



Poplar Forest Funds Quarterly Report

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December 31, 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 December 31, 2017

	SINCE					
CONTRARIAN VALUE FUNDS	INCEPTION					
Partners Fund	QTR	YTD	1 YR	3 YR	5 YR	12/31/2009
I Shares	5.56%	6.80%	6.80%	7.90%	15.11%	12.70%
A Shares No Load	5.50%	6.53%	6.53%	7.63%	14.82%	12.41%
A Shares With Load	0.22%	1.21%	1.21%	5.81%	13.65%	11.69%
S&P 500® Index	6.64%	21.83%	21.83%	11.41%	15.79%	13.92%
Russell 1000® Value Index	5.33%	13.66%	13.66%	8.65%	14.04%	12.84%
Cornerstone Fund	12/31/2014					
I Shares	3.97%	6.00%	6.00%	6.47%	-	6.47%
A Shares No Load	3.91%	5.74%	5.74%	6.20%	-	6.20%
A Shares With Load	-1.28%	0.44%	0.44%	4.39%	-	4.39%
60/40 Blended Index*	4.12%	14.21%	14.21%	7.80%	-	7.80%
CONTRARIAN MID-CAP FUND						
Outliers Fund	QTR	YTD	1 YR	3YR	5 YR	12/31/2011
I Shares	5.89%	6.74%	6.74%	1.21%	11.65%	12.57%
Russell Midcap® Index	6.07%	18.52%	18.52%	9.58%	14.96%	15.34%

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,

It was 3 AM when the phone rang – it’s never good news at that hour. It was my father-in-law. A raging wild fire had sprung up out of nowhere and my in-laws’ home in Sonoma County was at risk. They were being evacuated. While their house was ultimately spared, neighbors just down the road weren’t so fortunate. The loss of life and property in and around Santa Rosa was incredibly tragic. Just when it seemed that Sonoma was on the road to recovery, the Santa Ana winds sparked a shocking replay of the scene here in Southern California. Again, there were evacuations, deaths and destroyed homes. In the days before Christmas, firefighters got the upper hand and displaced families were able to return home.

Wildfires and earthquakes shouldn’t really come as a surprise to those of us who live in California, yet, when that phone call comes at 3:00 in the morning, it is still a shock. The advice we get is to “expect the unexpected” – to prepare by setting aside drinking water and shelf-stable food that might be needed in an emergency. There are parallels to the idea of planning for the aftermath of a natural disaster and being prepared in advance of an unexpected market downturn. For one, financial strength is a factor that is emphasized in our analysis of investments – I suppose that’s akin to having your home bolted to the foundation, a practice that reduces earthquake damage. At Poplar Forest, we also prefer companies that have sustainable free cash flow, which may be equivalent to those supplies of water and canned food. Finally, we use scenario analysis to examine how our investments will perform, not just in good times, but also in the equivalent of investment wildfire.

Understanding the environment is important in assessing risks. For example, on the night the wildfires started, Red Flag Warnings were in effect. The National Weather Service issues Red Flag Warnings to alert fire departments about critical weather and dry conditions that could lead to rapid or dramatic increases in wildfire activity. At Poplar Forest, we watch valuation, investor sentiment and the term-structure of interest rates for clues about the riskiness of the environment. At this point in time, we don’t see indicators of a pending downturn, but risks are growing and we are watching for the sparks that could start a conflagration.

I remain upbeat about the prospects for the stocks of the companies in which we are invested. I continue to have roughly 95% of my liquid assets deployed into the funds we manage here at Poplar Forest and the team and I are absolutely committed to a contrarian, value-centric investment process that we believe offers market beating potential in the long run. In thinking about the future, I think it can be helpful to reflect on the past as a way of helping widen our frame of reference in formulating an investment forecast. With that in mind, I offer a list of the developments that most surprised me in 2017.





#10 – Presidential tweets

Who knew a country could be governed via 140 character electronic messages? I had expected candidate Trump to evolve into a more traditionally styled president, but instead he has chosen to stick to the approach that got him into the White House. After a year in office, the stock market seems to have given America's chief executive a vote of confidence while being seemingly unperturbed by his style of communication. I remember my father talking about how Kennedy was the first "television" president and from that time on, the skill with which politicians used that medium had a huge impact on their success. Perhaps Trump is the first social media president. Will Twitter and other social media platforms be as big for the next generation as TV has been for the baby boomers?

