



Poplar Forest Funds Quarterly Report

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June 30, 2017



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 June 30, 2017						
	SINCE INCEPTION					
CONTRARIAN VALUE FUNDS						
Partners Fund	QTR	YTD	1 YR	3 YR	5 YR	12/31/2009
I Shares	-2.15%	-1.55%	17.77%	5.12%	15.71%	12.38%
A Shares No Load	-2.21%	-1.67%	17.46%	4.85%	15.41%	12.10%
A Shares With Load	-7.11%	-6.58%	11.58%	3.07%	14.23%	11.33%
S&P 500® Index	3.09%	9.34%	17.90%	9.61%	14.63%	13.28%
Russell 1000® Value Index	1.34%	4.66%	15.53%	7.36%	13.94%	12.51%
Cornerstone Fund						
I Shares	-0.91%	0.15%	11.58%	-	-	5.40%
A Shares No Load	-0.98%	0.04%	11.31%	-	-	5.13%
A Shares With Load	-5.93%	-4.97%	5.75%	-	-	2.99%
60/40 Blended Index*	2.43%	6.48%	10.33%	-	-	6.42%
CONTRARIAN MID-CAP FUND						
Outliers Fund	QTR	YTD	1 YR	3 YR	5 YR	12/31/2011
I Shares	-2.17%	-1.01%	6.91%	-1.55%	10.55%	12.24%
Russell Midcap® Index	2.70%	7.99%	16.48%	7.69%	14.72%	14.89%

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 April 6, 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,

While many understandably view January 1st as the beginning of the year, July 1st comes closer to my idea of New Year's Day. During June, the school year ends, graduation ceremonies are held, and I celebrate Father's Day and my birthday. Life slows down as the weather heats up and it's a time well suited to contemplating past and present. July 1st is also a milestone for me as it marks the date, 21 years ago, that I first became a diversified portfolio manager. Yes, I'd been investing personally since age 14 and I'd run a sector portfolio since early 1992, but on that day in 1996, I felt like a baseball player who was called up to the major league team for the first time.

Since moving to the big leagues, I've watched first hand as value investing has come and gone in popularity. Too often, I've seen investors chase performance to their detriment while ignoring opportunities to invest in good strategies when they are out of sync with the broad market. While it may sound counterintuitive, Poplar Forest's short term results are as bad as they ever have been relative to the S&P 500[®], and I believe that makes this a particularly compelling time to invest with us.

In the late 1990s, early in my portfolio management career, I watched investors give up on value for the first time. It was christened a "new era," and those who focused on long-term value strategies were deemed dinosaurs headed for extinction. I was fortunate to work with wise and experienced professionals who understood the cyclical nature of investing. They not only allowed me to manage money my way, but they also allocated more money to me at a time when my approach was decidedly out-of-sync with the market. When the tech bubble burst, value investing became fashionable again.

The concept of buying low and selling high can apply to investment strategies as well as individual securities. Emotionally, it can be difficult for clients to invest in a portfolio that is lagging behind the market, but we believe doing so can add to long-term results if the manager is following a sound strategy. As has happened in the past, value has once again fallen out of favor. Given this change in sentiment, I'm not surprised that we find ourselves well behind the S&P this year. Past experience suggests that this underperformance may be setting up a wonderful opportunity; we believe this might be a particularly good time to invest additional capital with Poplar Forest.

Value Investing – Sometimes In Fashion, Sometimes Not

I have long believed that using a value based investing framework gives an investor a distinct advantage over time. In essence, value investing is about buying stocks for less than they are fundamentally worth. Assessing fundamental value, however, is not so simple. The easiest approach is to simply compare the price of a stock to its current earnings or book value. That is the basis for most traditional value management strategies. Over time, even this simple method has been shown to work, though it doesn't beat the market every year. The table on the next page examines the returns of the Russell 1000[®] Value Index to the S&P 500[®]. The Value Index is designed to capture the performance of the "cheapest" half of the U.S. stock market.





