POPLAR FOREST CAPITAL

To my Partners,

I'm pleased to report that, despite Congressional dithering over the "fiscal cliff," we finished the year in fine form with the Poplar Forest Partners Fund posting a double digit return that exceeded the performance of the S&P 500. While we still have some ground to make up on a three year basis, we are pleased to see our portfolio start to regain investor favor.

Average Annual Total Returns as of December 31, 2012

	4Q 2012	1 Year	Since Inception (12/31/09)
Poplar Forest Partners Fund:			
Class A shares; with load	-0.11%	+10.86%	+6.67%
Class A shares; without load	+5.14%	+16.71%	+8.52%
Institutional Class shares	+5.19%	+16.98%	+8.78%
S&P 500	-0.38%	+16.00%	+10.87%

Expense Ratio A Shares: 1.61% Gross; 1.25% Net of fee waiver
Expense Ratio Institutional Shares: 1.36% Gross; 1.00% Net of fee waiver

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 does not take into account any sales charges which would reduce performance. Expense Ratio Net of fee waiver reflects contractual fee waiver in effect through at least 1/28/2013.

Our annual results mask a frustrating first half when our relative results were quite weak. Fortunately, the first half was followed by a strong final six months. This was a year that tried investors' patience and it brought to mind the beginning of Rudyard Kipling's poem "If…":

If you can keep your head when all about you
Are losing theirs and blaming it on you,
If you can trust yourself when all men doubt you,
But make allowance for their doubting too;
If you can wait and not be tired by waiting…

Those five lines sum up the challenge of being a contrarian investor. I've long believed that a contrarian, long-term approach to investing can generate superior investment results. And while this approach sounds easy, it is difficult in practice because there are periods when one looks unwise and out-of-sync. Out-of-sync periods are the true test of conviction in an investment process.

Over the last couple years, we increased our investments in financial service companies from less than 10% of the portfolio in December 2009 to 25% of the portfolio this summer while reducing our more defensive holdings. These actions were driven by our bottom up investment process augmented by the belief that interest rates will increase over time. Over the 18 month period that ended last summer, our portfolio was decidedly out-of-sync, yet we stuck to our discipline.

I'd been through similar periods and to paraphrase Kipling, my experience allowed me to trust myself when others doubted. We were able to "wait and not be tired by waiting" - patience is a key ingredient of our investment program. Results in the most recent six month period rewarded our patience and I am optimistic that we've seen the worst of this investment cycle. In my opinion, far too many investors get "tired by waiting" and their impatience is a key competitive advantage for us.

As a reminder, the core planks of our investment program are:

To invest in a focused portfolio of high quality companies

- established large and mid-sized companies,
- that have consistently generated free cash flow and therefore,
- have strong balance sheets, and
- a history of paying dividends

when their future prospects are under-appreciated by investors.

- current results are disappointing, or
- the company is believed to be slow growing, or
- the business is unfashionable

We make investments with a minimum three-year investment horizon and our portfolio turnover rate has been consistent with our long-term orientation. In an environment when many market participants are focused on the next three minutes, weeks or months, our multi-year outlook differentiates us from the pack.

While Nobel Prizes have been awarded for "proving" that markets are efficient, my experience has taught me that investors can be highly emotional. We tend to be interested in stocks when investors' emotions are pessimistic as that tends to be the time when stocks appear undervalued. But I always try to keep in mind the quote attributed to John Maynard Keynes: "Markets can remain irrational longer than you can remain solvent." In "irrational" periods, businesses that generate sustainable free cash flow can add value by buying back their own undervalued shares. In contrast, businesses that don't generate free cash flow can be forced to issue high cost debt or equity when times get tough and this can substantially dilute investor returns. In short, sustainable free cash flow is a friend to the contrarian investor. I believe free cash flow will be increasingly valuable if the economy grows slowly over the next few years.

Outlook – How long before the wood is dry?

In my opinion, the greatest challenge investors must face over the next several years is the necessary diminution in stimulus that has fueled the economy over the last few years. Stimulative monetary and fiscal policies (ample liquidity, low interest rates and government spending in excess of revenue) have helped us stave off depression, but the economy continues to only grow slowly. The situation reminds me of the challenge of trying to build a campfire after a heavy rain.