#9 – North Korean missiles

President Trump seems to have met his match in verbal sparring partner Kim Jong-un. While the old adage "Sticks and stones may break my bones, but words will never hurt me" may well apply to Twitter feeds, recent rhetorical dust-ups feel more dangerous. Those intercontinental ballistic missiles are really big sticks. Observers continue to sound surprised at the advances made by Pyongyang, but so far, investors have shrugged off both words and threatened actions.

Geopolitical tensions exist well beyond the Korean Peninsula and include the South China Sea, the Middle East where Saudi Arabia and Iran seem to be increasingly at odds, and Russia. We can all hope that cool heads prevail in all these situations, but each certainly offers plenty of material that could flare up at any time.

#8 – 22% gain for the S&P 500

Stock prices made strong gains in 2017 despite the aforementioned geopolitical tensions, two indictments and a guilty plea in the ongoing Special Counsel investigation of the presidential election, rising short-term interest rates, a flattening yield curve, and a growing federal budget deficit. The rate at which stock prices rose outstripped earnings increases and the market now stands at a decade high forward P/E ratio. I view valuation as a measure of sentiment and today's high P/E ratio suggests that investors feel better about the future than they have at any time in the last ten years. As the great John Templeton said, "Bull markets are born on pessimism, grow on skepticism, mature on optimism and die on euphoria." I believe we are well into the optimism stage, but I don't yet see signs of euphoria in the stock market.

#7 – Lack of corrections

Like the Energizer Bunny, stocks continue to keep going, and going and going. We've now gone more than 22 months without a correction of at least 5%. With the market grinding higher and higher, month after month, there has not been the type of routine setback that I find critical to the market's health. We all need an occasional vacation, yet the S&P has not taken a pause to catch its breath since making a



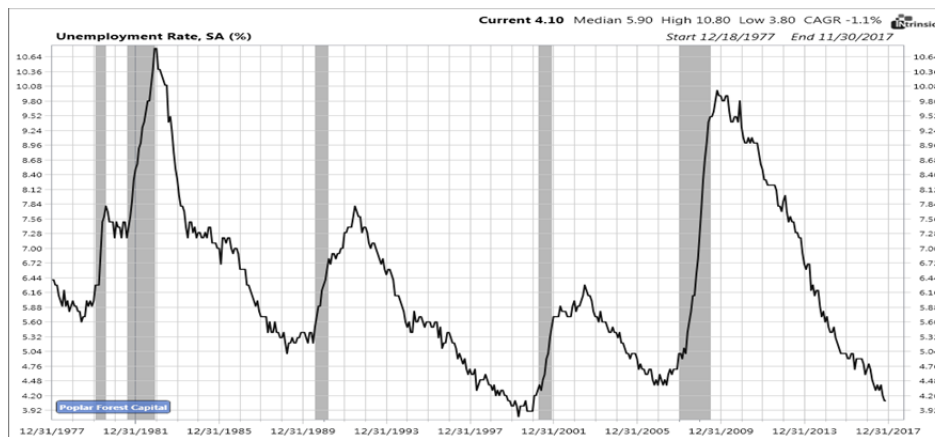


short-term low back in February 2016. Also notable: the S&P 500 produced a positive total return in every month of the year – something that has never happened before, according to Evercore ISI research.

As you can see in the Appendix, in the nearly nine years since its early 2009 bottom, the S&P 500 has advanced from a closing low price of 677 to a high of 2,690 – a gain of almost 300%. Along the way, the market has had a correction of 5% or more 15 times, and three of those corrections have exceeded 10%. These sorts of declines were fairly routine – generally twice a year. While I don't expect a bear market in 2018, I do expect higher levels of volatility to return; we may hold a little extra cash in our portfolios with the expectation that healthy corrections may provide attractive investment opportunities.

#6 – Lack of wage inflation

I'm reminded of the quip: Economists were created to make weather forecasters look good. Models that predicted accelerating economic growth and rising inflation as a result of extraordinary monetary stimulus provided by the Federal Reserve have proven unreliable, to say the least. With the unemployment rate at an historically low level, wage inflation should also be kicking in by now, yet the official statistics show little progress. I believe the status quo is unsustainable – either job growth will slow or wages will rise.



