April 27, 2017

Dear Shareholders,

"The more troublous the times,
the worse does a laissez-faire system work."

– John Maynard Keynes
National Liberal Club lecture (December 1923)

Although John Maynard Keynes, arguably the most famous economist in the history of the world, died more than 70 years ago, he likely would have something thought provoking to say about the state of the economy if he were alive today. Coming of age during the early years of the 20th century, Keynes was trained as a classical economist; he learned that taxes should be low, regulatory interference should be minimal, and economic growth for trading nations could only be maximized under a regime of free trade. In his early years as an economist, Keynes considered anyone who opposed free trade as unfit to be an economist.

Keynes embraced classical economics and free trade until the British economy became mired in a severe recession during the years between World War I and World War II. As economic circumstances in Great Britain deteriorated, Keynes threw his free trade views out the window and chose to vigorously support Great Britain's efforts to raise tariffs and devalue the sterling against the dollar. After the 30% sterling devaluation which occurred in September 1931, Great Britain's economy started to grow again and gradually began to emerge from its own Great Depression.

Keynes believed that Great Britain's economic ills and lack of industrial competitiveness were largely driven by the British sterling's high fixed exchange rate relative to gold (at a time when the world monetary system was on the gold standard). Today, the world's monetary system is no longer on a fixed gold standard; instead, the global monetary system relies on a fiat dollar standard. Nevertheless, we believe Keynes would diagnose current economic problems in the United States to be at least partly related to a currency in the U.S. dollar which, for reasons we will discuss, similarly has an exchange rate value which is simply too high for many U.S. producers to be competitive.

While acknowledging the importance of international trade for the long-term health of the global economy, we will not be making a principled argument for free trade in this letter, for two reasons. First, in an era where the price of stocks, interest rates, and currencies are managed by central banks and where countries are governed with vastly different standards with regard to environmental regulation and human rights, "free trade" simply cannot exist. Second, as investors, our job is not to describe what should be in an ideal world, but, rather, to understand what is (and what will likely be) and to position Appleseed Fund accordingly.

Ushered into office by a constituency that has suffered from the demise of manufacturing jobs over the past several decades, the Trump administration has begun discussing a wide range of protectionist initiatives from increased tariffs to border adjustment taxes to revisions with regard to existing trade agreements such as NAFTA. However, none of these protectionist measures will materially improve the trade deficit as long as the dollar remains the world's reserve currency and as long as foreign countries continue to generate large levels of excess savings that are invested in U.S. Treasuries.

In this letter, we explore the connection between the balance of payments and structural trade imbalances, some of the ways these structural imbalances might be corrected, and what the investment implications of a structural adjustment might be for the economy and for investors. We believe the United States and/or its trading partners are likely to eventually establish a new framework to govern money and trade that would result in more balanced trade relationships and a lower exchange rate for the dollar, and we are working to position the Appleseed Fund portfolio accordingly.

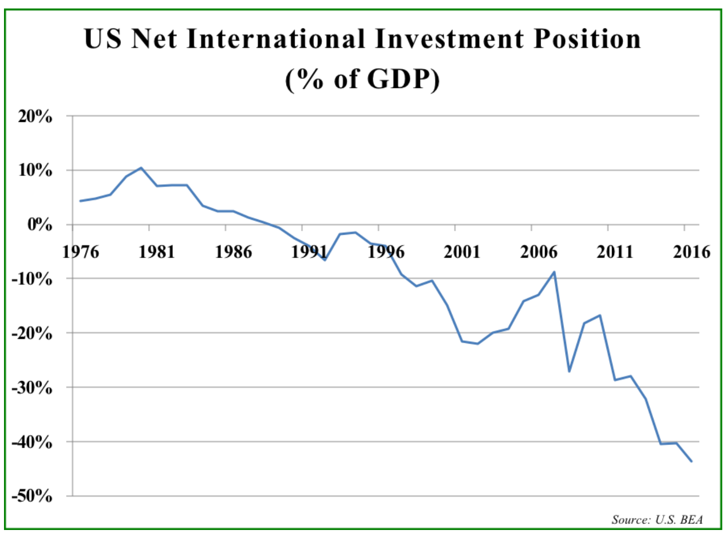
Balance of Payments

To better understand the dynamics of trade deficits, it is essential to understand an important accounting identity that comes from the following two balance of payments equations:[1]