While I've never been confused with a great outdoorsman, I do enjoy sitting around a good campfire. Imagine sitting by a roaring fire with a big pile of dry wood on hand to keep the blaze going while friends share stories and good cheer. Sometimes a great bed of coals builds up and in the morning the fire can be reignited without a match – a bit of dry wood is tossed on the smoldering coals and next thing you know, the camp cook can prepare breakfast.

In the 1980s and 1990s, the U.S. economy was a roaring bonfire that seemed to never wane. There was ample dry wood and clear skies that allowed the flames to burn virtually unimpeded for almost two decades. As the millennium dawned, a massive thunder storm (the bursting of the tech bubble) snuffed out the blaze. Not to worry, though the wood was a bit soggy, the Federal Reserve provided matches and sufficient lighter fluid to heat things up again. The fire burned reasonably well with the benefit of the Fed's help, but by 2007, dark clouds were building again. This time torrential rain (the bursting of the housing bubble) doused the flames. By 2008, the authorities realized they had a big problem - the fire pit was a soggy bog and the only wood on hand seemed not just wet, but also green. The campers were cold, wet, hungry and in need of a fire.

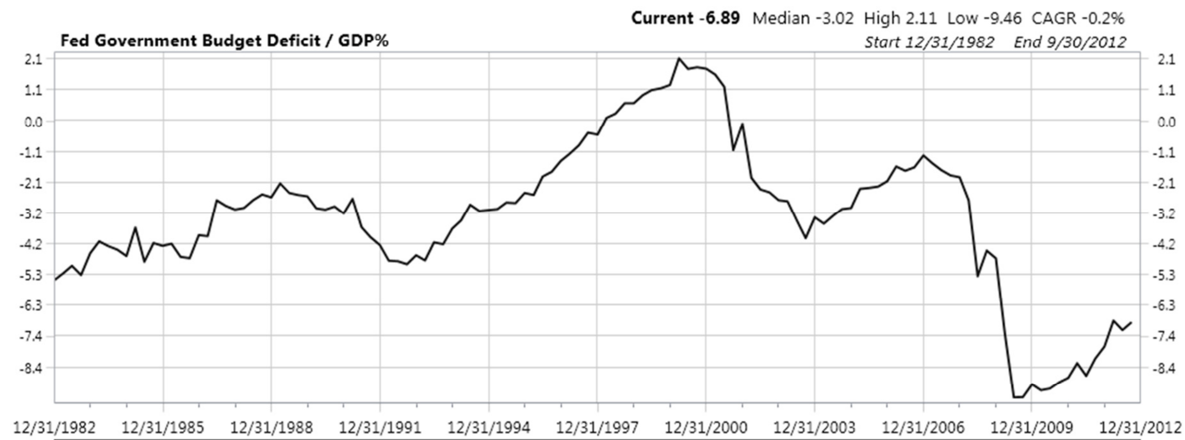
It is possible, but very difficult, to start a fire in a soggy pit filled with wet, green wood. Before a blaze can really get going, things have to dry out. The Federal Reserve has done its part by providing a seemingly endless supply of lighter fluid (ample liquidity and low interest rates) while Congress has borrowed tons of kindling from our neighbors (deficit spending) and tossed it onto the soggy mess that was our economy. With the benefit of all this extra fuel, a decent little economic fire is burning here in the U.S. With the fire going, the question is how quickly to stop using outside help without having the fire die.