#5 – “Tax Simplification” to cost \$1.5 TRILLION

The President and Republican controlled Congress notched their first legislative win in December with a bill originally touted as tax simplification. It doesn't look simple to me and this new law will certainly create lots of work for accountants and tax planners. While I have long believed that the U.S. needed to get its corporate tax rate down to an internationally competitive level, I did not expect such a far reaching and costly legislative re-write. The economy has been doing well of late and this feels like the wrong time to add more fuel to the economic fire. When times are good, I think it wise to save for a rainy day; this legislation goes in the opposite direction.





#4 – 2.41% yield on 10 year Treasury bonds

At the beginning of the year, 10 year U.S. Treasury bonds yielded 2.45%. Since then, the Fed has begun to slowly sell its bond holdings while raising short-term interest rates four times (by a cumulative 1.0%). The economy continues to be strong and Congress just passed a tax cut that is expected to add \$1.5 trillion to the budget deficit over ten years in the hopes of accelerating economic growth. Despite all this, bonds yields ended the year roughly unchanged in what seems like a repeal of the laws of supply and demand.

#3 – Record prices for art, classic cars, and bitcoin

The art market was abuzz this year given a new record price for a painting - the \$450 million purchase of Leonardo da Vinci's *Salvator Mundi*. This new record price was more than twice the \$179 million high water mark achieved by Picasso's *Les Femmes d'Alger* in May 2015.

Collectible cars are also in record territory according to the Hagerty Blue Chip Index, which measures the values of the 25 most sought-after collectible automobiles of the post-war era. Collectible cars escaped the Great Recession and current prices are up almost five-fold since early 2007.



Source: Hagerty Valuation Tools

The gains in art and cars pale in comparison to the red hot cryptocurrency market. In talking about bitcoin, some observers, including Jamie Dimon, the widely respected CEO of JPMorgan, have used words and phrases like “bubble,” “fraud,” and “worse than tulip bulbs” – a reference to the 1600’s mania perhaps best described in the book *Extraordinary Popular Delusions and the Madness of Crowds*, by Charles Mackay. For me, bitcoin is a bit like gold (or art or fancy cars) – I do not have a way to determine a fair value for these assets because they produce no cash flow. In fact, when storage and insurance costs are considered, assets such as gold, art and cars could be seen as generating negative cash flow. One of the only ways to make money in these assets, or in bitcoin, is by selling to someone else at a higher price than you paid. Because of this dynamic, I think of all these assets as speculations as opposed to investments. At Poplar Forest, we invest.





#2 – Stock price declines in the energy sector

If you had told me that in 2017 stock prices would be up more than 20% and that the price of oil would rise by more than 10%, I would have felt confident that the stock prices of energy companies would have done quite well. It didn't work out that way- as a group, energy stocks fell in 2017. While investors appear optimistic about the outlook for stocks more generally, as expressed in a decade-high P/E ratio (see surprise #8), they appear less enthused about the outlook for energy companies -despite rising commodity prices and management pledges of more shareholder-friendly capital allocation plans at many companies in the oil patch. While I've been frustrated by the performance of our energy investments this year, we continue to believe that our holdings will deliver market-beating returns over time.

#1 – Value stocks underperform

I had believed that strong performance in 2016 signaled a new market environment in which value strategies, like those pursued at Poplar Forest, would generate years of market beating performance. The economy has been strong and that is usually a recipe for better value stock performance, but such was not the case in 2017. In fact, growth closed last year's performance gap and more, thus continuing its pattern of outperformance over the last decade. In my experience, trends like this don't continue indefinitely and I believe a cycle of outperformance by value strategies may be right in front of us. Historically, when value stocks have produced better returns than the shares of growth companies, our portfolios have produced even better returns.

