RONDURE FUNDS

2Q 2020 Fund Commentary

Market Overview

Markets were hot, hot, hot this quarter after Central Banks around the world stepped in with unprecedented liquidity to make sure the economy and stocks were on more solid footing. These major global stimulus plans are coursing through the markets, and following that expansionary policy push, the stock and credit markets and every market, where liquidity can spill, began a melt up, which included global retail participation. It is back to buy the dip, and a speedy (and we believe dangerous) momentum rally has ensued. The simple belief is that everything and anything have access to Central Bank funds—nothing will fail.

Yet, with interest rates and hence hurdle rates for returns sitting at zero or negative bounds, we could also argue that it makes sense to stay the course with high quality equities, close your eyes, and own them for the long run. The return hurdle is so low at present that over the long-term we think our portfolios could beat that low bar of close to zero.

The portfolios kept up nicely in this environment with much less risk than our respective indices, but we see that investors, through the types of stocks they are buying with a Central Bank backstop globally, are getting more and more speculative. We will not chase this. We will stay the course of seeking quality compounding businesses.

We have said this before, but we think it is worth repeating. The stimulus that started with the Repo bailouts by the Federal Reserve ("the Fed") in the fall of last year remind us of the stimulus plan that was created after the blow up of Long-Term Capital Management in the 1990s. We know now that in the 1990s that stimulus helped perpetuate a technology bubble and a large capitalization bubble, as the low interest rates that were utilized to keep the 90s technology bubble booming pushed into the stock market. We think the actions that are taking place today are bigger and on a global scale, so we are wary that this money is driving asset bubbles—helping Wall Street but not really doing much for Main Street. Eventually, that ends badly for all, but particularly for Main Street if they dive into the markets late in the cycle.

Without a doubt, the theme of this quarter was trigger happy global bankers, particularly our very own bankers in the US. This pushed money into every asset class imaginable. This is the first time we can remember in history where you have a terrible global economy with raging stock and credit markets—it is now global consensus not to fight the Fed.

Rondure New World Fund

On a stock-specific basis, two of the biggest contributors were the largest medical glove producers in the world, both listed in Malaysia: **Top Glove Corporation Bhd (TOPG MK)** and **Hartalega Holdings Bhd (HART MK)**. Global demand for their gloves continues to remain elevated amid the pandemic, which has in turn resulted in higher pricing and better operating efficiency.

The three largest individual detractors in the portfolio were **Tencent Holdings Ltd (700 HK)**, **Clicks Group Ltd (CLS SJ)**, and **Philippines Seven Corp (SEVN PM)**. While **Clicks Group (CLS SJ)**, South Africa's leading drugstore chain, has a largely defensive portfolio of SKUs (stock keeping units), it could not overcome the severe lockdown measures undertaken by the South African government to contain the spread of COVID-19. This coupled with the fact that management decided to forego its semi-annual dividend to preserve cash, caused the stock to underperform. **Tencent Holdings Ltd (700 HK)** was a crime of omission in the past few quarters. The Chinese social networking giant has benefitted in a world where internet use rises as people stay home. We like the business and just didn't own enough of it going into the pandemic; it has been a strong performer this year. Fortunately, we owned many other companies that benefitted from higher stay-at-home trends. **Philippines Seven Corp (SEVN PM)**, the Philippines largest convenience store, was a relatively flat stock this quarter in a market that was going straight up. The company is still one of our favorite long-term compounders, and we see no change in the long-term outlook for the business or stock.

On a sector basis, the portfolio's top contributors were Financials and Health Care. The portfolio's significant underweight to Financials continued to benefit us, given the sector's relative underperformance during the quarter. Some of the Financials that were held, however, performed much better than the broader sector. The standout names were again the exchanges: **B3 SA – Brasil Bolsa Balcao (B3SA3 BZ)** and **Hong Kong Exchanges and Clearing Ltd (388 HK)**. Both companies have been key beneficiaries of increasing velocity and volatility in their respective markets. Hong Kong Exchanges also got an added boost from an increasing number of US-listed Chinese ADRs (American Depository Receipts) opting to do secondary listings in Hong Kong. While there are several motivations behind these secondary offerings, we are enthused to see some of China's biggest companies pursuing this strategy, including **Alibaba Group Holdings (9988 HK)** and **JD.Com Inc. (9618 HK)** to name a few. In the healthcare vertical, our outperformance was predominately driven by the two global glove companies mentioned above.

As usual, the portfolio remained defensively positioned throughout the quarter. However, the outsized position in Consumer Staples cost the portfolio some relative performance. This was the main detractor on a sector basis. The main culprits were **Shoprite Holdings Ltd (SHP SJ)** and **Clicks Group Ltd (CLS SJ)**. The specifics of Clicks were discussed earlier, and Shoprite also suffered from the severe lockdown measures in South Africa.