Value Stocks versus the Broad Market			
Annual Total Return			
	Russell 1000® Value Index	S&P 500®	
6/30/96 - 12/31/96	+13.2%	+11.6%	Value better
1997	+35.2%	+33.4%	Value better
1998	+15.6%	+28.6%	
1999	+7.4%	+21.0%	
2000	+7.0%	-9.1%	Value better
2001	-5.6%	-11.9%	Value better
2002	-15.5%	-22.1%	Value better
2003	+30.0%	+28.7%	Value better
2004	+16.5%	+10.9%	Value better
2005	+7.1%	+4.9%	Value better
2006	+22.3%	+15.8%	Value better
2007	-0.2%	+5.5%	
2008	-36.9%	-37.0%	Value better
2009	+19.7%	+26.5%	
2010	+15.5%	15.1%	Value better
2011	+0.4%	+2.1%	
2012	+17.5%	+16.0%	Value better
2013	+32.5%	+32.4%	Value better
2014	+13.5%	+13.7%	
2015	-3.8%	+1.4%	
2016	+17.3%	+12.0%	Value better
1/31/17 - 6/30/17	+3.0%	+8.7%	
Compound Annual Return	+8.7%	+8.3%	Value better in 14 of 21 years
Value of \$10,000 invested 6/30/1996	\$57,764	\$53,254	Value produced 8.5% more

Past performance does not guarantee future results

Value vs. The S&P 500® – Not Always in Favor			
Compound Annual Total Returns			
	Value	S&P 500®	
2 nd ½ 1996-1999	+20.1%	+27.1%	
2000-2006	+7.8%	+1.1%	Value better
2007-2015	+4.5%	+6.4%	
2016	+17.3%	+12.0%	Value better

The Value Index has produced a higher return than the S&P 500® in 14 of the 21 years I've been a portfolio manager. There were distinct periods like 1996-1999 and 2007-2015 when value was unfashionable, but over 21 years, the Value Index beat the S&P 500® by roughly 0.4% a year. That may not sound like much, but over 21 years, the Value Index delivered 8.5% more than the S&P 500®.





At Poplar Forest, our approach is more complex than simply buying the stocks that appear statistically cheapest. We believe that focusing on the quality of businesses and their long-term economics helps us avoid the stocks that are cheap for good reason while identifying companies that may not look cheap today, but do when we look several years into the future. We believe the analysis, experience and judgment that we apply to investing can't be replicated by a computer or an index creator, and the results of the process have more than justified the hard work over time.

As I have written about in past letters, I believe 2016 was the first year of a new cycle of outperformance for value strategies. In December 2015, the U.S. Federal Reserve raised interest rates for the first time since the financial crisis. After years of interest rate cuts and trillions of dollars of monetary stimulus, the Fed finally concluded that the economy was doing okay and that growth would continue with less intervention. Increased interest rates are a sign of improved economic times. And during those good economic times, value investing may do better than more conservative strategies like those that focus on low volatility and income. It took a little time for investors to agree with this outlook, but value strategies started to do better than the market after that first rate increase – well before the presidential election. While many view the election of President Trump as the spark that got the market going, I disagree; based on what we could see, businesses were doing well and business confidence was growing well before he won.

The Fed has continued to normalize monetary policy, and some commentators worry that they will go too far, that their actions will send us back into recession. This reminds me of a market adage from the 1930s – “three steps and a stumble” -- that suggested that if the Fed raised rates three times in a row, the stock market would experience a substantial decline. Like many market rules, there is a reasonable underlying argument here suggesting that when the Fed is trying to slow the economy by raising rates, they will likely succeed. When the economy slows, the market often takes a tumble. I think the current environment is quite different from the one that prompted that old market adage – the Fed isn't yet trying to slow the economy. Monetary policy is still stimulative with interest rates well below the rate of inflation. At this point, the Fed is simply starting to remove the extraordinary surplus provided in response to the Great Recession. At some point in the future, the economy may get too hot and the rate of inflation may rise to a level that will lead the Fed to try to slow the economy, but such an environment seems far from where we are today.

What's most troubling to me in the current environment is the loss of an absolute approach to value in the bond market. Historically, investors in fixed income securities demanded yields that substantially exceeded the rate of inflation. Over the last 40 years, 10 year U.S. Treasury bonds were priced such that they yielded a 3.3% premium to core inflation. Today, that premium is just 0.5%. Fixed income investors seem far more preoccupied with non-U.S. bond yields. In effect, the bond market is saying “who cares about inflation, just look at how much more you get from a U.S. Treasury bond relative to a German or Japanese bond.” This reminds me of the logic many used to justify crazy valuations in the late 1990s tech bubble – “I know this stock trading at 60 times earnings doesn't look cheap, but its leading competitor is trading at 80 times.” I think this type of faulty logic creeps in when a particular class of investment has produced great results – those owning the investment are afraid of selling too soon, so they use relative valuation to justify their decision.