	2016	2017	Last 2 years Annualized*	Last 10 Years Annualized*
Russell 1000 Growth Index	+7.08%	+30.21%	+18.08%	+10.36%
Russell 1000 Value Index	+17.34%	+13.66%	+15.49%	+7.37%

*As of 12/31/2017

Outlook – The Future Will Likely be Full of Surprises

Roughly twenty years ago, Jon Lovelace, then a senior portfolio counselor at the Capital Group, shared with the investment group some calculations he'd made. He had computed and then charted the trailing ten year returns of the S&P 500 going back several decades. The message in the data seemed clear. I remember the conversation going something like this:

Question: Jon, are you saying a bear market is coming?
His reply: No, I just wanted to share some data with you.





- Question: Jon, if there's a bear market, what will cause it?
Reply: A surprise.
Question: What sort of surprise?
Reply: A surprise, by definition, is something you don't see coming.

By sharing this story, I don't mean to suggest that a bear market is coming. The data Jon shared with us showed that the trailing ten year return of the S&P 500 was one of the best ever – on the order of 15% per year. By comparison, in this current cycle, the trailing ten year return for the S&P 500 is just 8.50% as of Dec. 31, 2017.

I share this story to start a conversation about risk management. As I stated earlier, John Templeton famously said bull markets “die on euphoria.” By the time investors are euphoric, many will have jettisoned worries of loss – they will be giddy with profits and greedy for more. At that point, a particular focus of our work on your behalf will be in managing downside risk. As Warren Buffet has said, it is wise to be “fearful when others are greedy and greedy when they are fearful.”

Assessing risk is always a part of our process, but it is also a double edged sword. While many people seem to mentally insert “downside” ahead of the word “risk,” it is also important to be cognizant of upside risks as well. For example, while my list of geopolitical and inflationary worries has grown, I also recognize that the final stage of a bull market can often be the most profitable for investors. Getting too cautious too early can create meaningful opportunity costs. In the 24 months leading to the peak in 2000, the S&P 500 produced a nearly 40% total return; in the two-year period before the 2007 peak, the gain was well over 30%.

Fortunately, my job isn't to make top-down predictions about the economy or the stock and bond markets. I remain steadfastly focused on seeking to build, from the bottom up, a portfolio of investments that will produce market beating long-term returns. At the end of the year, the Poplar Forest Partners Fund held 28 investments. At a time when the median stock in the S&P 500 is valued at 20-21x earnings, our 28 stocks are valued at 16-17x. Furthermore, given that a number of our investments are currently generating what we believe are below normal margins, improved profitability could result in an even bigger valuation discount.

We typically hold about 30 investments, but, in my opinion, selectivity is the name of the game at this point in the market cycle. In addition to being increasingly selective, we have cash equal to about 5% of assets, as I suspect a return to more normal levels of volatility may provide us opportunities to make purchases at what we hope will be temporarily discounted prices. If, however, the market continues its Energizer Bunny routine with continued correction-free advances, then our cash position may grow, especially if individual investments appear to offer less compelling risk/reward ratios. As a point of reference, if we thought market risks had grown to worrisome levels, our cash position could approach 25% of our portfolios.





Our working assumption may best be summarized as: steady as she goes. The economy looks strong with near record low levels of unemployment, high consumer confidence and optimistic business sentiment. Regulatory reform and the impact of pending tax cuts seem likely to add to the positive drivers of economic growth. Earnings growth will likely be strong in 2018, and in my experience, stock prices follow earnings. While we may be entering the later stages of this market cycle, my worry at this point isn't about a looming recession - - it's about the economy getting too hot. In the short term, hot is usually good for stocks and bad for bonds and we are positioned accordingly. We will continue to watch for signs of two Red Flag Warnings, in particular: euphoria and an inverted yield curve. But barring a surprise, we believe the forecast looks great.

Poplar Forest Capital opened its doors a decade ago. What a decade it's been – from the bursting of the housing bubble and subsequent financial crisis on one end, to the first year of President Trump's presidency on the other. We've seen groundbreaking healthcare legislation and historic tax reform. The S&P500 Index fell over 50% in our first 18 months of operation and then subsequently rallied to new all-time high levels. Through all the ups and downs, I've been fortunate to work with a great group of outstanding professionals.

