017, the Poplar Forest Cornerstone Fund's 10 largest holdings accounted for 27.68% of total fund assets. The Fund's 10 largest holdings at March 31, 2017:

LINCOLN NATIONAL CORP	3.02%
ZIMMER BIOMET HOLDINGS INC	2.92%
MSC INDUSTRIAL DIRECT INC	2.88%
HEWLETT PACKARD ENTERPRISE	2.77%
ABBOTT LABORATORIES	2.76%
CITIGROUP INC	2.72%
SIGNET JEWELERS LIMITED	2.67%
AMERISOURCEBERGEN CORP	2.66%
MARATHON OIL CORP 3/15/2018	2.65%
AMERICAN INTERNATIONAL GROUP	2.64%

As of March 31, 2017, the Poplar Forest Outliers Fund's 10 largest equity holdings accounted for 42.81% of total fund assets. The Fund's 10 largest equity holdings at March 31, 2017:

ZIMMER BIOMET HOLDINGS INC	4.93%
AMERISOURCEBERGEN CORP	4.81%
SIGNET JEWELERS LIMITED	4.61%
MOTOROLA SOLUTIONS INC	4.41%
NN INC	4.34%
SVB FINANCIAL GROUP	4.25%
RELIANCE STEEL & ALUMINUM CO	4.13%
RALPH LAUREN CORP	3.86%
WEATHERFORD INTERNATIONAL	3.84%
KEYSIGHT TECHNOLOGIES INC	3.64%

Fund holdings and sector allocations are subject to change at any time, and should not be considered a recommendation to buy or sell any security.

Definitions

The Bloomberg Barclays Aggregate Bond Index, which used to be called the "Lehman Aggregate Bond Index," is a broad base index, maintained by Barclays Capital, which took over the index business of the now defunct Lehman Brothers, and is often used to represent investment grade bonds being traded in the United States.

A blended index (also known as a blended benchmark) is a combination of two or more indices in varying percentages. To take a simple example, if an investor's assets are allocated to 60% stocks and 40% bonds, the portfolio's performance might be best measured against a blended benchmark consisting of 60% in a stock index (e.g. S&P 500® index) and 40% in a bond index (e.g. Bloomberg Barclays Capital U.S. Aggregate Bond Index).

Book value of an asset is the value at which the asset is carried on a balance sheet. Book value is also the net asset value of a company, calculated as total assets minus intangible assets (patents, goodwill) and liabilities.

The Russell 1000® Value index measures the performance of the Russell 1000's value segment, which is defined to include firms whose share prices have lower price/book ratios and lower expected long/term mean earnings growth rates.

Free cash flow is revenue less operating expenses including interest expenses and maintenance capital spending. It is the discretionary cash that a company has after all expenses and is available for purposes such as dividend payments, investing back into the business or share repurchases.

Price/Earnings (P/E) Ratio is the ratio of a firm's closing stock price and its earnings per share.

Price/Book is the ratio of a firm's closing stock price and its fiscal year end book value per share.

Price/Sales ratio represents the amount an investor is willing to pay for a dollar generated from a particular company's operations.

The Russell Midcap® Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000® Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap Index represents approximately 31% of the total market capitalization of the Russell 1000 companies. It is not possible to invest directly in an index.

The S&P 500® Index is a market-value weighted index consisting of 500 stocks chosen for market size, liquidity, and industry group representation. It is not possible to invest directly in an index.

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[1] Patricia A. Daly, "Agricultural Employment: Has the Decline Ended?" *Monthly Labor Review,* November 1981 (http://www.bls.gov/opub/mlr/1981/11/art2full.pdf).

[2] Bureau of Labor Statistics, "Employment Projections: Employment by major industry sector," December 2015 (http://www.bls.gov/emp/ep_table_201.htm).