Poplar Forest Funds Quarterly Report

December 31, 2016

Poplar Forest Capital

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, 2016						
						SINCE INCEPTION
CONTRARIAN VALUE FUNDS						
Partners Fund	**QTR**	**YTD**	**1 YR**	**3 YR**	**5 YR**	**12/31/2009**
I Shares	10.07%	26.24%	26.24%	9.02%	17.23%	13.56%
A Shares No Load	9.99%	25.93%	25.93%	8.76%	16.93%	13.28%
A Shares With Load	4.50%	19.64%	19.64%	6.91%	15.74%	12.45%
S&P 500® Index	3.82%	11.96%	11.96%	8.87%	14.66%	12.83%
Russell 1000® Value Index	6.68%	17.34%	17.34%	8.59%	14.80%	12.72%
Cornerstone Fund						**12/31/2014**
I Shares	5.77%	18.87%	18.87%	-	-	6.71%
A Shares No Load	5.71%	18.52%	18.52%	-	-	6.43%
A Shares With Load	0.42%	12.61%	12.61%	-	-	3.72%
60/40 S&P 500/Barclays Aggregate	1.10%	8.31%	8.31%	-	-	4.74%
CONTRARIAN MID CAP FUND						
Outliers Fund	**QTR**	**YTD**	**1 YR**	**3YR**	**5 YR**	**12/31/2011**
I Shares	4.99%	10.57%	10.57%	3.58%	13.77%	13.77%
Russell Midcap® Index	3.21%	13.80%	13.80%	7.92%	14.72%	14.72%

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. Expense Ratio Net of fee waiver reflects contractual fee waiver in effect through at least 1/27/2017. The Partners Fund expense ratio is 1.26% net and 1.31% gross for the A Shares and 1.01% net and 1.06% gross for the I Shares. The Cornerstone Fund expense ratio is 1.17% net, 3.36% gross for the A Shares and 0.92% net and 3.16% gross for the I Shares. The Outliers Fund expense ratio is 1.12% net, 4.69% gross for I Shares. The Advisor has contractually agreed to the fee waiver through at least January 27, 2017.

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.

CONTRARIAN VALUE COMMENTARY

To My Partners,

I'm pleased to report that after a couple lean years, 2016 was decidedly better for Poplar Forest. The Partners Fund was up 26.24%, the more conservative Cornerstone Fund returned 18.87% and the mid-cap focused Outliers Fund gained 10.57%. While both the Partners and Cornerstone funds handily beat the market, Outliers lagged a bit. After reflecting on the results of the Outliers Fund over the last few years, we decided to make a change: I will be joining Steve as a co-manager of the Fund in a structure similar to what Derek and I have used for the Cornerstone Fund since its inception two years ago. Steve discusses this change in more detail in his commentary, which you will find on pages 12-14 of this report.

While we are obviously pleased with our 2016 results, I would urge you – as always -- to focus on our long term results. Our contrarian approach to investing usually leaves us positioned quite differently than the broad market and that often means our investment returns are decidedly different than the broad market averages – some years, like 2016, are quite a bit better and others are worse. I suspect that will be the case going forward as our investment process is built on normalized earnings and free cash flow looking out three to five years; sometimes we have to live with weak short term performance in order to position ourselves for market-beating long term returns.

After such a strong year in 2016, you may be wondering if we're heading into a weak period – I don't think so. I believe the market has transitioned away from a focus on monetary policy as a salve for disappointingly slow economic growth to a more optimistic mindset. While investment programs that focused on quality, low volatility and high dividend yields were winning approaches in 2009-2015, I believe that 2016 was the first of at least a handful of years in which value oriented strategies, like those we employ at Poplar Forest, will be market leaders.

Though the recovery from the bursting of the housing bubble in 2008 has been slow, the U.S. economy appears to be on much sounder footing with unemployment now below 5% and wage growth starting to show signs of life. While much attention, rightfully, has been paid to the outcome of the recent presidential election, I think it is important to note that the economy was strengthening well before Election Day. For example, in the third quarter, the U.S. economy grew at a rate of roughly 3%, and worries of persistently low inflation and economic stagnation had already begun to be replaced with a growing confidence that the economy is in a self-sustaining mode that will allow the Federal Reserve to begin the process of bringing interest rates back to more normal levels (a Fed Funds rate of 3%).