Style Cycles – An Alternative Approach to Evaluating Investment Results

Investing is inherently a forward looking exercise; unfortunately, predicting the future is hard. Many take the easy way out – they look to the recent past to forecast the future. Despite the oft repeated phrase “past performance does not guarantee future results,” the behavior of many investors is to buy what’s recently done well in the belief it will continue to do well (while selling what has done poorly, thinking the bad performance will continue.) Invariably, this leads people to Buy High and Sell Low – which may not be a great formula for growing wealth.

While past results are an important tool in evaluating a money manager, in my opinion, the measurement period used is critical. I have long believed that the best approach to measuring results is over a full market cycle that includes both the bull and the bear phase. A full market cycle may be described as the period from a market peak, through a bear market decline of at least 20%, and back up to a new peak. The biggest problem with this assessment method is that market cycles have become very drawn out in recent decades – how is one to judge the results of funds that lack full cycle results?

Full Market Cycles			
Date of Market Peak	7/16/1990	3/24/2000	10/9/2007
S&P Index Value at Peak	369	1527	1565
Time to Next Peak	9 years, 8 months	7 years, 6 months	9 years, 8 months and counting
% Change Peak to Peak	314%	2%	56%
Date of Interim Low	11/11/1990	10/9/2002	3/9/2009
S&P Index Value at Low	295	777	677
% decline from Peak	-20%	-49%	-57%

As you can see above, the three most recent market cycles have lasted seven and a half years or more. Barring a surprise decline in the coming weeks, the current cycle is heading for the record books. Fortunately, bull markets don’t die of old age -- they generally die when recession hits, and a recession does not appear to be imminent.

The Poplar Forest Partners Fund was launched on December 31, 2009, two years after the 2007 market peak. While our original private fund was around for the bear market, the mutual fund wasn’t. As a practical matter, we will not be able to report full cycle results until after the market recovers from the next bear market. If past patterns hold, such a decline and recovery may be a decade or more away. While I view full cycle results as an intellectually superior approach to measurement, in practice, the limitations of such long measurement periods are problematic.

Within a full market cycle, there are often shorter periods of time when a particular investment approach is either in or out of favor. I believe being attentive to current investment fashion may be useful in trying to determine the best time to make a new or an additional investment in a fund.





As a firm that manages relatively concentrated portfolios of value investments, we often experience periods of time when our portfolios' results are decidedly out-of-sync with the broad market. As you can see below, we tend to produce results that amplify the style bias of the market – when value is in favor, we look smart; when value investing lags the broad market, we look dumb.

Poplar Forest Partners Fund I shares – In Sync Periods						
Time Period	Duration	Partners Fund I Shares Return	Russell 1000® Value Return	S&P 500® Return	Partners vs. S&P 500®	Value vs. S&P 500®
12/31/2009-3/31/2010	3 months	+10.24%	+6.78%	+5.39%	+4.86%	+1.39%
11/30/2010-6/30/2011	7 months	+16.36%	+14.27%	+13.11%	+3.24%	+1.16%
7/31/2012-8/31/2014	25 months	+87.45%	+56.50%	+52.02%	+35.43%	+4.48%
1/31/2016-11/30/2016	10 months	+35.71%	+20.72%	+15.52%	+20.19%	+5.20%

Poplar Forest Partners Fund I shares– Out-of-Sync Periods						
Time Period	Duration	Partners Fund I Shares Return	Russell 1000® Value Return	S&P 500® Return	Partners vs. S&P 500®	Value vs. S&P 500®
3/31/2010-11/30/2010	8 months	-3.88%	+0.26%	+2.34%	-6.22%	-2.08%
6/30/2011-7/31/2012	13 months	-7.58%	+4.07%	+6.91%	-14.50%	-2.84%
8/31/2014-1/31/2016	17 months	-15.80%	-6.23%	-0.31%	-15.48%	-5.92%
11/30/2016-5/31/2017	6 months	-4.83%	+5.55%	+10.81%	-15.65%	-5.26%

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. Returns are cumulative.