As we head into our second decade of work on our clients' behalf, we are pleased to announce that we will be joined by two new team members. Nick Wells, CFA, joined us after spending the last four years as a research associate at the Capital Group and his primary focus will be the consumer sector. Nick received a Bachelor in Business Administration, with honors, from Texas Tech University in 2006 and a Master in Business Administration from the New York University Stern School of Business in 2012. Brian Haskin has taken on the role of director of business development and is responsible for managing and directing the firm's sales, client service and marketing activities. Brian has spent 24 years in the investment management industry specializing in distribution, product development and investment strategy across both traditional and alternative investment products. He earned his Masters of Business Administration, with honors, from the Booth School of Business at the University of Chicago, and a Bachelor of Science degree in Business Administration from the University of Southern California.

Please join me in welcoming these two talented professionals to Poplar Forest!

J. Dale Harvey
January 1, 2018



**Appendix – Recent Market Corrections >5%**

Date of High	Date of Low	S&P 500 Closing High Price	S&P 500 Closing Low Price	% Change
	3/9/09		676.53	
3/26/09	3/30/09	832.86	787.53	-5.4%
5/8/09	5/15/09	929.23	882.88	-5.0%
6/12/09	7/10/09	946.21	879.13	-7.1%
10/19/09	10/30/09	1097.91	1036.19	-5.6%
1/19/10	2/8/10	1150.23	1056.74	-8.1%
4/23/10	7/2/10	1217.28	1022.58	-16.0%
2/18/11	3/16/11	1343.01	1256.88	-6.4%
4/29/11	10/3/11	1363.61	1099.23	-19.4%
4/2/12	6/1/12	1419.04	1278.04	-9.9%
9/14/12	11/15/12	1465.77	1353.33	-7.7%
5/21/13	6/24/13	1669.16	1573.09	-5.8%
12/31/13	2/3/14	1848.36	1741.89	-5.8%
9/18/14	10/15/14	2011.36	1862.49	-7.4%
12/5/14	12/16/14	2075.37	1972.74	-5.0%
5/21/15	2/11/16	2130.82	1829.08	-14.2%
12/18/17		2690.16		
Note: * High as of 12/31/2017.				

Past performance does not guarantee future results.





PARTNERS FUND REVIEW

Portfolio Manager: J. Dale Harvey

The Partners Fund Institutional Class shares produced a 5.56% return versus the S&P 500®'s 6.64% in the quarter ended 12/31/17. This was yet another difficult period 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 5.33%.

For the quarter, the Fund benefitted from investments in the industrials, financials, materials, and information technology sectors with our top contributors being MSC Industrial Direct (industrials), Ally Financial (financial services), Bank of America (financial services), Freeport McMoRan (materials), and TE Connectivity (information technology). The bottom detractors to our results were Signet Jewelers (consumer), Baker Hughes (energy), Weatherford International (energy), Johnson Controls (industrials), and American International Group (financial services).

We eliminated Ralph Lauren, Microsoft and Micro Focus International from the portfolio this quarter, while establishing new investments in Newell Brands, an underearning consumer products company, and Cisco Systems. The Fund ended the quarter with 28 investments and roughly 5% cash.

Looking at the longer term, for the second year out of three, value stocks underperformed growth stocks. Given our concentrated approach to investing, our results tend to magnify the over- or under-performance of value stocks as can be seen in our results over the last two years:

	2016	2017	5YR*	Since* Inception
Poplar Forest Partners Institutional Class	+26.24%	+6.80%	+15.11%	+12.70%
Russell 1000 Value Index	+17.34%	+13.66%	+14.04%	+12.84%
Russell 1000 Growth Index	+ 7.08%	+30.21%	+17.33%	+15.05%

**As of 12/31/2017. Returns greater than one year are annualized. 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. Inception date for the Fund is 12/31/09.*

We continue to believe that price matters and that value investing will provide market beating returns for those who are patient enough to live through periods of underperformance.

With continued low (but rising) interest rates and an extended bull market, valuation indicators such as Price to Book Value, Price to Earnings and Price to Sales have become quite stretched for growth stocks.





When this trend turns, value stocks can exhibit strong performance relative to growth stocks, and we believe that a value cycle may be headed our way in 2018.

Overall, we are excited about the prospects for the securities we own in your portfolio as well as new opportunities we are evaluating. Historically, we have found some of our best investment opportunities during what might be considered more extreme market environments, such as that now occurring in the retail sector with fears that Amazon will run all other retailers out of business. As contrarian investors, these views create opportunity, and that is what makes us excited about our portfolios today.