An environment in which the U.S. economy is running steadily on its own is likely to see an additional boost from new leadership in Washington. We're optimistic about the potential benefits of regulatory reform and tax relief and believe that the post-election rally has not fully reflected the upside potentially accruing from anticipated changes in these areas.

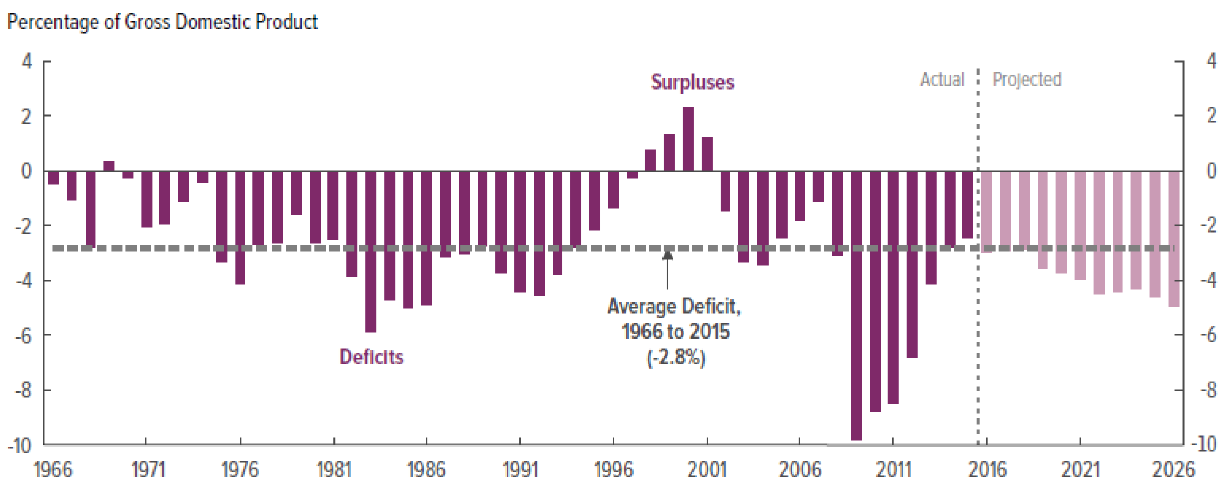
<u>The Trump Plan – Can We Afford It All?</u>

Like an old-time politician promising a chicken in every pot, Donald Trump the candidate talked of plans for regulatory reform, lower taxes, more defense spending and a $1 trillion plan to improve American infrastructure. For investors in stocks, these plans are all very bullish. Reduced regulation should mean lower costs. Lower corporate taxes could lead to higher profits (perhaps 5-10% higher earnings for the S&P 500®). More defense spending will mean work and higher income for defense contractors. Spending $1 trillion on infrastructure means more jobs and new business opportunities for companies that build roads, bridges, airports and water and power systems. What's not to like? If all this comes to pass, the stock market seems likely to rise by much more than the 5% increase we've seen in the S&P 500® since Election Day.

In addition to expecting much higher stock prices, I'd love to pay less in taxes each year. And as someone who drives in snarled LA traffic and who travels on commercial airliners for work and pleasure, I can attest to the need for improvements in the nation's infrastructure. I have an easy time imagining the projects that need to be undertaken; I am less clear on how these projects are to be funded.