$$\textit{Current Account} + \textit{Capital Account} = 0$$

$$\textit{Current Account} = \textit{Net National Savings}$$

These equations are helpful in our understanding of the connection between a) trade, through the current account, b) capital flows, through the capital account, and c) the net national savings rate. For example, if the United States has a current account *deficit* because it imports more goods and services than it exports, it also means that the U.S. net national savings rate is negative and that net capital flows into the United States are positive; U.S. capital inflows finance the investments that the inadequate U.S. savings level cannot fund domestically. Conversely, if another country like China has a current account *surplus*, its net national savings rate is positive and China's excess national savings will be invested in assets from other countries like the United States (*e.g.*, U.S. Treasuries, Canadian real estate, African farmland). Adding up the accounts of all countries across the world, exports should match imports, capital inflows should match capital outflows, and world savings should net to zero.



Many people assume the best way to address a current account deficit, or trade deficit, is to erect trade barriers, and that is certainly one way to do it. However, other backdoor methods to improve a country's balance of trade can also be used. For example, a country could choose to implement policies that increase the national savings rate or make decisions which force capital flows to reverse. A country could also choose to devalue its currency to improve the current account deficit. When U.S. policymakers accused China of "currency manipulation" several years ago, for example, it was because China had been buying U.S. Treasuries which created a capital account deficit and a

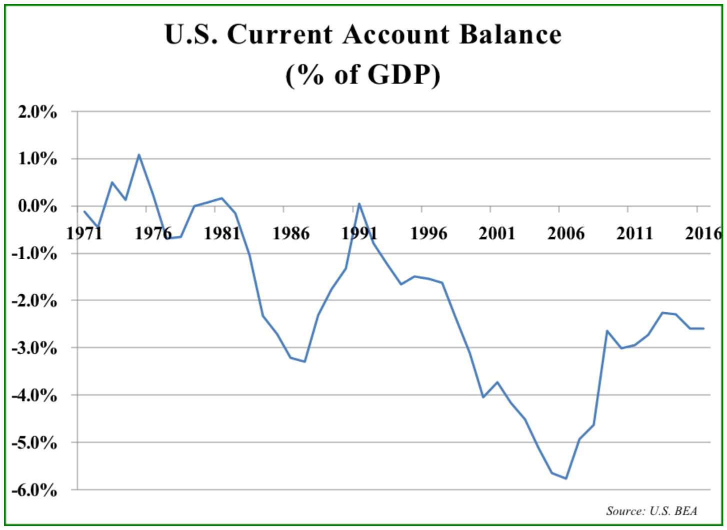
[1] The "Current Account" is an economic term that equals exports minus imports with some minor adjustments related to net investment income and net transfers. In this letter, we will be using terms such as "Trade Deficit" and "Current Account Deficit" interchangeably, because exports minus imports is the primary driver of the Current Account. The "Capital Account" is equal to U.S. purchases of foreign assets minus foreign purchases of U.S. assets, including foreign official (central bank) purchases of U.S. assets such as U.S. Treasuries. "Net National Savings" is equal to National Savings minus National Investments. When the Net National Savings figure is negative, foreigners invest their capital in U.S. assets to fill the gap between Net National Savings and Net National Investments.

corresponding trade surplus for China, while, at the same time, creating a capital account surplus and a corresponding trade deficit for the United States.