In terms of country-based attribution, Hong Kong, Vietnam, and China contributed the most to relative outperformance against the benchmark. We had good stock picking in these places, as the countries of

Hong Kong and China, themselves, underperformed the overall index return this quarter. Vietnam is not in the index, but we believe it punches well beyond its frontier status. It has handled COVID-19 remarkably well. The Vietnamese stock market is bouncing due to its response to the virus, and it is also a beneficiary from the hostile global trade dynamics between the USA and China. Vietnam should take share in manufacturing as a neutral player. We have no direct plays on this, but we believe our companies can benefit indirectly, as Vietnam quickly goes into the pole position as one of the world's fastest growing economies.

South Africa was the portfolio's greatest detractor from performance. Clicks Group was again the main culprit here. Despite the pullback, we continue to view the company's long-term compounding potential favorably. Given the tough macro environment, we believe the company's gradual market share grab from smaller independent pharmacists should only accelerate going forward. While we are not pleased with the suspension of the company's semi-annual dividend, we await further clarity on the annual payout. Given its solid balance sheet, we have little doubt on Clicks' ability to fund its future dividend streams.

Rondure Overseas Fund

On a stock-specific basis, the largest positive contributor was **REA Group (REA AU)**, the Australia-based real estate listings portal network. Not coincidentally, this stock was one of our worst performers the prior quarter. Real estate activity slowed considerably as COVID-19 worsened in that part of the world. Yet the stock recovered swiftly beginning in late March, rebounding close to all-time highs by quarter-end as the market regained confidence in the near term outlook for real estate markets in Australia and the broader Pacific Rim.

Two companies in Japan we believe to be promising secular growth stories, **MonotaRo Co Ltd (3064 JP)** and **Nihon M&A Center Inc. (2127 JP)**, also contributed well to our results. Both play, in their own way, to trends in the Japanese economy that we find compelling. MonotaRO, a beloved domestic brand, has proven to be one of the country's most successful internet-based retailers of industrial supplies, cultivating a loyal following of small and medium-sized manufacturing clients who depend on them for maintenance, repair, and operations products. Nihon M&A is quite different though similarly well positioned generationally. The company provides merger and acquisition deal-making services, largely for smaller, privately-held Japanese businesses where the founding generation may lack other succession plans. As the country has aged, the need for such matchmaking has intensified and cultural acceptance of the practice has grown, both to Nihon M&A's advantage.

The largest detractor in our portfolio was also one of our favorite holdings, **Chocoladefabriken Lindt & Sprungli AG (LISN SW)**, more commonly known as the chocolatier Lindt. The stock did not fare badly during the quarter on an absolute basis, ending down just a few percentage points. Given the big run in the broader markets, however, and the fund's large position, Lindt's mildly anemic performance in Q2 turned it into the strategy's weakest contributor.

Two of our worst performers this quarter were both COVID-19-related victims, **Compass Group PLC (CPG LN)** and **WH Smith PLC (SMWH LN)**. Neither fared well the previous quarter, either. Compass Group's catering-driven business has gone (temporarily, we think) from feast to famine at a time when large groups are loath to congregate, and even stalwart clients like multinational corporations and schools are keeping their doors closed. WH Smith, for its part, continues to bear the full brunt of the pandemic, given its focus on travel-related brick-and-mortar retail. While both stocks have recovered somewhat from their Q1 lows, both remain in the penalty box with investors, who are increasingly focused on balance sheet management, equity funding needs, and the potential for a prolonged loss in earnings power. Due to our relatively small weights in both names, however, their negative impact to the fund was contained.

From a sector standpoint, contributions to performance tended to correlate to the fund's relative sector weights. As usual, the portfolio retained a defensive posture throughout the quarter. Relative to the MSCI EAFE Index, we are overweight Consumer Staples and our holdings there outperformed the broader sector. Our two largest underweights, in terms of sector, are Financials and Healthcare. In each one, our holdings outperformed the broader sector, and yet the aggregate total return across them was less than the market index offered.

Looking at the portfolio from a country standpoint, what exposure we had to the United States and Canada were boons from a relative total return standpoint. Where we see great process fits with compelling growth stories in developed markets outside the United States, we don't let their North American domicile deter us from ownership. That is doubly true when we believe they offer us exposure to certain pockets of the economy that we can't get in any other way (such as what **MasterCard Inc. (MA US)** and **Visa Inc. (V US)** offer us in payments or **MSCI Inc. (MSCI US)** exposes us to data, analytics, and the growth of ESG (Environmental, Social, Governance)-related investing.