Total Deficits or Surpluses

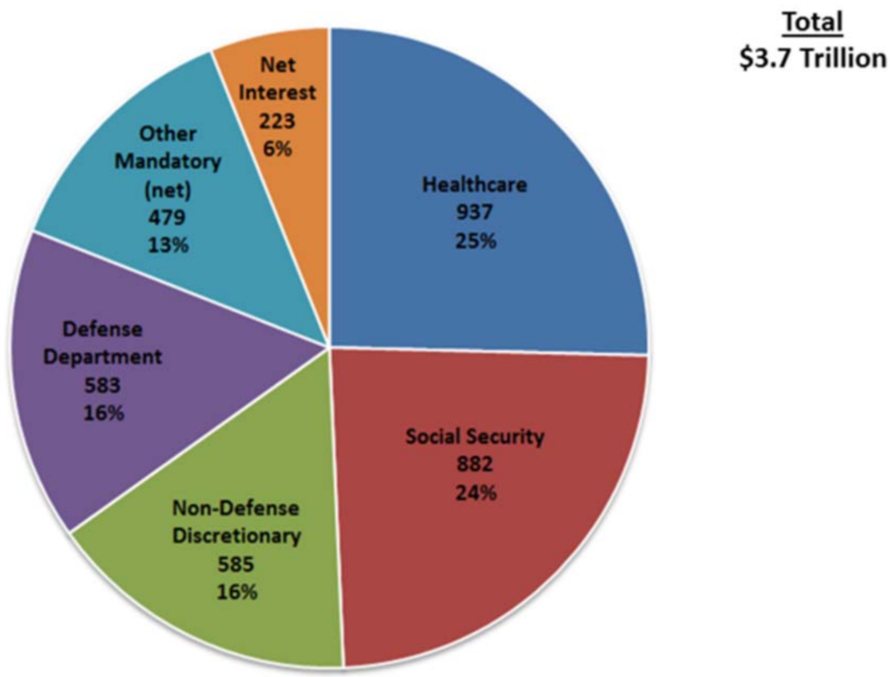
CBO projects that deficits will exceed 4 percent of GDP by 2022 as mandatory spending and interest payments rise while revenues remain relatively flat.



Source: Congressional Budget Office.

As you can see in the graph above, while the Federal budget deficit improved dramatically in the recovery of recent years, mandatory spending programs and interest payments are projected to drive the excess of spending over revenues to around 5% of GDP over the next decade. I am quite curious to see how a Republican-led Congress responds to the push for lower taxes and more defense and infrastructure spending. Perhaps we'll simply borrow the money to do all these wonderful things and the deficit will grow to an even larger share of GDP. If that's the case, then corporate earnings will likely be much higher than investors currently expect. On the other hand, the bond market could be in for a very difficult period as interest rates might head higher and at a faster rate than many people expect.

U.S. Federal Spending – Fiscal Year 2015 ($ Billions)



Source Data: CBO Historical Tables, March 2016

One approach to addressing the potential for a growing deficit would be to make cutbacks in other areas, but with non-defense discretionary spending equal to just 16% of outlays, there doesn't seem to be enough room to cut. If Congress says no to a bigger federal budget, then investors may end up being disappointed. Candidate Trump's $1 trillion infrastructure plan used the words "deficit neutral." Perhaps I simply suffer from a lack of imagination with respect to the funding of his plan. As the old saying goes, maybe we'll be able to have our cake and eat it too.

If we assume the powers that be can come up with the money, what impact will all this fiscal stimulus have on an economy that's already doing ok? I worry most about the impact on the labor market given that we're already running below 5% unemployment. There is certainly potential for some workers to re-enter the workforce and for other workers to shift from part-time to full-time, but Candidate Trump made clear he wanted to create more jobs for American workers and I worry that wages may have to rise much more than expected to get everything done. Inflation has not been a concern for years and I think far too many investors have not taken steps to protect their purchasing power if prices start to rise at a faster pace. At Poplar Forest, we have been focused on protecting purchasing power for some time now and I believe our portfolios are well positioned if inflation starts to come in ahead of expectations.

Though it would likely make for a very exciting couple years for stocks, I worry that doing everything Candidate Trump promised as soon as possible - pursuing regulatory reform and cutting taxes while ramping up defense and infrastructure spending - is too much in a short period of time. If it were up to me, I would start planning for a big infrastructure program now so that when the next recession inevitably comes, we'll have "shovel ready" projects that can be funded at a time more appropriate for fiscal stimulus. After eight years of easy money policies, the Federal Reserve has very little monetary dry powder to use in a recession and I see no reason to also use what little capacity we have for fiscal stimulus at a time when the economy is doing okay. Can't we save our money for a rainy day?

Staying Attentive to Downside Risk

As it turns out, no one in Congress has asked for my opinion on the subject of fiscal stimulus and I suspect that Congress will likely strive to give us everything they think we want whether it is prudent or not in the long term – they want to be reelected after all! As a result, I think the most likely outcome is a very strong equity market for the next couple years with continued minor corrections along the way (please see Appendix). I think all the pieces are in place for the bull market that started in the depths of the financial crisis to reach much higher levels. Unfortunately, the advance I expect is likely to sow the seeds for a future bear market.