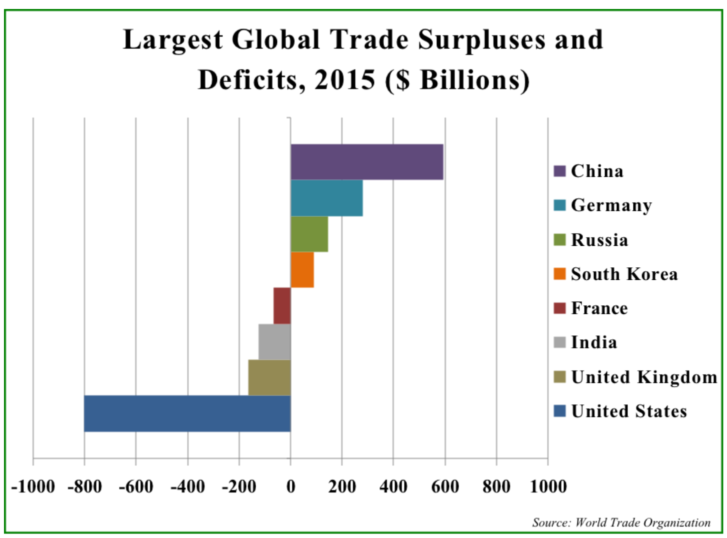
How Our Current Imbalances Developed

After Nixon closed the gold window in 1971, the fiat U.S. dollar without gold exchangeability essentially became the world's reserve currency. Henceforth, trade imbalances, left unaddressed as foreign countries accumulated dollars and as the United States accumulated debt, have steadily worsened. The "exorbitant privilege" of issuing the world's reserve currency has allowed (or forced) the United States to run a persistent trade deficit to offset the persistent capital inflows that necessarily occurred as the rest of the world bought dollars to conduct trade .

Given the openness of U.S. capital markets and the role of the dollar as the world's reserve currency, it logically follows that capital flows have driven trade flows rather than vice versa. According to Richard Koo, Chief Economist at Nomura Research Institute, 95% of currency trading transactions are capital (investment) related rather than trade related, and those capital transactions are the primary driver of U.S. trade deficits due to the balance of payments. Put differently, the United States has become the world's consumer of foreign production in part because other countries have been accumulating U.S. financial assets. The end result is a persistent current account deficit and an ever-worsening international investment position as capital inflows continue to exceed capital outflows.



The greatest trade imbalance in the world today is the trade *surplus* of China on one side of the balance of payments ledger and the trade *deficit* of the United States on the other side of the balance of payments ledger (see chart to the right). According to Michael Pettis, professor of finance at Peking University in Beijing, China has systematically pursued a policy of holding down its share of national income that goes to households for decades to boost China's savings rate and, relatedly, through the balance of payments, China's trade surplus. Through balance of payments accounting, China's high savings rate has resulted in persistently large trade surpluses and capital flows into other countries that are the highest in the world. China has exported its manufactured goods to the United States, while the United States has exported industrial jobs and U.S. Treasuries to China.



Due to the nature of the balance of payments, the United States cannot easily reduce its trade deficit without a corresponding adjustment with regards to China's trade surplus. This adjustment, while perhaps necessary in the long-term, will be difficult due to the massive manufacturing capacity that has been created in China and the dependence that China's regime has on keeping its populace employed by exporting products to other countries.

Correcting Trade Imbalances

In 1930, Keynes proposed that Great Britain take unilateral actions to pursue protectionism and devaluation to solve its economic problems. Without a comprehensive multilateral agreement gradually moving away from the dollar as the world's reserve currency, it is likely that the United States, sooner or later, will pursue a similar unilateral path to currency devaluation as 1930s Great Britain.

U.S. policymakers are currently looking to improve the country's trade deficit through a number of mechanisms, including bilateral trade agreements, unilateral tariffs, and tax reform (which could include a border adjustment tax). Bilateral trade agreements by themselves seem like an ineffective solution given that structural imbalances are global and not bilateral; moreover, any bilateral trade agreements would require approval of two-thirds of the Senate. Either a border adjustment tax or a value-added tax (VAT) would be easier for Congress to pass and would reduce the trade deficit; such taxes would reduce consumption as a percentage of GDP while forcing an increase in the national savings rate, thereby improving the U.S. trade balance.