CORNERSTONE FUND REVIEW

Portfolio Managers: J. Dale Harvey and Derek Derman

The Cornerstone Fund Institutional Class shares produced a 3.97% return versus 4.12% for a 60/40 blend of the S&P 500® Index (6.64%) and the Bloomberg Barclays U.S. Aggregate Bond Index (0.39%) in the quarter ended 12/31/17.

The Fund benefitted from investments in several different industries this quarter with our top contributors being MSC Industrial Direct (industrials), Freeport McMoRan (materials), Ally Financial (financial services), Cisco Systems (information technology), and AmerisourceBergen (healthcare). The bottom detractors to our results were Signet Jewelers (consumer), Baker Hughes (energy), Johnson Controls (industrials), Merck (healthcare), and Micro Focus International (information technology).

While exiting investments in Antero Resources, Brighthouse Financial, Micro Focus International, Pepsico, Plains GP Holdings and Ralph Lauren, we made new investments in EQT Corporation, Equifax, Newell Brands and Noble Energy this quarter. Due to these changes, the Fund ended the quarter with 35 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 26% 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,

With three young children, one of my family's holiday traditions is to re-watch classic holiday movies such as "A Christmas Story" and re-read classic fairy-tales like the "The Nutcracker." This year we made quick work of the holiday themed fairy tales and then moved onto some of Aesop's Fables. These stories' timeless wisdom impresses me more with each reading and I now appreciate why, after first emerging in ancient Greece, so many of these parables have endured for thousands of years. "The Boy Who Cried Wolf" caught my eye this year as having some relevance for investors contemplating the scope of Amazon's impact on the economy. Throughout the second half of 2017 an interesting dynamic emerged where, on the one hand, you had many pundits clamoring to over-shoot each other with their optimistic price targets for cryptocurrencies such as bitcoin and, on the other hand, under-shoot each other with their pessimistic price targets for any company or industry that may at some point compete with Amazon. Thoughtful analysis seems to be missing from many of these forecasts. While blockchain technologies and bitcoin are outside of my circle of competence, Amazon entering the Healthcare sector and pharmacy industry is a topic I can analyze. The Healthcare sector has some significant differences from other sectors that Amazon has disrupted including significant regulatory complexity, the majority of spending flowing through insurance companies, and an inability for consumers to easily compare prescription drugs the way you might compare apparel or consumer electronics. Accordingly, we believe the Amazon related skepticism that has recently emerged for drug distributors, such as AmerisourceBergen (ABC), our single largest investment, is misplaced and is an example of Wall Street analysts "crying wolf" to make headlines.

As contrarian value investors, we take an interest in many business and economic controversies in the hopes of finding investment opportunities where short-term fears distort stock prices to such an extent that long-term value emerges. An important part of our investment process is defining whether the controversy of interest is actually something we can analyze and figure out. Stocks pose different questions to investors at different prices; sometimes these questions are answerable and sometimes they aren't. In the case of Amazon's potential entry into the pharmacy channel, our analysis involved thinking through questions such as: What could their initial offering encompass? What "customer problems" would they seek to solve? What assets could they leverage? And, most importantly, what magnitude of impact could they have on exposed companies, such as AmerisourceBergen?

Our conclusion is that, even if Amazon were to enter the pharmacy channel aggressively in 2018, the impact to AmerisourceBergen's earnings in 3-5 years wasn't likely to be more than -5%, suggesting the stock would still be a good investment even if Amazon makes a major push into the pharmacy channel. We estimate only about 60% of the company's profits are tied to the distribution of pills, Amazon's likely focus, with the rest of their profits stemming from animal health distribution and more service oriented business lines, likely specialty cancer therapies. In our analysis, we assumed Amazon quickly built pharmacies in the majority of Whole Foods, generated prescription volumes similar to what is achieved at much larger Walmart pharmacies, and then generated 1-2x the online volumes as their in-store volumes, despite current industrywide mail order volumes of only 0.5x in-store volumes. For good





measure, we then assumed AmerisourceBergen would be the sole market share donor to Amazon and absorb 100% of the lost volumes.