For the last eight years, I have believed that U.S. business conditions were better than generally perceived. We saw plenty of bargains in the market and we have held very little cash during the entire period. Despite rampant worry on the part of many investors, stocks, as measured by the S&P 500®, increased in price at a rate of 11.6% per year from their starting level at Dec. 31, 2008. Dividends have added a couple percentage points to stocks' total return and those who have stayed invested in equities over this period must surely have smiles on their faces.

In recent months, we have felt the consensus opinion start to move in our direction. Perhaps the slowly improving economy has enhanced investors' risk tolerance, possibly it's the election, or maybe a review of the return from stocks has raised investor confidence. We are starting to hear reports that investors are beginning to sell bond funds and shift money to stocks. This would reverse multi-year trends and, if it continues, would suggest much more possible upside for stocks.

At some point, perhaps several years from now, the consensus opinion about equities will become too bullish. When we see conditions headed that way, we expect to have a more defensively positioned portfolio that may potentially provide downside protection in the next bear market. While the next bear market seems years away, we've begun to think about what steps we'd need to take. The signposts we'll be watching for include:

- The shape of the yield curve – a flat curve suggests danger
- Valuation – we'll start to worry if stocks start to trade at 20 times forward earnings
- Funds flow – if investors appear to be pouring huge sums into the stock market, watch out!
- Excesses – we'll be on the lookout for excess in the economy that might create problems (like housing in 2007 or tech stocks valuations in 1999)
- Opportunities – if we can't find enough individual equities that meet our 15% return hurdle, we are likely to raise cash

For now, all these indicators look supportive of our positive outlook and we believe that it is too early to worry. That said, and given our three to five year investment time horizon, we are now building a future recession into our base case forecasts for the companies in which we are investing. It seems likely that we'll have to deal with a recession at some point in the next five years and we want to be as comfortable as possible that the companies in which we invest will do okay in a weak economic environment. We believe that investing in financially strong companies when they are out of favor can produce market-beating returns when times are good while also potentially providing downside protection when recession hits.

Patience – Thank you!

Long-term, contrarian value investing requires patience. Having client partners who share our long-term orientation allows us to buy stocks that sometimes produce weak results in the early stages of the investment. Having confidence that our partners will stick with us in difficult times allows us to pursue an approach to investing that we believe can produce market-beating results in the long run. Relative to the S&P 500®, 2016 is the best year we've had since starting Poplar Forest in 2007. The seeds for this year's strong results were sown in 2014 and 2015 and I'm confident that we are only just starting to enjoy the fruits of our labors in those lean years. Thank you for your confidence in Poplar Forest and for investing alongside us in the Poplar Forest Partners, Cornerstone and Outliers funds.

I hope you all had a wonderful holiday season and I look forward to reporting to you again after we've seen what our new President and Congress accomplish in the early days of the new administration.

Dale

J. Dale Harvey

January 2, 2017

Appendix - Historic Perspective

In the more than seven years since its early 2009 bottom, the S&P 500® has advanced from a closing low price of 677 to a high of 2272 – a gain of 235%. Along the way, the market has had a correction of 5% (or more) 15 times and three of those corrections have exceeded 10%. In each case, the market recovered from the decline and moved on to make a new high.

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%
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%
12/13/16*		2271.72*		
Note: * High as of 12/30/2016.				

Past performance does not guarantee future results.

PARTNERS FUND REVIEW

Portfolio Manager: J. Dale Harvey

The Partners Fund Institutional Class shares produced a 10.07% return versus the S&P 500®'s 3.82% in the quarter ending 12/31/16. The recent period clearly favored value strategies like those employed by Poplar Forest; the Russell 1000® Value index, for example, produced a gain of 6.68%. Results for the full year followed a similar pattern with the Partners Fund up 26.24% versus the S&P's 11.96% and Russell's 17.34%.

For the quarter, the Fund benefitted from investments in financial services, energy and industrial companies in a period in which investors grew more optimistic about accelerating economic growth. Healthcare, a more defensive sector, was a headwind that cut into results a bit. At the company level, our best investments were Lincoln National (+41%), Bank of America (+41%), Baker Hughes (+29%), Citigroup (+26%), and MSC Industrial Direct (+26%). The stocks that hindered the Fund most were Zimmer Biomet Holdings (-20%), Antero Resources (-12%), Dun & Bradstreet (-11%), Avon Products (-11%) and Ralph Lauren (-10%).