Germany was the portfolio's largest relative detractor from performance. Many of the country's major public companies witnessed quite a bounce in their stock prices in Q2, far outpacing the EAFE Index. Our underweight position in German equities meant that we did not fully participate in that bounce off the bottom.

Parting Thoughts and Market Outlook

This hot, hot, hot market reminds our team of their interactions with their children and in the endeavors to teach our children about the risks and danger from the hot gas stove. Currently, when they see/walk by the stove, they will stick out their hands and parrot, "hot, hot, hot." While they are able to mimic our behavior and repeat the words we've tried to teach, they are failing to understand the connection to the consequences that will inevitably come, as they continue to try and touch/grab any hot pot or pan they can. At some point, though, they'll learn this lesson and on that day, there will be many tears.

It's becoming more common to hear our friends and others talk about investing. The thing is, they often parrot some nugget or cliché of investing– calling out "hot, hot, hot," but their actions belie their understanding.

"Invest in what you know"…they either put all their investible assets into a single stock or daily/weekly rotate through Apple, Facebook, Tesla, Nikola, Google, Nio, and Microsoft. They don't <u>invest</u> in what they know, they <u>trade</u> what they know—valuation agnostic.

"Invest in an Index Fund/ETF"…this one is scary because it's often presented as a no-risk investment, where people don't equate "market risk" with what it really means. Market risk = No risk in their minds because "markets only go up" and if they go down "the fed will bail it out." Then they go off and trade levered ETFs on margin, but no worries, because the Central Bank will just bail it out if it goes wrong, using Blackrock as a conduit to do this, effectively bailing out this market's too big to fail companies. The Fed is even buying the credit of Walmart, Coca-Cola, McDonalds, and Berkshire Hathaway. The Fed, itself, is now too big to fail.

"Always buy the dip"…goes along with the mentality that markets only go up, and you have Central Banks so paranoid about falling asset prices that they'll do anything to maintain those prices. Most of the people I hear mimic this just don't understand why you always buy the dip.

This momentum mentality is snowballing. Perhaps it's a signal of where we are in the cycle with the easy access to credit. These no-fee trading platforms like Robinhood just makes it so much easier to adapt bad habits – makes the financial markets even more like a casino. They make their money off lending securities, which also pushes up risky investing on the margin. In fact, it is worse than a casino because in a casino (as far as we are aware), gamblers can't use margin. We see this happening in Emerging Markets too with China the epicenter of this type of speculation.

Markets globally (but especially in the USA) are as strong as we have seen them since the 1990s technology bubble. It started out as a rational recovery with many beaten down companies with good balance sheets and moats moving ahead—the survivors were thriving and the wheat was being separated from the chaff.

In recent days, however, the speculation in the markets is getting too strong. We see many stocks, where we either question the underlying profitability of the business model, think the business might be fraudulent, or the business is a buggy whip, flying. It is becoming a very speculative market. We do not think this is sustainable, and we will stay the course and invest in businesses we believe have a margin of safety—vis-à-vis good balance sheets, high returns on capital, and moats with an actual return in the stock that is not purely narrative or momentum.

We do feel more confident in Emerging Market currencies. We do not see any impending disasters in Emerging Markets or International markets, and in fact, we could argue the disaster that will be the US balance sheet after this is all done is starting to argue for more diversification; emerging currencies are still beaten up, and the Fed is starting to make the Japanese Central Bank look downright timid by comparison. Relatively speaking, the US has a reserve currency, but in terms of relative debt, it doesn't look good.

We also don't see a V-shaped recovery in the global economy. We think it is likely to be a Nike-style swoosh. Markets are moving quickly in an environment where the economy is moving slowly.

Longer-term we still believe good companies possess a fantastic opportunity to compound. Penetration rates (consumption) is simply lower, as are debt levels outside of our borders, and a good deal of this is due to the fact that most of the world is using less credit than the US. Hence, we believe over the long-term we can find very good compounding growth opportunities. In fact, the paradox of a raging market is it often leaves good businesses behind, and because the USA has been the epicenter for this long run bull, we would argue that international, and particularly emerging markets themselves, have been left behind for years. Jeremy Grantham also pointed this out in the quarter. If this is the case, we believe we are well positioned to participate. We won't capture all of the upside in a raging bull market, but if he is wrong (and we are wrong), then we are still positioned with what we feel are best-in-class businesses at reasonable valuations.

In short, we don't know what is in store for the markets in this don't fight the Fed environment. We do believe that the portfolios own a very good set of companies that we believe should be worth much more than they are today in the long run. The hurdle rate for performance is low with interest rates sitting at close to 0% around the world. We certainly think that hurdle is achievable in our portfolios by owning what we feel are high-quality businesses around the world at reasonable multiples, but we think with liquidity stomping in and stomping out of the markets—it floods out with fundamental risk and floods back in when the Fed decides to bail out the system—we'd expect strong volatility around that low hurdle.

