To my Partners,

For a few days between Christmas and New Year's Eve, I was fortunate to be in Northern California's wine country. A few days away from the office allowed for a bit of rest and reflection on what has been an extraordinary year. In wine terms, 2013 was an outstanding vintage for equities! Stocks, as measured by the S&P 500, produced a 32.4% return in 2013 (the best annual return since 1997) and our portfolio did even better.

I had never before contemplated the similarities between winemaking and long-term investing, but something triggered such a comparison during the trip. What struck me most was the inherent uncertainty in both vocations. In each case, decisions are made without knowledge of the future. Like great winemakers, outstanding investors are well served by sticking with proven methods. While we believe what has worked in the past won't work every year, a great process can produce more winning than losing vintages.

Average Annual Total Returns as of December 31, 2013

	4Q 2013	**1 Year**	**3 Years**	**Since Inception (12/31/09)**
Poplar Forest Partners Fund:				
Class A shares; with load	+5.20%	+38.33%	+15.42%	+15.30%
Class A shares; without load	+10.73%	+45.62%	+17.41%	+16.80%
Institutional Class shares	+10.82%	+46.04%	+17.73%	+17.09%
S&P 500	+10.51%	+32.39%	+16.18%	+15.90%

Expense Ratio A Shares: 1.58% Gross; 1.25% Net of fee waiver
Expense Ratio Institutional Shares: 1.33% 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 1/27/2014.

A Process Requiring Patience

Vintners plant vines in what they hope will be hospitable soil and then wait years to start harvesting grapes. Weather is unpredictable. Decisions have to be made that balance flavor, sugar content and timing of the harvest. Many more choices must be made before the wine is bottled. The process is one marked by brief periods of activity followed by patient waiting. The winemaker can really only judge his or her success in hindsight – often years after critical decisions were made. In the end, the market decides. For wine, critics and consumers ultimately opine on the quality of the vintage.

As in winemaking, our investment process requires long-term decisions made without the benefit of a crystal ball. We make investments with a minimum three-year investment horizon. In an environment when many stock market participants are focused on the next three minutes, weeks or months, our multi-year outlook differentiates us from the pack. In wine-speak, we believe we are producing cellar-worthy portfolios built from the bottom up and with a focus on normalized out-year earnings and free cash flow.

As a reminder, ***we aim to invest in a focused portfolio of high quality companies when their future prospects are under-appreciated by investors.***

> By ***high quality***, we mean established large and mid-sized companies with strong balance sheets, a history of paying dividends and consistent free cash flow generation.
>
> By ***under-appreciated***, we mean companies whose current results are disappointing, unfashionable or believed to be slow growing.

During the year, we identified what we believe will be attractive investments in sufficient quantity to offset the liquidation of several positions that had reached price levels that we no longer found attractive.

A number of the investments we harvested were consumer related businesses. In 2008 and 2009, during the worst of the Great Recession and the resulting bear market, we bought into several cyclical consumer companies at what we believed were great prices. This sector became our biggest industry exposure at roughly a quarter of our portfolios. Those investment decisions proved timely; as the economy recovered, many of the stocks appreciated materially. Over the last two years, we harvested gains and the group accounted for less than 8% of the portfolio at 12/31/13.

Many of 2013's "plantings" were in cyclical commodity areas including metals and energy. We have historically had little exposure to commodity companies but over the last couple years,

that area has been relatively fertile ground. At 12/31/13, energy and materials companies accounted for almost 17% of portfolio assets.

While cyclical commodity companies have grown in the portfolio, these industries do not represent the biggest exposures in the portfolio. Roughly 24% of the Fund's assets are invested in financial service companies with another 22% in technology businesses. We continue to have no investments in the utility or telecommunications sectors. Over the last few years, we have found little of interest in the traditional defensive areas of the market as those stocks seemed priced for their dividend income streams. Those dividend streams may become less attractive to some investors if interest rates rise as we expect. Further increases in interest rates may provide us an opportunity to invest in more defensive companies with the stable margin structures that could potentially provide great downside protection in recessions. Overall, we feel prudently positioned relative to the risk of higher interest rates in 2014 and we will watch for opportunities that may improve the risk/reward ratio of the portfolio.

Now What?

For the last five years, I have been bullish on the outlook for stocks. From my vantage point, the Great Recession and the resulting bear market in 2007-09 created an extraordinary, once-a-generation buying opportunity. After five years of exceptional returns from stocks, it has become more difficult to find extraordinary bargains and the tradeoff between reward and risk feels more balanced. While I continue to believe equities are more attractive than bonds, I suspect the returns on equities will be lower in the next five years than they were in the last five years.

In seasonal terms, 2014 may be the year the market transitions from summer into fall. Having grown up in Virginia, I remember fall fondly. Leaves change from green to wonderful reds, yellows and browns. Squirrels begin storing nuts for the winter. Farmers harvest the last of their summer crops. Apples get turned into cider. Firewood gets cut, split and stacked in preparation for fires that chase away the coming winter cold. While there is certainly work to be done, it is a wonderful time of year that can include football games and hayrides, warm days and cool nights, Halloween and Thanksgiving.

Fall in the stock market may be marked by a transition to lower returns from equities. As I look out a few years, earnings may grow 5-10% annually. Equity owners should benefit from earnings growth and dividends absent any change in valuation. At present, P/E ratios look close to long-term averages. As a result, it seems unreasonable to expect further gains from rising valuation. Multiples on stocks could expand, but doing so would be akin to borrowing from the future – the warmer the fall, the colder the following winter.