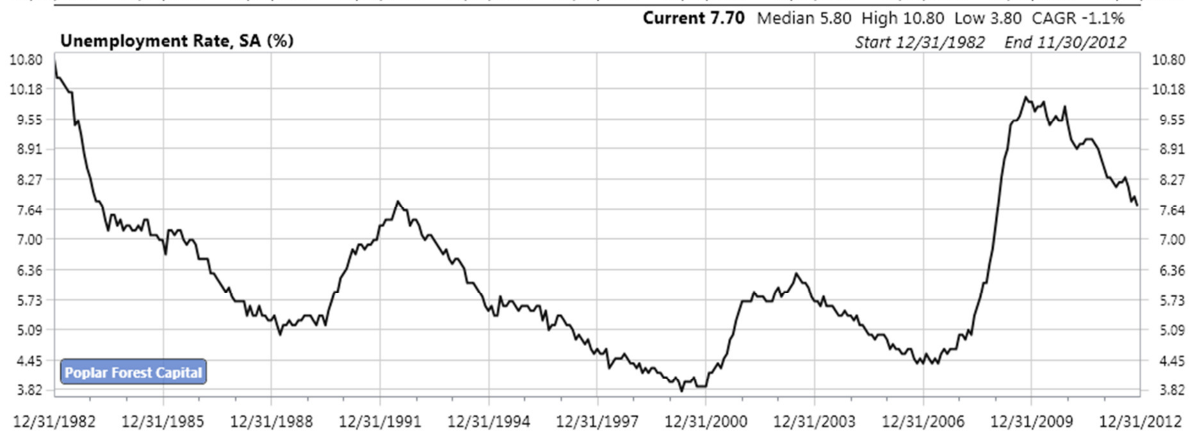
The recent talk about a "fiscal cliff" is really a conversation about how quickly we can reduce fiscal stimulus without killing our economic fire. While the Federal government has chronically spent more than it has taken in, during the crisis, the Federal deficit grew to roughly 10% of U.S. economic output (GDP or Gross Domestic Product). Deficit spending of this magnitude is simply not sustainable in the long term. Congress' recent "fiscal cliff" deal reduces the current 7% spread between expenses and revenue by an estimated 1.0-1.5%. While this is a step in the right direction, the result may be a slower pace of economic growth than would have otherwise been the case.

We may well be looking at several years of Congressional bickering over taxes and spending and an accompanying several years of slower than normal growth assuming we try to get our fiscal house in order. To not address the imbalance is to invite European-style financial challenges, but moving too quickly can throw the economy into recession. The next few years will not be fun in Congress as all the action will be about taking away things people like; our senators and representatives will have to cut spending and/or raise taxes and neither action is enjoyed by constituents.

While an improved balance between spending and taxes is required to prevent long-term financial crisis, it may result in years of slow economic growth. And as our economic fire becomes ever more self-sustaining, the Federal Reserve will also need to reduce monetary stimulus. If the Fed doesn't remove liquidity while slowly increasing interest rates, then we may have an inflation problem down the road. Removal of monetary stimulus is also apt to be a multi-year unwinding process. Taken together, necessary reductions in fiscal and monetary stimulus may result in several years of slower than normal economic growth. Potentially offsetting the headwind of reduced stimulus is improved confidence that may result from the U.S. getting its fiscal house in order.

On the next page are four charts that may help us track the temperature of our economy as we move from a soggy fire pit to a self-sustaining campfire – the Federal Deficit as a percentage of GDP, the unemployment rate, nominal interest rates and real interest rates. I will feel better about the sustainability of U.S. economic growth if Congress can get the deficit to 3-4% of GDP, if unemployment drops below 6.5% and when real interest rates exceed 2% which implies at least a 4% yield on 10-year Treasury bonds (assuming 2% inflation). I will update these graphs in the future to track progress towards achieving sustainable economic growth.


Current -6.89 Median -3.02 High 2.11 Low -9.46 CAGR -0.2%
Fed Government Budget Deficit / GDP%
Start 12/31/1982 End 9/30/2012
2.1
1.1
0.0
-1.1
-2.1
-3.2
-4.2
-5.3
-6.3
-7.4
-8.4
12/31/1982 12/31/1985 12/31/1988 12/31/1991 12/31/1994 12/31/1997 12/31/2000 12/31/2003 12/31/2006 12/31/2009 12/31/2012


Current 7.70 Median 5.80 High 10.80 Low 3.80 CAGR -1.1%
Unemployment Rate, SA (%)
Start 12/31/1982 End 11/30/2012
10.80
10.18
9.55
8.91
8.27
7.64
7.00
6.36
5.73
5.09
4.45
3.82
Poplar Forest Capital
12/31/1982 12/31/1985 12/31/1988 12/31/1991 12/31/1994 12/31/1997 12/31/2000 12/31/2003 12/31/2006 12/31/2009 12/31/2012


Current -0.02 Median 2.01 High 3.23 Low -0.79 CAGR 0.0%
Real US Treasury Bond 10-Yr (%)
Start 1/4/2003 End 1/4/2013
3.23
2.92
2.56
2.19
1.83
1.46
1.10
0.73
0.37
0.00
-0.37
-0.73
2003 2004 2005 2006 2007 2008 2009 2010 2011 2012