We've continued to find new investments that we believe offer returns that exceed our three-year return expectation. We made new investments in Abbott Labs, Signet Jewelers and Weatherford and eliminated Allstate from the portfolio. As a result of these changes, the Fund ended the year with 32 investments and less than 2% cash.

Abbott Labs, a leading medical device company, has been in transition in recent years after spinning off its pharmaceutical business (AbbVie) and announcing the acquisition of St. Jude. We invested in St. Jude earlier this year as the arbitrage value of buying their shares provided an opportunity to buy Abbott at a discounted price. With healthcare stocks lagging as investors grew excited about prospects for improved economic growth, we started buying Abbott shares outright. We think the synergy potential of the combination is very attractive. The deal is expected to close on January 4th, 2017 and on a pro forma basis, we will have a full 3% position in Abbott.

Signet Jewelers is the leading jewelry retailer in the country with a decisive market share advantage over its competitors. The stock has struggled in recent months as synergies from the acquisition of Zales have been slow to materialize and as investors grew concerned about the credit exposure inherent in financing customers' purchases. With our investment in Signet, our exposure to consumer companies has grown to more than 11% of the portfolio as opposed to 8% a year ago. We see a lot of value in this sector and have added Coach, Ralph Lauren and Signet to the portfolio this year while eliminating an investment in advertising company Omnicom. While for traditional retailers the challenges posed by the internet are well understood, we see company-specific opportunities in the companies in which we are invested that should overcome this headwind. The one concern we have is the potential for unfavorable tax reform that could penalize companies that import products. If a so-called "border tax adjustment" were part of tax reform passed by Congress, it could mean the cost of foreign produced goods would no longer be tax deductible expenses and this would be a potentially huge burden for retailers generally. We will be watching action in Washington closely to see if this potential negative becomes a reality.

CORNERSTONE FUND REVIEW

Portfolio Managers: J. Dale Harvey and Derek Derman

The Cornerstone Fund Institutional Class shares produced a 5.77% versus the S&P 500®'s 3.82% and a loss of -2.98% for the Barclay's Aggregate bond Index in the quarter ending 12/31/16. The Fund's results compare favorably to a 60/40 blend of the S&P and Barclay's indices which were up 1.10%. Results for the full year followed a similar pattern with the Cornerstone Fund up 18.87% versus the S&P's 11.96% and Barclay's Aggregate 2.65%. A 60/40 blend of the S&P and Barclays increased in value by 8.31%

For the quarter, the Fund benefitted from investments in financial services, energy and industrial companies in a period in which investors grew more optimistic about accelerating economic growth. Healthcare, a more defensive sector, was a headwind to results. At the company level, our best investments were SVB Financial (+55%), Lincoln National (+41%), Baker Hughes (+29%), Citigroup (+26%), and MSC Industrial Direct (+26%) while the stocks that hindered the Fund the most were Zimmer Biomet (-21%), Antero Resources (-12%), Dun & Bradstreet (-11%), Ralph Lauren (-10%) and Mattel (-8%).

We've continued to streamline the portfolio in recent months with the elimination of Proctor & Gamble, Emerson Electric, and Invesco, and a new investment in Signet Jewelers. Signet Jewelers is the leading jewelry retailer in the country with a decisive market share advantage over its competitors. The stock has struggled in recent months as synergies from the acquisition of Zales have been slow to materialize and as investors grew concerned about the credit exposure inherent in financing customers' purchases. We think the market's short-term concern has created an attractive entry point for this new investment. As a result of portfolio changes, the Fund ended the year with 35 equity investments. While the overlap between the equities owned in the Cornerstone and Partners funds has increased, 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 25% 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,

Each year I contemplate ways to improve the Fund which are in the best long-term interests of clients. This year, I'm excited to announce that our firm's founder and Chief Investment Officer, J. Dale Harvey, joins me as a portfolio manager on January 1, 2017. Dale's unique insights, experience across multiple market cycles, and outstanding track record are just a few of the reasons I, and the rest of the team, are excited for Dale to partner with me in managing the Fund. Since inception in 2012, the Fund has generated a 13.77% return and met my absolute performance goals. With the benchmark generating a similar return, however, I've fallen short of my goal of outperforming the Russell Midcap® Index. My objective is investing excellence and, with Dale now sharing portfolio management responsibilities with me, I believe we have enhanced the Fund's potential to achieve favorable relative returns. Abraham Lincoln once said, "Give me six hours to chop down a tree and I will spend the first four sharpening the axe." Sometimes two minds and two whetstones are better than one when cutting through the stock market noise and constructing a differentiated portfolio.