Another potential strategy involves the Federal Reserve devaluing the exchange rate value of the dollar. This strategy may be an attractive option for the Trump administration.[2] Former Federal Reserve Chairman Ben Bernanke, in his famous 2002 speech about deflation where he earned the infamous moniker "Helicopter Ben," described exchange rate policies as one of the monetary tools that the Federal Reserve could deploy to stimulate nominal GDP growth:

> *The Fed has the authority to buy foreign government debt... Potentially, this class of assets offers huge scope for Fed operations, as the quantity of foreign assets eligible for purchase by the Fed is several times the stock of U.S. government debt. I need to tread carefully here. Because the economy is a complex and interconnected system, Fed purchases of the liabilities of foreign governments have the potential to affect a number of financial markets, including the market for foreign exchange.*

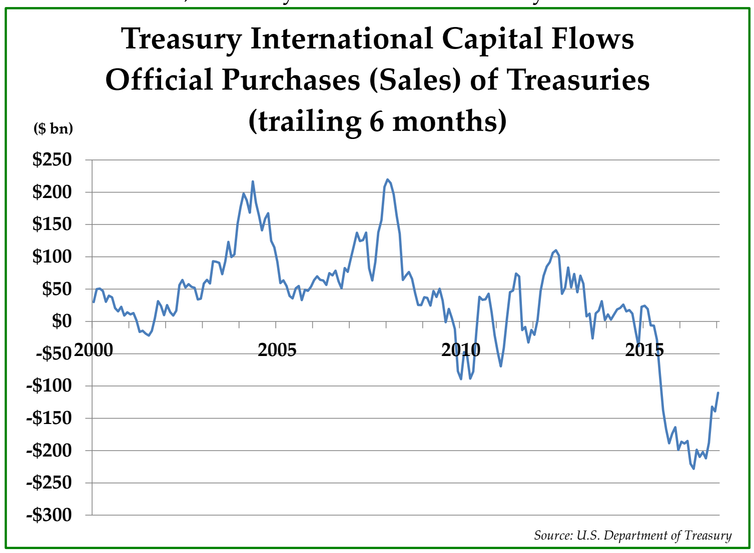
We believe that Keynes would approve of such an exchange rate adjustment to boost exports and domestic employment. Using a balance of payments lens, buying foreign government debt would result in a capital *outflow* for the United States, which would improve the U.S. current account deficit, all other things being held equal. It would also result in a lower exchange rate for the dollar and U.S. exports becoming priced far more competitively. Importantly, unlike a border adjustment tax or a new set of trade treaties, an exchange rate adjustment would not require Congressional approval; by mid-2018, the President will have had the opportunity to appoint at least four out of the seven voting positions on the Federal Reserve Open Market Committee (FOMC). By lining the Federal Reserve Board of Governors with new appointees who support a weaker dollar, President Trump could provide exchange rate support to improve the competitiveness of U.S. producers.

Besides unilateral actions that the United States might take to improve its trade deficit, there is also a scenario whereby world leaders create a new multilateral set of trade and monetary agreements, resulting in the gradual replacement of the dollar as the world's reserve currency with something else. Several reserve currency options could be used for settlement instead of the dollar; these options include the SDR (Special Drawing Rights), a

[2] Source: Luke Gromen, *Forest for the Trees*.

super-national currency issued by the IMF, while another option might involve multiple regional reserve currencies including the dollar, the Euro, and the Yuan, each of which might be exchangeable into gold once again.

Indeed, there are reasons to believe that an important monetary transition may have already begun. In 2013, Yi Gang, a deputy governor of the People's Bank of China, made a stunning admission when he said, "it's no longer in China's favor to accumulate foreign-exchange reserves [U.S. Treasuries]."[3] China recently signed several agreements with trading partners, including Russia and Iran, whereby it can settle trade in yuan rather than in U.S. dollars. Moreover, since 2014, just one year after Yi Gang's speech, China's foreign official holdings of U.S. Treasuries have stopped increasing and have in fact been *declining*. And, due to China's important role as a buyer of U.S. Treasuries, for the first time since 1971, foreign governments as a group have been selling rather than buying U.S. Treasuries over the past couple of years. If foreign official selling of U.S. Treasuries continues (see chart to the right), an important support for the value of the dollar will disappear, and an important impediment for rebalancing U.S. trade will also disappear.