As you can see, lately our approach to investing has yet again become unfashionable. By the end of May, the magnitude of our “underperformance” reached levels seen at the extremes of the last two style cycles. But here’s the thing to remember: client partners who invested when we were decidedly out-of-sync enjoyed substantially better-than-market returns in subsequent periods when investor preferences changed. For example, after being behind by 14.5% in the 13 months ending July 31, 2012, the Partners Fund bested the S&P by over 35% over the next two years. If investment style cycles continue to follow past patterns, this may be a great time to invest additional funds with Poplar Forest.

In the recent out-of-sync period, our results have been hurt primarily by our energy and consumer investments. Energy stocks fell as oil prices declined; market hopes that OPEC cutbacks would bring





petroleum supply and demand back into balance have faded as U.S. production has ramped up. Drilling has accelerated sharply in recent months, but with prices having fallen back to levels that make many projects marginally economic, at best, we may see a reversal in activity that takes the market higher in coming months. While higher prices would be a nice tailwind, we continue to believe that the companies in which we are invested each possess company-specific factors that should allow the stocks to deliver attractive long-term results even if oil prices don't head back to the \$60s - it just may take a bit longer.

Our consumer investments have struggled in the face of multiple headwinds. Consumer spending has been lackluster and particularly confounding given current employment trends. In addition, the relentless advances being made by Amazon have led to a general belief in the demise of brick and mortar retailing, particularly at America's malls. Companies in the retail space have witnessed disappointing results and collapsing valuations which suggest market expectations of more pain to come. Our work led us to more bullish prognostications, and we have certainly been on the wrong side of these trends so far. While we've had success investing in Coach, we have losses elsewhere in the sector. The entire investment team is fully engaged in a process that includes bull/bear debates about these stocks as we seek to determine if we were simply too early in making these investments, or wrong altogether.

We've made mistakes with individual investments before and, try as we will, there will be more mistakes in the future. I've been investing the same way for 21 years now. While there will be periodic setbacks, I remain convinced that our approach of focusing on our best 25-35 investment ideas based on an assessment of normalized earnings and free cash flow will help us achieve our goal of market-beating long-term results. In the past, buying low – when our results were substantially behind the market – proved to be a rewarding strategy.

Many professional investors are afraid to invest in the relatively concentrated and benchmark agnostic way we do. They worry that their clients will flee if fund results lag behind a benchmark by too much. But to deliver better than average long-term results, one needs to be different than average. Being different may mean lagging behind broad market indices like the S&P 500® for certain periods of time. From my vantage point, being behind isn't a problem, it's an opportunity. An examination of the pattern of our results suggests that this may be a particularly attractive time to invest with Poplar Forest.

I'm thankful to have client partners who understand that investing is cyclical and who see the wisdom in counter-cyclically investing. Your patience allows us to build portfolios of our highest conviction ideas; we are particularly excited about the stocks we own today.

Thank you for your continued confidence in our approach and our team,

J. Dale Harvey
July 1, 2017





PARTNERS FUND REVIEW

Portfolio Manager: J. Dale Harvey

The Partners Fund Institutional Class shares produced a –2.15% return versus the S&P 500®'s 3.09% in the quarter ending 6/30/17. This period 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 1.34%.

For the quarter, the Fund benefitted from investments in the healthcare, consumer and financial sectors with our best stocks being Coach (+15%, consumer), Citigroup (+12%, financial services), Abbott Laboratories (+10%, healthcare), AmerisourceBergen (+7%, healthcare), and Zimmer Biomet Holdings (+5%, healthcare). The stocks that were most detrimental to our results were Baker Hughes (-8%, energy), Reliance Steel & Aluminum (-8%, materials), Mattel (-14%, consumer), MSC Industrial Direct (-15%, industrial), and Weatherford International (-42%, energy).

Our investments in the energy and consumer sectors were a headwind to our results this quarter. Although we've found many high quality companies trading at deeply discounted valuations on normalized earnings in the consumer space, we've been early with our investments, and improvement initiatives are taking longer than expected. Due to negative investor sentiment and certain industry trends like drops in mall traffic and online sales challenges, stock prices remain depressed, but we see company-specific opportunities in these investments that we believe should overcome these headwinds. The primary driver of weak performance in our energy investments was a decline in oil prices due to unexpectedly robust U.S production. Our energy investments are companies with company-specific initiatives that should enable them to prosper, even while oil prices are near the lower end of the \$40-\$70 range we consider reasonable in the coming years.