Over the last five years, the Fund has generated favorable returns from stock picking in the majority of the sectors in which we were active. From the standpoint of portfolio construction, I believe there is room for improvement and this is an area where Dale can be particularly helpful. I've run the Fund with relatively high cash balances and, in hindsight, that decision was one that diluted the Fund's returns. To Dale's credit, during our regular investment discussions he consistently advised me to put more of the Fund's cash to work, and he has successfully managed our large cap strategies with much lower cash balances. This is not to say the Fund won't have a high cash balance at some point in the future, but rather to underscore my respect for Dale's sense of timing around the relative value of cash. There were also some instances during the last five years where Dale and I were in agreement on a certain investment but, from a tactical standpoint, I wanted to wait for either lower prices or additional data points while Dale took action. My hesitation in some of these situations resulted in missed opportunities. Accordingly, I believe Dale's direct involvement as a portfolio manager will also enhance the Fund's tactics on the timing of specific buy and sell decisions.

As contrarians, our interest in a company is often catalyzed by a decline in its stock price, a low valuation relative to history or peers, and other quantitative and qualitative signals indicating investors are taking a pessimistic view of the company's future earnings power. Despite the market achieving new highs, our selective approach is still yielding compelling investment ideas that meet these criteria, with recent examples being found in the consumer discretionary, energy, and healthcare sectors. We may also become interested in companies where structural changes to an industry or the economy can enhance a business's normalized earnings power and yet, for various reasons, stock prices fail to fully reflect this potential for improvement. The pro-growth policies being contemplated by President-elect Trump and Congressional Republicans may serve to hasten cyclical changes in inflation, interest rates, taxes, deregulation, and economic growth. While our portfolio has responded favorably to the election results, our analysis suggests investors may still be under-estimating the potential improvements to normalized earnings from rising interest rates and falling corporate tax rates. This appears particularly true for domestically oriented companies in the financial services, healthcare, and consumer discretionary sectors.

Going into the election, many investors were positioned for a continuation of the status quo as defined by anemic economic growth, low inflation or deflation, record low interest rates, no tax reform, and high regulatory burdens for most businesses. Against this sort of backdrop, earnings growth is scarce, recessionary risks are top of mind, and many investors tend to favor bonds over stocks and faster growing companies over slower growing or controversial businesses. This set of investor preferences has been in place for many years and resulted from underlying skepticism about the health of the economy following the Great Recession. Accordingly, it may take multiple years for a different set of preferences to take root. **I believe we are in the early innings of a new cycle that favors stocks over bonds and value oriented investments over growth oriented ones.**

As contrarians, we are constantly probing the conventional wisdom about certain industries and companies for evidence of a lack of diversity in opinions about the future. History suggests just about everything is cyclical. Consequently, when a company's stock price begins to reflect a static view of the future that is often a signal that change, positive or negative, is just around the corner. Prior to the November elections, there were indications of a lack of diversity in the conventional wisdom about economic growth and interest rates. The prevailing view has been that (1) economic growth will be anemic due to a lack of confidence and low productivity, and (2) interest rates are likely to be stable or falling, as has been true since the 1980's. Since the election, interest rates and the stock market have moved higher to incorporate a new, embryonic view that the Republicans will pursue pro-growth policies capable of propelling higher economic growth, inflation, and interest rates.

When economic growth is scarce and interest rates are low, investors will often pay a premium for companies generating above average earnings growth and look well beyond the next five years' worth of profits when determining a company's value. However, when economic growth accelerates and interest rates rise, growth becomes less scarce and the value of future profits declines as a higher cost of money is applied to those future earnings. Conceptually, an economic backdrop characterized by rising interest rates and accelerating economic growth can create headwinds for bond prices and growth stocks. Conversely, companies that are priced as if current operational and growth challenges will persist indefinitely often benefit the most from improving economic growth. I believe many of the companies we own fit this latter description.