Monetary Transition Implications

Our crystal ball on the exact path forward with regards to a rebalancing transition and on the timing of that path is just as cloudy as the next person's crystal ball. However, we have been preparing the Appleseed Fund portfolio for the monetary transition described in this letter for years. Below is a list of developments we are expecting could occur in coming years:

- *Increased volatility:*
  The trade and capital related imbalances that exist today have built up gradually over a 35-year period. It seems unlikely that the world will move from the currently imbalanced trade system to a more rebalanced trade system without elevated volatility and geopolitical instability along the way -- particularly so given the indebted balance sheets of individuals, companies, and governments in the developed world. In worse case scenarios, economic volatility could result in geopolitical conflicts beyond that which has occurred during the last few years.

- *Exchange rate adjustments:*
  Whether driven by tax policies, trade treaties, monetary policy, or a new multi-lateral trade agreement, a balanced world trade environment would result in reduced foreign demand for U.S. Treasuries and a lower exchange rate for the dollar. Countries with a trade surplus should experience currency appreciation, while countries with a trade deficit should experience currency depreciation. Accordingly, surplus country

[3] Source: Bloomberg, November 2013 and TTMYGH, December 2016.

currencies, such as the Korean Won, the Chinese Yuan, and the Euro, and investments in real assets, such as gold and real estate, should perform well.

- *Less consumption and more savings*:
  With less foreign capital coming into the United States, the U.S. savings rate will have to increase and U.S. consumption would have to decrease as a share of U.S. GDP. Economic policies that attempt to limit U.S. consumption – such as a VAT tax – may help boost the national savings rate. In our view, increasing the national savings rate would be particularly challenging given the large wave of baby boomers who are retired or are soon entering retirement. This scenario does not bode well for companies with high exposure to U.S. consumer discretionary spending.

- *Lower debt leverage:*
  Dollar devaluation will result in faster nominal growth, increased nominal GDP, and higher nominal incomes in the United States. While inflation generally reduces a country's standard of living as the costs of imports increase, the silver lining is that the United States will service its fixed rate debt more easily as prices and incomes rise. At a national level, the Debt/GDP ratio will decline, and, at the household level, Debt/Income ratios will decline.

- *More production and employment:*
  U.S. manufacturing and U.S. exporters should become more competitive if and when the dollar depreciates against other currencies.

These predictions are dependent on significant structural changes to global trade and capital flows that may or may not take place imminently. Global trade and capital flows have been highly imbalanced for the past 35 years, so it is certainly possible they could remain highly imbalanced for years to come. That said, the structural imbalances that today's dollar-centric monetary system has created are becoming increasingly untenable, both economically and politically.

Thus, over the past several years, we have been gradually accumulating hard assets which should perform well if a dollar devaluation occurs. Appleseed Fund has gold bullion exposure through Sprott Physical Gold Trust (PHYS), real estate exposure through Jones Lang LaSalle (JLL), and agriculture related exposure through Titan International (TWI) and Mosaic Company (MOS). For similar reasons, we have been investing increasingly in non-U.S. dollar denominated equity and fixed income investments, including companies that derive a substantial percentage of their earnings in the currencies of surplus trade countries such as South Korea, China, and Germany, where currency appreciation should occur versus the dollar when trade and currencies rebalance. Some of these investments include Appleseed Fund capital commitments in Bayerische Motoren Werke AG (BMW-Germany), SK Telecom (SKM), Hyundai Home Shopping (057050-South Korea), China Mobile (CHL), and Cosco Shipping (1199-Hong Kong).