We eliminated Aetna from the portfolio this quarter, while establishing a new investment in Johnson Controls International, a high quality, multi-line company operating in the buildings controls and power solutions industries. The company has repositioned itself from a cyclical auto supplier into a less cyclical industrial company with attractive growth prospects. Potential growth is backed by self-help initiatives, while a strong balance sheet and healthy cash flow generation can help provide downside protection. In addition, Hewlett Packard Enterprises ("HPE") successfully completed the spinoff of its enterprise services businesses, which merged with Computer Sciences to create DXC Technology. Subsequently, we sold the shares of DXC that we received and reinvested the proceeds in HPE in advance of the coming spinoff of their software business. The Fund ended the quarter with 30 investments and roughly 4% cash.





CORNERSTONE FUND REVIEW

Portfolio Managers: J. Dale Harvey and Derek Derman

The Cornerstone Fund Institutional Class shares produced a –0.91% return versus 2.43% for a 60/40 blend of the S&P 500® (3.09%) and the Bloomberg Barclay's Aggregate bond Index (1.45%) in the quarter ending 6/30/17. For the trailing twelve months, the Fund generated a total return of 11.58% as compared to the blended index's 10.33% return.

For the quarter, the Fund benefitted from investments in several different industries with our best stocks being Coach (+15%, consumer), Las Vegas Sands (+12%, consumer), Citigroup (+12%, financial services), Abbott Laboratories (+9%, healthcare), and AmerisourceBergen (+7%, healthcare). The stocks that were most detrimental to our results were Baker Hughes (-9%, energy), Mattel (-16%, consumer), MSC Industrial Direct (-16%, industrials), International Business Machines (-12%, Technology), and Devon Energy (-23%, energy).

We made a new investment in Johnson Controls International this quarter. In addition, the spin-off of Hewlett Packard Enterprise's enterprise services division resulted in shares of DXC Technology. Due to these changes, the Fund ended the quarter with 36 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,

One of my favorite weekend activities is to take my kids hiking through some of our local parkland. While not quite the sylvan wonderland I experienced growing up in suburban Maryland, Southern California is home to some beautiful stretches of rolling hills, streams, and meadows. After some long overdue rain, there has been a notable increase in animal and insect activity, particularly among bees. Fragrant rosemary flowers seem to be a favorite spring and summer food for honey bees and sections of our preferred trails are now teeming with both. While my three year old son hasn't yet had his first bee sting, my two daughters have. My kids still hesitate whenever we start to hear and see the bees and, I guess not surprisingly, sometimes ask to take a break or play elsewhere instead of hiking on to our final destination. During these moments, the mantra I've tried to instill in them is, "if you ignore the bees, the bees will ignore you." I also remind them of how much fun they have at the big tree that awaits us beyond the rosemary bushes. Their mindsets are improving but still need work. The fear and hesitation they experience with the bees reminds me of how investors sometimes behave.

Decision theory research has shown that, when making choices, people are influenced by loss aversion, which is the tendency to experience the pain of a loss with greater emotional intensity than the joy from an equivalent gain. Compounding the effects of loss aversion is the fact that we humans are pattern-seeking creatures with a propensity to extrapolate the recent past far into the future. For my children, the buzzing of the bees likely triggers a vivid and emotionally charged fear of an imminent sting which, despite a low likelihood, overpowers thoughts about the many hours of happiness we've experienced during prior hikes. For many market participants, short-term stock price declines and volatility in quarterly business fundamentals are the financial equivalent of a loud, fear-inducing buzz that can quickly cause investors to sell their stocks. By making emotionally charged investment decisions based on what just happened, short-term investors often self-inflict losses on themselves under the misguided belief that a recent decline in the stock price means a stock is now more risky, not less risky. This type of investing behavior would be similar to my kids panicking and fearfully swatting at the bees instead of ignoring them. Simply put, on family hikes and with investments, reactionary conduct may greatly increase the odds of a sting. As contrarians, we generally believe that the risk of a loss tends to fall, not rise, when a portfolio company's stock price declines.