While it's important to think creatively about how a company's earnings will trend in various economic scenarios, complex economic forecasts aren't our advantage as investors. Unless we find ourselves at extremes, we generally invest using conservative economic assumptions which position our portfolio for favorable upside should economic growth accelerate. As a case in point, while we don't think a recession is by any means imminent, we are nonetheless beginning to incorporate a recession into our baseline analytical framework for the next 3-5 years. Limiting exposure to investments with significant downside risk in the event of a recession seems like a prudent risk management tool, even if we are a few years early. One of our team's strengths is the ability to engage in both positive visualization and negative visualization when evaluating prospective and existing investments. **Before making a decision,**

we spend time thinking creatively about what can go wrong, what can go right, and which version of the future is reflected in the current stock price.

This process is more art than science since the future isn't evenly distributed, but it certainly helps focus the mind on each business's critical points of weakness and strength. In today's world of 24/7 news flow, always-on communication devices, and instant stock quotes, it's exceedingly easy for an investor to become trapped in an externally focused, reactionary mindset. Having an investment process that emphasizes both positive and negative visualization prior to making a decision enables a more internally focused, proactive mentality. By restricting our portfolio to only our 25-35 best investment ideas, we give ourselves the time and intellectual space to ponder the important branches in each investment's decision tree. We limit our buy decisions to investments where we believe we can generate outstanding absolute returns to account for the fact that some of our estimates of normalized earnings will be wrong. By striving for great results in every investment decision, we are deliberately programming in a performance cushion to absorb weaker than expected returns from those investments that do not go to plan. As the legendary football coach, Vince Lombardi, once observed, "Perfection is not attainable, but if we chase perfection we can catch excellence."

Our investment process is still yielding attractive new investment opportunities, even after the recent stock market rally. There are always pockets of fear emerging in the stock market and businesses falling out of favor with investors. **As contrarians, we continue to find instances where near-term controversies are creating long-term misperceptions about the earnings power of many businesses.** With the portfolio trading at a meaningful discount to our estimates of normalized net income, we believe the Fund has a bright future. Dale and I look forward to discussing with all of you the exciting investment opportunities we are finding in out of favor mid-cap companies.

Thank you for your interest and continued support!

Cordially,

Stephen A. Burlingame, CFA

January 2, 2017

OUTLIERS FUND REVIEW

Portfolio Managers: J. Dale Harvey and Stephen Burlingame

During the quarter, the Fund's Institutional Class shares generated a return of 4.99% which outperformed the Russell Midcap® Index return of 3.21%. Value oriented strategies such as ours were clearly in favor during the quarter. 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 13.77% which compares to a 14.72% return for the Russell Midcap® Index.

Relative to the Russell Midcap® Index, the Fund's quarterly outperformance was driven by stock selection. Investments in the Financials and Information Technology sectors contributed the most to the Fund's relative returns, whereas investments in the Industrials and Healthcare sectors detracted the most. Within Financials, SVB Financial Group was a primary driver of quarterly returns due to increased investor interest in banks that benefit from rising interest rates. As I noted in the 2Q'16 letter, relative to other banks, SVB Financial Group has above average sensitivity to rising interest rates. Quarterly gains in the Information Technology sector were led by Keysight Technologies, a leading provider of test and measurement solutions. We believe Keysight is on the cusp of experiencing improving sales and margin trends as core end markets rebound and telecommunications carriers begin investing to upgrade their wireless communications networks to the 5G standard. The primary driver of weak performance in the Industrials sector was Dun & Bradstreet and the share price declines during the quarter may reflect investors taking profits in light of strong year-to-date stock price performance. Our investments in the Healthcare sector were also a drag on performance as investor preferences shifted towards more cyclical sectors that may quickly benefit from some of the pro-growth policies touted by President-elect Trump. The Fund continues to have no exposure to Utilities or Real Estate Investment Trusts (REITs). Many of these companies pay 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 investments in Aecom (ACM), Antero Resources (AR), Avon Products (AVP), MSC Industrial Direct (MSM), Ralph Lauren (RL), Signet Jewelers (SIG), and Weatherford International (WFT). After harvesting a tax loss earlier in the year in Aecom, we reinstated the investment and believe the company's potential growth from self-help initiatives and increased infrastructure spending isn't adequately reflected in the current valuation. Antero Resources and Weatherford International are both undervalued energy companies with the potential for much higher earnings from internal self-help initiatives and a longer-term normalization in commodity prices. MSC Industrial Direct is an under-earning distributor of metalworking, electrical, and other industrial products and services that stands to benefit from an improving cost structure and increased industrial activity. Avon Products, Ralph Lauren, and Signet Jewelers are all examples of under-earning retailers that have recently struggled and are being valued as if short-term results will persist far into the future. As long-term investors, we see the potential for significantly improved earnings power for all three of these businesses as new managers and restructuring plans begin to bear fruit.