Finally, we are tilting Appleseed Fund towards more defensive U.S. investments, and we have become increasingly wary of companies with outsized exposure to U.S. consumer discretionary spending. Instead, we are trying to invest in attractively priced U.S. companies whose revenues and earnings are likely to hold up in an environment of weak economic growth and/or whose revenues and earnings should benefit from dollar depreciation, such as United Natural Foods (UNFI) and Herbalife (HLF).

*****

Appleseed Performance and Portfolio Changes
During the first three months of 2017, Appleseed Fund Investor shares generated a 6.17% total return, slightly behind the 6.38% return of the MSCI World Index. Coincidentally, Appleseed Fund Investor shares have also generated a 6.18% annual return since inception in 2006, exceeding the return of the MSCI World Index by 1.74% per annum.

During the quarter, the most significant contributors to Appleseed's performance were Herbalife, Hyundai Home Shopping, and Oaktree Capital Management. The strong performance of these holdings was driven by appreciation of the Korean Won, reasonably solid fundamental performance, and a share price recovery in the case of Oaktree Capital Management and Herbalife from the correction that both stocks experienced during the previous quarter. With Oaktree and Herbalife, we added to our existing positions while their share prices were weak.

Appleseed's three most significant performance detractors during the quarter were United Natural Foods (UNFI), Syntel (SYNT), and Verizon (VZ), with United Natural Foods being the largest detractor by a wide margin. Current investor worries about United Natural Foods relate to temporary deflationary pricing pressure and what we believe are unfounded concerns about the long-term profitability of the Whole Foods relationship. First, investors are concerned about the produce deflation which is taking place in grocery right now. Food deflation is an incredibly rare phenomenon in food, and we believe food price deflation is unlikely to remain for much longer. Nevertheless, lower food prices have hurt UNFI's ability to meet the Street's short-term sales and earnings targets. Second, an activist investor has taken a large position in Whole Foods, UNFI's #1 customer, and is asking Whole Foods to revisit the long-term, multi-year contract with UNFI which was signed less than one year ago. From our perspective, UNFI's position with Whole Foods is well protected because Whole Foods cannot vertically integrate into distribution without diluting its own return on invested capital, and Whole Foods cannot add another primary distributor without giving up significant pricing concessions it has already negotiated with UNFI. While Whole Foods is incredibly important to UNFI's business, it is just as true that UNFI is very important to the Whole Foods business. Appleseed Fund continues to own an outsized position in UNFI.

During the most recent quarter, we liquidated one equity holding, ScanSource (SCSC), as the company's share price reached our estimate of intrinsic value. Scansource was a successful investment for Appleseed Fund, generating an attractive internal rate of return (IRR) for shareholders during our holding period.

Our two most notable new investments include positions in the equity of Paramount Bed Holdings (7817-Japan) and in the sovereign government debt of Mexico:

- Paramount Bed Holdings is the leading provider of hospital beds in Japan, with 70% market share in a country where the future growth of the elderly Japanese population *almost guarantees* more beds in use. At the same time, Paramount should grow quickly in other countries such as Indonesia, where it has 40% market share of medical beds. Besides the defensiveness of the business and Paramount Bed's strong position in Japan, our downside is protected by the company's balance sheet, where cash and investments represent approximately 40% of the company's market capitalization. Paramount Bed's valuation is just a fraction of that of its global peers.

- The Mexican Peso corrected in anticipation of Donald Trump's election as President during 2016 and then corrected even further after November 9th. Foreign capital left Mexico quickly as speculation increased that the United States would withdraw from NAFTA. We thought these particular concerns were overdone and that the Trump administration would focus more of its protectionist efforts on trade surplus countries such as China. Thus far, our investment in the Mexican Peso has been a profitable one, as the Peso has appreciated since our purchase, and we continue to view the fundamentals of the Peso favorably. In this regard, Bloomberg recently reported that the Trump administration now wants Mexico and Canada to unite in a regional manufacturing "powerhouse."[4]

Our net allocation to equities at the end of March was 61.4%, and we continue to hold a large position in bonds, cash, and gold. We have recently approved several new equities for purchase, but, with the exception of Paramount Bed, their share prices had not yet reached our buy limits before March 31st.

