Poplar Forest Capital

Dear Partner,

The Outliers Fund had a disappointing year. During periods like this, we remind ourselves that to beat the market over the long run we must, by definition, be different from it. Being different means, at times, being out of sync. While we are certainly frustrated with our recent performance, we have high conviction in our current investment portfolio and the process that drives it. While some mistakes were made (and corrected) in 2015, we believe the portfolio is only temporarily out of favor and offers investors an attractive risk vs. reward profile at its current valuation of approximately 11 times our estimate of normalized earnings power. With the valuations of stocks no longer below historical averages and the U.S. economy expanding at a moderate pace, I don't view the stock market as being obviously undervalued or overvalued and would characterize the current investment landscape as balanced. Relative to other asset classes such as bonds, stocks still appear attractive on a multi-year basis. As the pool of extraordinary long-term investment opportunities shrinks, I believe investors with the ability to limit their portfolios to only their 25-35 best ideas may have an advantage over funds that choose to own significantly more securities. We have spent most of this year high grading the quality of companies in the portfolio and are increasingly avoiding companies that look cheap only so long as the sun is shining. While we aren't expecting an imminent slowdown in economic activity, after six years of economic expansion, we do believe it is prudent to systematically think through the portfolio implications of cloudy skies and a decline in economic growth sometime in the next two to four years. As Benjamin Franklin aptly observed, "By failing to prepare, you are preparing to fail."

Many Californians are also contemplating cloudy skies as meteorologists forecast a rainy winter in response to a record setting El Nino. El Nino is a warming of the ocean surface in the central and eastern tropical Pacific Ocean. According to Bill Patzert, a climatologist with NASA's Jet Propulsion Lab, this year's El Nino has resulted in a massive pool of warm water west of Peru that is two and a half times the size of the continental United States[1]. This overheated section of the ocean is evaporating immense amounts of water into the atmosphere and is expected to cause increased rainfall in California and the southern United States. What's unique about this year's El Nino is that the water temperatures being registered are higher than they were during the El Nino of 1997, which led to record rainfalls in California and wreaked havoc on the unprepared. While the weather, like the economy, is inherently unpredictable, our family, neighbors, and even a number of municipal governments have all begun clearing drains. Within our portfolio, a similar process is underway.

During 2015, we exited seven investments. Two of these sales (Monster Beverage and CoreMark) were due to our price targets being achieved. The remaining five sales (Ultra Petroleum, WPX Energy, Colfax, DeVry Education, and Network Appliance) were due to either thesis disconfirming business trends, our conclusion that the risks would outweigh the potential rewards should economic growth weaken, or tax loss harvesting. Among the economically cyclical industrial and energy sectors, we have chosen to reduce the portfolio's exposure to industrial companies with above average economic sensitivity and opportunistically increase our investments in high quality energy companies capable of generating consistent profits and free cash flow. I believe that many investors indiscriminately sold out of their energy investments in 2015 with little regard for what the companies could be worth if oil prices trend higher over the next few years. With significant supply reductions underway in North America and other high cost oil producing regions, we believe the multi-year risk/reward profile is attractive for select energy companies even if there is a slowdown in economic growth. We ended 2015 with approximately 9% of the portfolio invested in the energy sector.

I believe the decisions outlined above reduce our portfolio's risk profile if economic growth weakens without depriving our portfolio of meaningful return potential should the economy enjoy multiple years of continued growth. Additionally, with the Fund's cash balance above 10%, we have ample dry powder to opportunistically exploit price declines in companies of interest. The challenge for investors in a market that appears fairly valued is to find investment opportunities without falling into "value traps" on the one hand, or "safety traps" on the other. A value trap can be thought of as an investment that looks cheap relative to recent earnings trends but whose earnings are likely to be lower in coming years due to secular or cyclical pressures. Relative to current valuations, our research suggests many companies in the retail and media industries may be value traps due to secular pressures from Internet based business models. Safety traps, on the other hand, can be thought of as investments that look safe relative to the broader market because of the consistency of their earnings and dividends but whose premium valuation may decline due to rising interest rates or weaker than expected business fundamentals. Relative to current valuations, our research suggests many companies in the utilities industry may be safety traps due to weak underlying electricity demand, competition from alternative energy sources, and the potential for valuations to decline as interest rates rise. **By running a focused portfolio that is limited to only our 25-35 best ideas, we believe we have the ability to find attractive investments opportunities while avoiding both value and safety traps.**