Recent sales include exiting the Fund's investments in Armstrong World Industries (AWI), Clean Harbors Inc. (CLH), Dril-Quip (DRQ), Howard Hughes Corp. (HHC), H&R Block (HRB) and Micron Technology (MU). The sale of Howard Hughes and Micron followed the realization of our price targets while the three other sales reflect reduced conviction in these businesses long-term return potential relative to current prices. 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. Our conviction in the portfolio combined with multiple new investment opportunities resulted in a cash balance of less than 5% at year-end.

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.

References to other mutual funds should not be considered an offer of those securities.

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

As of December 31, 2016, the Poplar Forest Partners Fund's 10 largest holdings accounted for 45.64% of total fund assets. The Fund's 10 largest holdings at December 31, 2016:

Lincoln National	**4.99%**
Bank of America	**4.87%**
MetLife	**4.82%**
Citigroup	**4.74%**
Reliance Steel & Aluminum	**4.57%**
MSC Industrial Direct	**4.46%**
Hewlett Packard Enterprise	**4.43%**
American International Group	**4.38%**
Zimmer Biomet Holdings	**4.22%**
Baker Hughes	**4.15%**

As of December 31, 2016, the Poplar Forest Cornerstone Fund's 10 largest holdings accounted for 28.89% of total fund assets. The Fund's 10 largest holdings at December 31, 2016:

Lincoln National	**3.34%**
MSC Industrial Direct	**3.00%**
Citigroup	**2.95%**
MetLife	**2.93%**
Marathon Oil Corporation 5.9%, 3/15/2018	**2.92%**
Baker Hughes	**2.81%**
JP Morgan Chase Bank 6.0%, 10/1/2017	**2.79%**
Hewlett Packard Enterprise	**2.74%**
American International Group	**2.73%**
Zimmer Biomet Holdings	**2.69%**

As of December 31, 2016, the Poplar Forest Outliers Fund's 10 largest equity holdings accounted for 43.28% of total fund assets. The Fund's 10 largest equity holdings at December 31, 2016:

Aetna	**5.23%**
Motorola Solutions	**4.80%**
Zimmer Biomet Holdings	**4.71%**
SVB Financial	**4.44%**
Baker Hughes	**4.22%**
Keysight Technologies	**4.16%**
Signet Jewelers	**4.04%**
Reliance Steel & Aluminum	**3.95%**
Ralph Lauren	**3.95%**
Devon Energy	**3.77%**

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.

Definitions

The Bloomberg Barclays Aggregate Bond Index, which used to be called the "Lehman Aggregate Bond Index," is a broad base index, maintained by Barclays Capital, which took over the index business of the now defunct Lehman Brothers, and is often used to represent investment grade bonds being traded in the United States.

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. Barclays Capital U.S. Aggregate Bond Index).

The economic cycle is the natural fluctuation of the economy between periods of expansion (growth) and contraction (recession). Factors such as gross domestic product (GDP), interest rates, levels of employment and consumer spending can help to determine the current stage of the economic cycle.

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.

Dividend Yield is a financial ratio that indicates how much a company pays out in dividends each year relative to its share price. Dividend yield is represented as a percentage and can be calculated by dividing the dollar value of dividends paid in a given year per share of stock held by the dollar value of one share of stock.

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.

Forward earnings per share or forward price/ earnings is a measure of the price-to-earnings ratio (P/E) using forecasted earnings for the P/E calculation. The forecasted earnings used in the formula can either be for the next 12 months or for the next full-year fiscal period.

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.

Purchasing power is the value of currency expressed in terms of the amount of goods and services one unit of money can buy. Purchasing power is important, because all else being equal, inflation decreases the amount of goods and services you would be able to purchase. In investment terms, purchasing power is the dollar amount of credit available to a customer to buy additional securities against the existing marginable securities in the brokerage account.

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.

Value investing is an investment strategy where stocks are selected that trade for less than their intrinsic values. Value investors actively seek stocks they believe the market has undervalued.