****

It is always a great honor for us to be able to share our thoughts with you and to have you as a valued shareholder. With increased economic uncertainty and, increasingly, political uncertainty, we are doing our best to navigate Appleseed's investment portfolio through these uncharted waters. We try to take a long-term view on investing, and we remain exceedingly grateful to have shareholders like you who share a similar perspective.

Sincerely,

Joshua Strauss, CFA

William Pekin, CFA

Adam Strauss, CFA

[4] Source: "Trump's Top Trade Adviser Quietly Seeks an Alliance with Mexico, Bloomberg, 3/15/17.

Through 03/31/2017, the Appleseed Fund (APPLX) generated a one year return of 8.57%, a three year annualized return of 0.74%, a five year annualized return of 5.14%, a ten year annualized return of 5.84% and an annualized return of 6.17% since the Fund's inception on 12/08/06.

As of 03/31/2017 the following represent the fund's top ten holdings – Sprott Physical Gold Trust – 14.53%, Herbalife Ltd – 9.77%, United Natural Foods Inc – 6.28%, SK Telecom Co Ltd ADR – 4.75%, Hyundai Home Shopping Network Corp – 4.31%, Oaktree Capital Group LLC – 4.18%, Mexico Utd Mex – 3.72%, Toyo Tanso Co Ltd – 3.04, Bayerische Motoren Werke AG – 2.98%, Jones Lang LaSalle Inc – 2.92%.

Performance data quoted above 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 is available by calling us toll free at 1-800-470-1029.

Internal rate of return (IRR) is a metric used in capital budgeting measuring the profitability of potential investments. Internal rate of return is a discount rate that makes the net present value (NPV) of all cash flows from a particular project equal to zero. IRR calculations rely on the same formula as NPV does.

The gross expense ratio of the Fund's investor class is 1.48%, and the net expense ratio after contractual fee waivers is 1.25%. The Fund's Adviser has contractually agreed to waive its management fee and/or reimburse expenses so that total annual operating expenses (excluding brokerage fees and commissions; fees paid pursuant to the Administrative Services Plan (Investor Class only); borrowing costs, such as (a) interest and (b) dividend expenses on securities sold short; any 12b-1 fees; taxes; extraordinary expenses; and any indirect expenses, such as acquired fund fees and expenses) do not exceed 0.95% the Fund's average daily net assets through January 31, 2018. Any waiver or reimbursement by the Advisor is subject to repayment by the Fund within three fiscal years; provided that the Fund is able to make the repayment without exceeding the 0.95% limitation. This expense cap may not be terminated prior to this date except by the Board of Trustees.

Diversification does not ensure a profit or guarantee against loss.

Investing involves risk, including loss of principal. There is no guarantee that this, or any investment strategy will succeed. Small and mid-cap investing involve greater risk no associated with investing in more established companies, such as greater price volatility, business risk, less liquidity and increased competitive threat. Investment in international markets present special risks including currency fluctuation, the potential for diplomatic and political instability, regulator and liquidity risks, foreign taxation and difference in auditing and other financial standards. Fixed income investments are affected by overall market movements, changes in interest rates, and other factors such as weather, disease, embargoes and international economic and political developments.

Investments in commodities such as gold may be affected by overall market movements, changes in interest rates, and other factors such as embargoes and international economic and political developments. Commodities are assets that have tangible properties, such as oil, metals, and agricultural products. These instruments may subject the Fund to greater volatility than investments in traditional securities.

You should carefully consider the investment objectives, potential risks, management fees, and charges and expenses of the Fund before investing. The Fund's prospectus contains this and other information about the Fund, and should be read carefully before investing. You may obtain a current copy of the Fund's prospectus by calling 1-800-470-1029.

The Appleseed Fund is distributed by Unified Financial Securities, LLC. (Member FINRA)