During 2015, I initiated investments in 11 new companies, which I believe in aggregate offer an attractive blend of discounted valuations, high quality business models, and underappreciated growth potential. The majority of the Fund's new investments from 2015 fall into the growth at a reasonable price (GARP) category. These investments were predominantly in companies that we believe have significant competitive advantages and the potential to gain market share in their respective industries. With profit margins for most of corporate America trending above historical averages, compelling under-earning investments are becoming harder to find. One of the great things about being a contrarian value investor is that there are always companies falling out of favor and thus there are always new investments to analyze. **Stocks pose different questions to investors at different prices and we get interested when prices begin to reflect an irrational level of fear about a company's normalized earnings power.** Our research process typically entails clearly defining the investment controversy or source of investor fears, examining what these fears might imply for a firm's future earnings power should they be realized, and then developing our own proprietary estimates of a company's earnings power under various competitive and economic scenarios. Our favored investments are those in which we don't believe we'll lose much money should investor fears be realized and where a highly attractive return could be achieved if the company generates earnings similar to our proprietary estimates. In developing our estimates of normalized earnings, we generally will review a company's historical financial statements, consider how current business fundamentals and valuations compare to history and competitors, review key transcript commentary from senior management and other industry participants, evaluate management incentives, and then think creatively about whether the future is likely to be different from the past. In most cases, we'll also discuss key issues directly with the company, other investors, and, to a lesser extent, Wall Street analysts. Ultimately, we're attempting to distill our analysis into a simple investment thesis predicated on a few key misperceptions about the business in question. Our best investments usually stem from situations where a high quality company temporarily falls out of favor with investors due to some near-term business challenge. Our advantage as investors stems not from informational advantages relative to other investors but rather from a consistent investment process, well-reasoned analysis, and emotional composure in the face of market volatility.

As much as I love to discuss the companies we own, in this year's letter, I'd like to describe the investment thesis for the Fund itself. While short-term performance trends are impossible to consistently predict, given our disappointing performance in 2015, I believe our Fund now has many of the characteristics that we look for when making a new investment.

We like to invest in companies where the management team's economic interests are aligned with shareholders; similarly, my significant personal investment in the Fund clearly aligns my interests with those of our shareholders. Like a high quality company that has temporarily fallen out of favor with investors, I believe our Fund benefits from a high quality investment process that has recently fallen out of favor with the market. Just as we look for companies that are valued at an attractive discount to our estimate of their normalized earnings power, I estimate our portfolio in aggregate is valued at a discounted multiple of 11 times normalized earnings.

While our strategy will at times own some large cap and small cap stocks, the core of the portfolio is invested in midcaps. We emphasize investments in midcaps because we believe they are an outlier category of investments that offers investors greater growth potential than large caps without the heightened operational risks of small caps. According to a recent white paper by Arnerich Massena, from 1979-2014, midcaps generated better returns than both large caps and small caps with less volatility than small caps and only moderately higher volatility than large caps[2]. Additionally, since there are more investment management firms dedicated to large cap and small cap investing than to midcap investing, I believe many midcap stocks may be under-researched which can create opportunities for investors focused on midcaps. By focusing our portfolio around only our 25-35 best ideas, we believe we can generate above average results over a full market cycle. With the Russell Midcap Index and our strategy registering negative returns in 2015, we think investors should be considering the emotionally difficult but rational long-term decision to invest when prices are down and "buy low." **Investing in companies and funds after they've declined in price is psychologically challenging and, as contrarians, we believe that is <u>exactly</u> why it can offer potentially attractive long-term rewards.**

Thank you for your interest and continued support!