While Amazon does seem likely to enter the Healthcare sector, most analysts haven't taken the time to actually analyze the magnitude of impact they could have on a company like AmerisourceBergen. We believe that part of our advantage as highly selective investors is that we can find the outliers and exceptions to the trends that everyone else is obsessing over. The Company recently guided to 8% sales growth for 2018 and, longer-term, we think they can sustain a mid-to-high single digit sales growth rate and even faster earnings growth. They would also be a likely beneficiary of tax reform since their current tax rate is 30%+. Despite an above average long-term growth outlook for sales and earnings, favorable optionality around tax reform, and below average economic sensitivity, the stock still trades at a significant discount to the broader market. We added to our position in the third quarter and expect investors to be pleasantly surprised by the resilience of the company's earnings growth in coming years. We continue to find attractive values in the healthcare sector, similar to AmerisourceBergen, that are trading at below average valuations compared to the market, have below average economic sensitivity, and offer what we believe will be above average earnings growth. Healthcare remains our largest sector exposure at 20%+.

While our absolute performance started to improve towards year-end, 2017 goes down as a year of frustratingly weak performance compared to the broader market. Despite oil prices increasing throughout the year, our energy investments posted declines. Energy is a volatile sector and many of our energy investments, which we believe have meaningful self-help opportunities for enhancing their profitability, could easily see improving sentiment and valuations in the coming years. Some of the consumer investments that hurt us during 2017 could also stand to benefit from improving consumer confidence in 2018. We've recently seen signs that economic growth may be accelerating just as we get a potential boost in corporate profitability and consumer incomes from tax reform. Tax reform seems likely to amplify what we estimate was already going to be an improving trend in earnings for many of our portfolio companies in 2018. Should there be an uptick in inflation, we think many of our investments would benefit. In addition, our portfolio has no exposure to bond surrogates such as utilities, real estate investment trusts, telecom service companies, and consumer staples, which can often see share price declines in response to rising inflation and interest rates.

Economic growth appears to be improving and our portfolio looks cheap at 11x our estimates of normalized earnings power. While our style of value investing has been lately out of favor, history suggests investing is cyclical. With high conviction value styles enduring multiple years of unpopularity, the stage may be set for a reversal in 2018. Slow and steady can win the race as we all learned from Aesop's "The Tortoise and The Hare." While being a Tortoise often isn't popular, we believe it can be profitable, and we remain steadfast in methodically employing our contrarian and price-sensitive value investment process.

Dale and I appreciate your patience and look forward to discussing with all of you the great values, such as AmerisourceBergen, that we believe exist within our portfolio.





Thank you for your interest and continued support!

Cordially,

Stephen A. Burlingame, CFA

January 1, 2018





OUTLIERS FUND REVIEW

Portfolio Managers: J. Dale Harvey and Stephen Burlingame

During the quarter, the Fund's Institutional Class shares generated a return of 5.89% which slightly lagged the Russell Midcap® Index return of 6.07%. 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 12.57% which compares to a 15.34% return for the Russell Midcap® Index.

Relative to the Russell Midcap® Index, the Fund's modest quarterly underperformance was driven by sector allocation effects. Investments in the Financials and Healthcare sectors contributed the most to the Fund's relative returns, whereas investments in the Energy sector detracted the most. Within Financials, our returns were broad based. Our investments in the Financials sector are domestically focused and demonstrated improving business trends during 2017. These companies share prices also benefited from perceptions that rising interest rates and recently passed U.S. tax reform would enhance an already improving earnings growth trend. Favorable returns were also broad-based across our investments in the Healthcare sector. Our new investment in DaVita Healthcare Partners (DVA) was the biggest driver of our Healthcare returns (see below for commentary). Weatherford International (WFT) was a primary driver of our poor results in the Energy sector. Share price declines during the quarter most likely stemmed from concerns that the terms of an asset sale to Schlumberger would be adjusted, which happened, but which we don't view as a material change to the longer-term investment thesis. We continue to believe Weatherford is undervalued and has significant opportunities to improve their profit margins and earnings power regardless of whether oil prices rise from current levels.