As I think about the environment, Aesop's fable of the ant and the grasshopper comes to mind. As stock prices rise to new highs, the amount of dancing and singing by grasshopper investors seems to increase. Given the year we've just had, there would seem to be ample room to celebrate. But I'm not a grasshopper – I'm an ant. While we exchanged a few celebratory high-fives as the market closed on New Year's Eve, we are all back at work building up our supplies for a winter that I hope is still many years away.

When we make an investment, we acknowledge that the future is as unknowable as the weather. As a result, we examine not just a base case forecast, but also upside and downside scenarios. I am most comfortable with investments when our assessment of downside does not include a permanent loss of capital. Given the difficulty of predicting recessions (and the resulting decline in earnings), I also ask myself if I would be comfortable holding a particular investment through the negative part of an economic cycle. If the answer is "no," then I will generally look elsewhere.

Our attention to downside risk will hopefully protect us in the event of an unexpected, negative development in the economy. Less than 10% of the portfolio is invested in non-income producing securities and 90% is either investment grade or the equivalent in financial strength. We own just a single small cap company. In short, we view the portfolio as being very high in quality. Our work suggests this collection of 30 companies should be able to generate earnings growth at least as fast as the average company in the S&P 500, yet their P/E ratios are roughly 20% below that of the broad market. We are excited about the prospects for the companies in our portfolio and believe their quality and discounted valuation will serve us well should the environment become more challenging.

Outlook

There have been times in my career when markets have felt either extremely attractive or so dangerously over-valued that I felt comfortable making a call on "the market." **This is not one of those times.** I could easily see another strong year for the stock market and I can just as easily imagine no gain from equities. Trying to predict the market in the short-term is simply not something I do with confidence. The table on the following page highlights the range of outcomes markets have experienced since 1960 – there generally is far more volatility than many investors are willing to acknowledge when making forecasts.

Annual Total Return of the S&P 500 <u>from 1960-2013</u>	**<u># of Years</u>**	**<u>% of Years</u>**
Down over 15%	3	6%
Down 5% to 15%	8	15%
Down 5% to Up 5%	6	11%
Up 5% to 15%	10	19%
Up over 15%	27	50%
Total	54	

Source: Merrill Lynch data; Poplar Forest Capital calculations

In general, the economy appears to be getting stronger and government spending should be less of a drag in 2014. As a result, earnings growth could prove surprisingly strong. A strong economy may lead the Federal Reserve to continue reducing its purchases of bonds with the result being higher interest rates. A stronger economy could lead to increased investor confidence and higher P/E ratios with the result being another strong year for stocks. Conversely, rising interest rates could lead to multiple compression and a flat stock market. While both seem possible, these outcomes appear more attractive than what would correspondingly happen in the bond market.

I often get asked about the potential for another bear market given the strong run stocks have had in recent years. From my vantage point, I don't see the preconditions for another major bear market any time soon. The economy is not over-heated and stocks are not decidedly over-valued. The three indicators I watch (Federal Reserve policy, investor sentiment and our ability to identify good investments) are a bit less positive than they've been, but we don't appear close to a dangerous market top. In short, I think it is too early to move the portfolio to a defensive posture. That said, I do expect volatility to continue.

Since the market bottomed in 2009, stocks have experienced 11 corrections of 5% or more (see appendix). There have been corrections in each of the last five years and I suspect 2014 will follow suit. Despite these periodic setbacks, stocks, as measured by the S&P 500, have continued a pattern of ever higher new highs. I will likely continue to view corrections as an opportunity to add to our investments.

For the last several years, our portfolio has been decidedly oriented towards trying to capture the rewards I thought possible following the 2007-2008 bear market. **With the environment feeling more balanced between risk and reward, our portfolio may evolve to being a bit more balanced as well. As a result, we may hold a little extra cash and our search for new ideas may migrate to companies with generally more stable historic margins.** On a quarter to quarter basis you may detect only minor changes, and I do not expect an increase in portfolio turnover from the 25-30% annual rate we have experienced in the past.

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, poor health forced him to stay at Monticello. In 2007, 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 six years, we've assembled a wonderful team of experienced professionals who have embraced my vision and values for a client-centric investment firm of which we can all be proud.

Our Values:

Stewardship

- Put our clients first, our associates second and the company third
- Invest alongside our clients
- Keep size from impeding investment results

Partnership

- Share the benefits of scale with stakeholders
- Build win/win relationships with business partners
- Treat associates equitably

Honesty

- Hold ourselves to the highest ethical standards
- Communicate transparently – admit mistakes

Passion with Humility

- Strive for market beating returns
- Remember that the other guy might be right

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. Since my last letter, we've had a number of new client partners join the Poplar Forest family. To all of our new client partners, I say: "Welcome aboard!"

Thank you for the trust you've placed in us.

J. Dale Harvey
January 2, 2014

For important disclosures please refer to the following page.

Appendix: Corrections since 2009.

Date of High	Date of Low	S&P 500 Closing High Price	S&P 500 Closing Low Price	% Change
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%
8/2/13	8/27/13	1709.67	1630.48	-4.6%
12/31/13*		1848.36*		
* = high as of 12/31/13				

Source: Yahoo Finance data; Poplar Forest Capital calculations.

Investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary 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, 2013, the Poplar Forest Partners Fund's 10 largest holdings accounted for 42.01% of total fund assets. The Fund's 10 largest holdings at December 31, 2013:

Hewlett-Packard – 4.60%
Xerox – 4.60%
Lincoln National – 4.55%
Baker Hughes – 4.10%
Microsoft – 4.09%
American Int'l Group – 4.07%
Aetna – 4.03%
Bank of America – 4.03%
Omnicom – 4.00%
Eli Lilly – 3.94%

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.

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

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