Cordially,

Stephen A. Burlingame, CFA
January 1, 2016

Average Annual Total Returns as of December 31, 2015

	4Q 2015	1 Year	3 Years	Since Inception (12/31/11)	Since Inception (12/31/14)
Poplar Forest Outliers Fund:					
I Shares	1.30%	-12.15%	13.70%	14.58%	-
A Shares No Load	1.25%	-12.35%	-	-	-12.35%
A Shares With Load	-3.81%	-16.75%	-	-	-16.75%
Russell Midcap® Index	3.62%	-2.44%	14.18%	14.95%	-2.44%

Expense ratio net of fee waiver reflects contractual fee waiver in effect through at least 1/27/2016. Expense ratios for the I Shares are 1.11% net and 2.31% gross. Expense ratios for the A Shares are 1.36% net and 2.56% gross.

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 1-877-522-8860. Investment performance reflects fee waivers. In the absence of such waivers, total returns would be reduced.

Short term performance, in particular, is not a good indication of the fund's future performance, and an investment should not be made based solely on returns.

The returns shown prior to December 31, 2014 are those of the Predecessor Partnership and include the 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. If the Predecessor Partnership's performance was adjusted to reflect the projected first year expenses of the Fund, the performance for all periods prior to December 31, 2014 would have been lower than that shown. 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.

Performance data shown for Class A with load reflects the Class A maximum sales charge of 5.00%. Performance data shown for Class A no load does not reflect the deduction of the sales load. If reflected, the load would reduce the performance.

Performance & Performance Attribution:
During 4Q'15, the fund's Institutional Class shares generated a positive return of 1.30% which was lower than the Russell Midcap Index® return of 3.62%. 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 14.58% which compares to an 14.95% return for the Russell Midcap Index®. **The portfolio is currently valued at approximately 11x my estimate of normalized earnings power which represents a significant discount to the current valuation multiples of indices for small, midcap and large cap stocks.**

From a performance attribution standpoint, our weak 4Q'15 performance relative to the Russell Midcap Index® was largely a function of stock selection as opposed to sector allocation decisions. Our investments in the Healthcare and Consumer Discretionary sectors contributed the most to our relative returns whereas our investments in the Financial and Industrial sectors detracted the most. We continue to believe that attractive risk / reward profiles exist among companies in the Healthcare sector that combine clear competitive advantages, attractive valuations, and favorable long-term growth prospects. This belief informs our relatively high exposure to the Healthcare sector. It is worth noting that the fund has 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 Horizon Pharma (HZNP) and exited investments in DeVry Education (DV) and Network Appliance (NTAP). We believe the fund continues to look quite different from the Russell Midcap Index® with higher allocations to the Healthcare, Energy, and Industrials sectors and lower allocations to the Financials, Utilities, and Consumer Staples sectors.

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 fund 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 fund 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 fund may invest in options, which may be subject to greater fluctuations in value than an investment in the underlying securities.

As of December 31, 2015, the Poplar Forest Outliers Fund's 10 largest holdings accounted for 37.24% of total fund assets. The Fund's 10 largest holdings at December 31, 2015:

Quest Diagnostics – 4.55%
Progressive – 4.18%
Zimmer Biomet Holdings– 3.92%
Checkpoint Software Technologies – 3.91%
Motorola Solutions – 3.83%
Aetna – 3.56%
CIT Group– 3.49%
AECOM – 3.38%
Dun & Bradstreet – 3.23%
Humana – 3.17%

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 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.

Earnings growth is not a measure of the Funds future performance.

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.

Poplar Forest Capital LLC is the advisor to the Poplar Forest Funds which are distributed by Quasar Distributors, LLC.

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[1] Rong-Gong Lin II and Rosanna Xia, "Massive El Nino gains strength, likely to drench key California drought zone," Los Angeles Times, November 20, 2015. http://www.latimes.com/local/weather/la-me-ln-el-nino-q-a-20151120-story.html

[2] Tony Arnerich, Sheree Arntson, Arthur Coyne, CFA, Jillian Perkins, and Bryan Shipley, CFA, "Mid Cap: The Goldilocks Asset Class," *White Papers,* Arnerich Massena*,* March 2015. http://www.am-a.com/pdf/white-papers/wp_Mid%20Cap_final.pdf