Current 1.92 Median 3.89 High 5.23 Low 1.47 CAGR -7.4%
US Treasury Bond 10-Year (%)
Start 1/4/2003 End 1/4/2013
5.13
4.79
4.44
4.10
3.76
3.42
3.08
2.73
2.39
2.05
1.71
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2003 2004 2005 2006 2007 2008 2009 2010 2011 2012

My expectations for sustainable economic expansion are built on a few core assumptions. First, for growth to be sustainable, government debt shouldn't grow faster than the economy. While the calculations get tricky with on and off-balance sheet obligations and other considerations, it appears that deficits of 3-4% may result in a stable level of debt/GDP. The 6.5% unemployment rate is the level the Federal Reserve has targeted as the starting point for pulling back on monetary stimulus. Interest rates, real and nominal, are signs of investor confidence in economic growth – real yields of 2-3% (implying 4-5% nominal) would be consistent with historical levels and would signal confidence had returned to normal.

What We Own – Ample Free Cash Flow

If the U.S. economy grows more slowly than "normal" due to the unwinding of fiscal and monetary stimulus, the earnings growth in Corporate America may also be lackluster. As a result, I would not be surprised to see stocks generate lower returns than they have in the last four recovery years (2009-2012) when the S&P 500 provided a compound total return of 14.5% per year. That said, stocks continue to look like a more attractive investment option relative to bonds which would be hurt if interest rates rise as I expect.

If the environment unfolds as indicated, free cash flow may be more important in the future than it was in the recovery phase of the market cycle. Our portfolio appears to be very attractively valued given that the underlying companies currently generate proportionate free cash flow in excess of 9% of their market value. While we expect our companies to grow, even if they didn't, the deployment of free cash flow should provide a very reasonable base return.

The portfolio is valued at approximately a 40% discount to our assessment of fair value and at a 20% discount to the P/E of the S&P 500 based on current year earnings. Over 90% of the portfolio consists of dividend paying companies and over 90% has investment grade quality balance sheets. In short, we are excited about the prospects for the companies in our portfolio and we find them to be very attractively valued. We continue to see attractive potential investments and the team is busy digging into these new ideas.

In Closing – Thank you

In 1806, Thomas Jefferson oversaw the laying of the foundation for his "retreat" at Poplar Forest – a place out of the limelight where this very private man could focus on his passions for reading, studying and thinking. For Jefferson, Poplar Forest remained a work-in-progress until 1823 when, at age 80, health forced him to stay at Monticello. Five years ago, I began laying the foundation for my Poplar Forest – a place that would allow me to pursue my passion for investing. Like Jefferson, I hope to be actively pursuing this passion well into my 80s. I also suspect that Poplar Forest Capital will remain a work-in-progress for my lifetime – like any sound business, we will need to evolve over time. The foundation and principles on which we build will not change, but their expression and functionality will. Over the last five years, we've assembled a wonderful team of experienced professionals who have embraced my vision for a client-centric investment firm of which we can all be proud.

Most of you reading this letter arrived after the laying of Poplar Forest Capital's cornerstone and I hope many more will join us in the years ahead. And while I thank you all for your support and encouragement, I'd like to extend a special thanks to those early client partners who made this all possible. Since my last letter, we've had a number of new client partners join us by investing in our mutual fund. To all of our new client partners, I say: "Welcome aboard!" And, as always, I want to thank each of you for the trust you've placed in us.

Thank you for joining me in this exciting venture,

Dale

J. Dale Harvey
January 4, 2013

For important disclosures please refer to the following page.

Investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains 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 Fund invests in medium-sized companies, which involve additional risks such as limited liquidity and greater volatility. The Fund invests in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities.

As of December 31, 2012, the Poplar Forest Partners Fund's 10 largest holdings accounted for 44.03% of total fund assets. The Fund's 10 largest holdings at December 31, 2012:

Bank of America – 5.26%
Citigroup – 4.73%
Lincoln National – 4.46%
JPMorgan Chase – 4.44%
Allstate – 4.33%
Baxter International – 4.25%
McGraw-Hill – 4.21%
Robert Half – 4.18%
Xerox – 4.09%
TE Connectivity – 4.08%

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.

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

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 Price to Earnings (P/E) Ratio reflects the multiple of earnings at which a stock sells.

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.

CAGR is the compound annual growth rate.

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