2017 has been characterized by lots of macroeconomic buzzing and political dysfunction which has led to stock price reversals and volatility in some areas of the economy in which we are invested. Commodity prices and interest rates have endured abrupt declines this year and volatility within the consumer sector has increased materially as mall-based retailers aggressively restructure in response to deteriorating foot traffic. With our portfolio valued at 11x our estimates of normalized earnings power, we believe a good experience still awaits us beyond the recent buzz of short-term volatility. We are continuing to find attractive values and have been selectively adding to existing investments in addition to initiating new positions. While certainly cognizant of short-term stock price trends, I would argue that most of these moves don't tell us anything meaningful about a company's long-term value.





For instance, we've been recently adding to our new position in Ally Financial (ALLY), which appears significantly undervalued at 75% of book value. We began purchasing shares in ALLY during 1Q'17. ALLY, previously known as General Motors Acceptance Corp, is the auto finance company spun-out of General Motors in 2014. The company has underperformed the market since going public on concerns that deteriorating trends in auto loans will overwhelm the company's other income-enhancing initiatives, such as lowering their funding costs and diversifying their product offering into mortgages, commercial finance, and wealth management. Investors appear to be assuming that the recent deterioration in subprime auto loans and used car pricing will spiral into auto loan loss trends similar to what was experienced during the 2009 recession. For context, as of 1Q'17, nonprime retail auto loans represented less than 8% of ALLY's total loan portfolioⁱ. While acknowledging that auto sales and loan losses may both deteriorate, current fears appear exaggerated. ALLY began pricing their loans to reflect higher losses last year and has other profit levers to pull that can help them grow earnings and book value.

The market appears to be pricing in an abrupt decline in auto sales and used car prices, whereas it is quite possible that auto sales plateau or gradually decline from the 2016 peak. While economic trends are inherently unpredictable, the current backdrop of high consumer confidence and low unemployment seem inconsistent with a dramatic deterioration in auto sales and auto loans. Aside from charging higher interest rates, we believe ALLY has the ability to grow their earnings by lowering their funding costs. ALLY has been systematically replacing high cost debt funding with lower cost bank deposits. In fact, in recent years, ALLY has been one of the fastest growing Internet banks and added over \$10B in new deposits during 2016. Finally, ALLY seems to be getting little credit for their ability to cross-sell mortgages and wealth management services to existing loan and deposit customers. ALLY's management believes they can grow per share earnings at a 15% rate over the medium term and has been aggressively buying back stock with their excess capitalⁱⁱ. At a 2017 P/E of 9x (a 50% discount to the market P/E multiple), we would argue that ALLY is being valued to assume no future earnings growth, in clear contrast to management's views. Fear levels are high, embedded expectations are low, and buzz about loan losses, used car pricing, and declines in auto sales is reaching a crescendo. While shorter-term investors are reacting to this fact pattern by selling ALLY, we are buying ALLY in response to a strong valuation signal and the potential for attractive prospective returns.

Dale and I look forward to discussing with all of you the exciting investment opportunities we continue finding in out of favor mid-cap companies.

Thank you for your interest and continued support!

Cordially,

Stephen A. Burlingame, CFA

July 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 -2.17% which lagged the Russell Midcap® Index return of 2.70%. 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 12.24% which compares to a 14.89% 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 Healthcare sector contributed the most to the Fund's relative returns, whereas investments in the Energy and Consumer Discretionary sectors detracted the most. Within Healthcare, our returns were broad based. As valuation ratios rise or fundamentals deteriorate in other segments of the economy, investors may be increasingly attracted to the high quality healthcare companies we own. As we've discussed in prior letters, most of our healthcare investments are valued at a discount to the market's P/E multiple while offering investors what we believe will be above average earnings growth. The primary driver of weak performance in the Energy sector was a decline in oil prices. Oil prices are now near the lower end of the \$40-\$70 range we view to be justified by industry cost structures. Since oil prices are unpredictable and volatile in the short-run, we emphasize energy investments with self-help opportunities and company-specific catalysts. We added to a number of our energy positions during the quarter and continue to have a favorable multi-year outlook for these investments. Poor results in the Consumer Discretionary sector were driven by Mattel, Signet Jewelers and Ralph Lauren. The self-help initiatives underway at each of these companies are taking longer than anticipated to improve earnings due to worse than expected industry trends and due to mixed execution. While we still believe each of these investments is undervalued on a multi-year basis, we've been early.