The Fund continues to have no exposure to Utilities or Real Estate Investment Trusts (REITs). Many of these companies have paid 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 DaVita Healthcare Partners (DVA). DaVita is a leading provider of dialysis, a lifesaving therapy for patients suffering from kidney failure. Kidney failure often results from diabetes and high blood pressure which are unfortunately becoming more prevalent diseases each year. DaVita fell out of favor with investors during the last two years due to government reimbursement pressures for dialysis, concerns about DaVita's role in encouraging the use of charitable premium assistance, and poor operating results in the company's non-dialysis business lines. Our research suggested each of these challenges were temporary and/or fixable and that the business was being inappropriately valued at a discount to the market despite offering above average earnings growth potential. While the stock has recently generated favorable returns due to the announced sale of their non-dialysis business and a related share repurchase commitment, we still find the shares undervalued. DaVita is likely to significantly benefit from U.S. tax reform and has durable, recession resistant earnings





growth potential which seems likely to garner a higher valuation as the business is simplified and government reimbursement pressures ease.

Recent sales include exiting our highly successful investments in Humana (HUM), Abbott Laboratories (ABT), and Progressive (PGR). Somewhat similar to DaVita, these investments are examples of investments in high quality companies which, at the time of purchase, were trading at below average valuations despite offering investors the potential for above average long-term earnings growth. We also exited our investment in Ralph Lauren (RL) following a sharp recovery in the share price to levels more in line with our estimates of fair value.

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. We ended the quarter with a cash balance of less than 5%.



**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 December 31, 2017, the Poplar Forest Partners Fund's 10 largest holdings accounted for 46.20% of total fund assets. The Fund's 10 largest holdings at December 31, 2017:

ABBOTT LABORATORIES	5.49
LINCOLN NATIONAL	4.85
AMERISOURCEBERGEN	4.70
CITIGROUP	4.65
ZIMMER BIOMET HOLDINGS	4.60
MSC INDUSTRIAL DIRECT	4.59
BANK OF AMERICA	4.52
RELIANCE STEEL & ALUMINUM	4.45
DEVON ENERGY	4.22
TAPESTRY	4.14

As of December 31, 2017, the Poplar Forest Cornerstone Fund's 10 largest holdings accounted for 28.73% of total fund assets. The Fund's 10 largest holdings at December 31, 2017:

ABBOTT LABORATORIES	3.38
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LINCOLN NATIONAL	3.37
CITIGROUP	3.22
AMERISOURCEBERGEN	2.96
ALLY FINANCIAL	2.75
ZIMMER BIOMET HOLDINGS	2.75
MSC INDUSTRIAL DIRECT	2.70
AMERICAN INTERNATIONAL GROUP	2.62
TAPESTRY	2.52
BECTON DICKINSON & CO 11/12/2020	2.48

As of December 31, 2017, the Poplar Forest Outliers Fund's 10 largest equity holdings accounted for 49.10% of total fund assets. The Fund's 10 largest equity holdings at December 31, 2017:

AMERISOURCEBERGEN	5.90
ALLY FINANCIAL INC	5.85
RELIANCE STEEL & ALUMINUM	5.31
PERRIGO CO PLC	5.26
ZIMMER BIOMET HOLDINGS	5.22
DAVITA	4.74
AECOM	4.68
WEATHERFORD INTERNATIONAL	4.13
NN INC	4.07
LINCOLN NATIONAL	3.95

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. **Current and future holdings are subject to risk.**

Definitions

Bloomberg Barclays U.S. Aggregate Bond Index is a broad base index, maintained by Bloomberg L.P. since August 24th 2016, It is often used to represent investment grade bonds being traded in United States. You cannot invest directly in an index.

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).

Compound Annual Growth Rate (CAGR) is the year-over-year growth rate of an investment over a specified period of time. The compound annual growth rate is calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered.

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.

An Index Fund is a type of mutual fund with a portfolio constructed to match or track the components of a market index, such as the Standard & Poor's 500 Index (S&P 500). 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/Book Ratio (P/B) is the price/book ratio of a fund is the weighted average of the price/book ratios of all the stocks in a fund's portfolio.

Price/Earnings (P/E) Ratio is a common tool for comparing the prices of different common stocks and is calculated by dividing the earnings per share into the current market price of a stock.

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

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.

Russell 1000® Growth Index measures the performance of those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values. The Index is unmanaged, and one cannot invest directly in the Index.

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.