Total Returns as of June 30, 2020:

	1-month	3-month	1-Year	3-Year	Since Inception
Rondure New World Fund (RNWOX)	3.81%	19.30%	-1.48%	2.40%	2.44%
Rondure New World Fund (RNWIX)	3.89%	19.48%	-1.14%	2.70%	2.72%
MSCI Emerging Markets Index	*7.40%*	*18.18%*	*-3.05%*	*2.27%*	*3.39%*
Rondure Overseas Fund (ROSOX)	2.55%	16.20%	-0.37%	3.61%	4.71%
Rondure Overseas Fund (ROSIX)	2.55%	16.31%	-0.04%	3.87%	4.96%
MSCI EAFE Index	*3.44%*	*15.08%*	*-4.73%*	*1.30%*	*2.29%*

Data shows past performance, which is not indicative of future performance. Current performance may be lower or higher than the data quoted. To obtain the most recent performance data available, please visit www.rondureglobal.com. The Advisor may absorb certain Fund expenses, without which total return would have been lower. Investment returns and principal value will fluctuate and shares, when redeemed, may be worth more or less than their original cost. Total Expense Ratios: Gross 2.04% / Net 1.10% for ROSOX; Gross 1.72% / Net 0.85% for ROSIX; Gross 1.76% / Net 1.35% for RNWOX; Gross 1.46% / Net 1.10% for RNWIX.

The Advisor has contractually agreed to waive and/or reimburse fees or expenses through at least August 31, 2020.

An investor should consider investment objectives, risks, charges and expenses carefully before investing. Visit www.rondureglobal.com to obtain a Rondure Funds Prospectus, which contain this and other information, or call 1.855.775.3337. Read the prospectus carefully before investing.

See the prospectus for additional information regarding Fund expenses. Rondure Funds will deduct a 2.00% redemption proceeds fee on Fund shares held 60 days or less. Performance data does not reflect the deduction of this redemption fee or taxes, which if reflected, would reduce the performance quoted. For more complete information including charges, risks and expenses, read the prospectus carefully.

The objective of all Rondure Funds is long-term growth of capital.

RISKS: Investing in foreign securities entails special risks, such as currency fluctuations and political uncertainties, which are described in more detail in the prospectus. Investments in emerging and frontier markets are subject to the same risks as other foreign securities and may be subject to greater risks than investments in foreign countries with more established economies and securities markets. Diversification does not eliminate the risk of experiencing investment loses.

The MSCI EAFE Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada.

The MSCI Emerging Markets Index is designed to represent the performance of large and mid-cap securities across 24 Emerging Markets (EM) countries.

MSCI World Benchmark (Net) captures large and mid cap representation across 23 Developed Markets (DM) countries. With 1,643 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

You cannot invest directly in these or any index.

Interest rates are generally tied to The Federal Funds Rate, which is the interest rate that U.S. banks charge other banks to lend for lending them money from their reserve balances on an overnight basis. Banks must retain reserves, equal to a certain percentage of their deposits, in an account at the Federal Reserve Bank.

A Central Bank is an entity responsible for overseeing the monetary system and policy of a nation(s), regulating its money supply and interest rates.

Margin of safety refers to any conservative allowance used by value investors in effort to protect their capital and portfolios from downside risk.

Rondure New World Fund Top Ten Holdings

as of 5/31/20

	Company Name	**Weight (%)**
1	Taiwan Semiconductor Manufacturing Co., Ltd.	4.4%
2	LiNing Co. Ltd.	3.7%
3	Yum China Holdings Inc.	3.3%
4	Philippine Seven Corp.	3.0%
5	Carlsberg Brewery Malaysia Bhd	2.6%
6	TOA Paint Thailand PCL	2.6%
7	Wal-Mart de Mexico SAB de CV	2.5%
8	Vietnam Dairy Products JSC	2.5%
9	Safaricom PLC	2.3%
10	Tata Consultancy Services Ltd.	2.3%
	Total	29.2%

Rondure Overseas Fund Top Ten Holdings

as of 5/31/20

	Company Name	Weight (%)
1	Nestle SA.	4.9%
2	Unilever NV	4.3%
3	Chocoladefabriken Lindt & Spruengli AG	3.0%
4	REA Group Ltd.	2.8%
5	Mastercard Inc.	2.5%
6	Olvi Oyj	2.4%
7	L'Oreal SA	2.4%
8	Accenture PLC	2.3%
9	Ferrari NV	2.2%
10	Axfood AB	2.2%
	Total	29.0%

Holdings shown are as of 5/31/20 and are subject to change.

The CFA designation is owned by the CFA institute.

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