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 an investment in Voya Financial (VOYA). VOYA is a leading retirement, investment and life insurance company valued at 60% of tangible book value and a 10x forward P/E ratio. We believe investors are overly focused on legacy liabilities and underappreciate the significant improvements underway at VOYA's ongoing businesses which seem likely to lead to attractive growth in VOYA's earnings and book value. Since VOYA generally benefits from rising interest rates, the recent declines in interest rates created a favorable buying opportunity.

Recent sales include exiting investments in DXC Technology (DXC), Western Digital (WDC), and Verisk (VRSK). Our position in DXC resulted from the spin-merger of Hewlett Packard Enterprises' (HPE)





enterprise services division with Computer Sciences Corp (CSC). Part of our investment thesis for HPE revolves around them unlocking shareholder value through various asset divestitures, such as DXC, and we sold our shares in DXC at a premium to the stock price at the time of the spin. The technology sector has enjoyed strong price performance during 2017 and our sales of Western Digital and Verisk resulted from each of these technology companies achieving their price targets.

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 Technology and Consumer Staples sector, and no exposure to the Real Estate, Utilities, and Telecom sectors. As price sensitive value investors, there will be times when we have more investments to sell than to buy resulting in a temporary uptick in our cash balance. During the quarter, our cash balance modestly rose from about 3% to 8%. Our cash balance positions us to opportunistically buy a number of fully researched investments where we are simply waiting for lower prices.



**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 June 30, 2017, the Poplar Forest Partners Fund's 10 largest holdings accounted for 45.88% of total fund assets. The Fund's 10 largest holdings at June 30, 2017:

ZIMMER BIOMET HOLDINGS	5.32%
ABBOTT LABS	5.16%
CITIGROUP	4.98%
METLIFE	4.73%
LINCOLN NATIONAL	4.64%
SIGNET JEWELERS	4.30%
AMERICAN INTERNATIONAL GROUP	4.25%
BANK OF AMERICA	4.24%
MSC INDUSTRIAL DIRECT	4.20%
TE CONNECTIVITY	4.07%

As of June 30, 2017, the Poplar Forest Cornerstone Fund's 10 largest holdings accounted for 29.02% of total fund assets. The Fund's 10 largest holdings at June 30, 2017:

LINCOLN NATIONAL	3.15%
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ZIMMER BIOMET HOLDINGS	3.10%
CITIGROUP	3.07%
ABBOTT LABS	3.06%
AMERISOURCEBERGEN	2.91%
COACH	2.86%
METLIFE	2.77%
SIGNET JEWELERS	2.76%
AMERICAN INTERNATIONAL GROUP	2.68%
MARATHON OIL CORP 3/15/2018	2.66%

As of June 30, 2017, the Poplar Forest Outliers Fund's 10 largest equity holdings accounted for 40.88% of total fund assets. The Fund's 10 largest equity holdings at June 30, 2017:

ZIMMER BIOMET HOLDINGS	5.01%
AMERISOURCEBERGEN	4.97%
MOTOROLA SOLUTIONS	4.29%
PERRIGO	4.12%
NN INC	4.11%
RELIANCE STEEL & ALUMINUM	3.88%
KEYSIGHT TECHNOLOGIES	3.79%
ALLY FINANCIAL	3.79%
WEATHERFORD INTERNATIONAL	3.46%
AECOM	3.46%

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.





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.

Normalized earnings are adjusted to remove the effects of seasonality, revenue and expenses that are unusual or one-time influences. Normalized earnings help business owners, financial analysts and other stakeholders understand a company's true earnings from its normal operations.

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.

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.

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.

The Total Return is the actual rate of return of an investment or a pool of investments over a given evaluation period. Total return includes interest, capital gains, dividends and distributions realized over a given period of time.

ⁱ 1Q'17 Ally Earnings Presentation: <http://phx.corporate-ir.net/External.File?t=1&item=VHlwZT0yffBhcmVudEIEPTUyNTMwOTB8Q2hpbGRJR02Njc2OTc=>

ⁱⁱ 1Q'17 Ally Earnings Presentation: <http://phx.corporate-ir.net/External.File?t=1&item=VHlwZT0yffBhcmVudEIEPTUyNTMwOTB8Q2hpbGRJR02Njc2OTc=>

