August 7, 2017

Dear Investors:

"Long ago, Ben Graham taught me that
*'**Price is what you pay; value is what you get**.'*
Whether we're talking about socks or stocks,
I like buying quality merchandise when it is marked down."

– Warren Buffett

Investors who closely follow the financial markets discover fairly quickly that the prices of stocks often do not reflect their intrinsic value. For example, during the Financial Crisis, while the economic situation was exceptionally gloomy due to the near-collapse of the global banking system, stocks at the time were undeniably inexpensive relative to their underlying intrinsic value.

Indeed, in 2008, we invested in a handful of companies whose share prices reflected market capitalizations that were lower than the value of the cash on their balance sheets; essentially, we were buying these businesses for less than free. Our investment rationale at the time was that, if financial Armageddon did not transpire, the long-term future return of such stocks would likely be very attractive.

Equities began to rebound in March 2009 and, since then, have continued rising in price. U.S. stocks especially rebounded, outperforming every other foreign stock market index in the world. Over the past nine years, U.S. stocks have gone from undervalued to fairly-valued to more-than-fairly-valued. Finding attractive stocks to purchase for our clients is always a difficult endeavor. However, since Quantitative Easing began five years ago, undervalued stocks have become even more difficult to find, while overvalued stocks are seemingly everywhere.

Ben Graham's adage, "*Price is what you pay; value is what you get,*" holds as true in today's rising market as it did in 2008. When we make capital commitments on your behalf, we know that the price we pay will be the primary determinant of our clients' long-term investment return.

Like the rest of the world, we cannot predict when the current bull market in U.S. stocks will end, but we can comment on the lack of value in today's market and the effect that overvalued U.S. stocks will have on investors' long-term investment returns.[1] Our comment is, put simply, that the ten-year future return of broad U.S. stock market indices, such as the S&P 500 Index, will likely be relatively modest.

A Brief Investment History Lesson

Over the past twenty years, investors have been taught important and costly lessons about the difference between price and value. Because investors tend to forget history lessons in the middle of strong bull markets, we want to set aside a moment to reflect.

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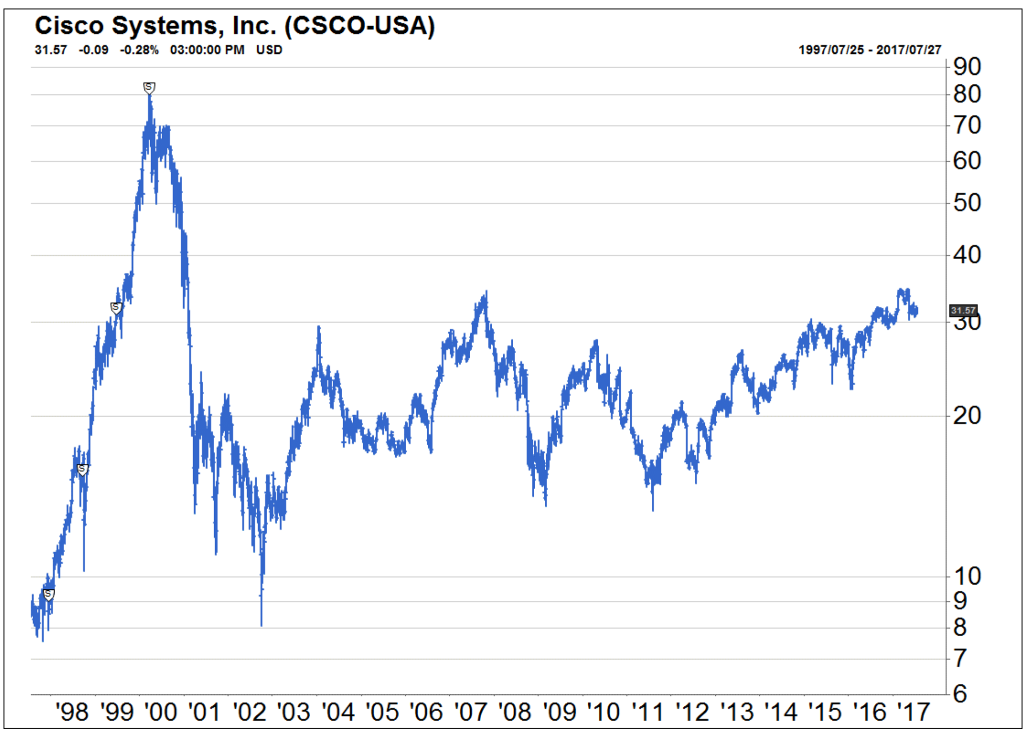
[1] While our focus is on long-term investment returns, we are seeing an increasing number of indicators that we are closer to the end of the current bull market than the beginning: (1) as an example, the Federal Reserve has stopped easing monetary policy and has been tightening monetary policy for several years; (2) the Federal Funds interest rate set by the Federal Reserve continues to rise; and, (3) it appears increasingly likely that Chairperson Janet Yellen, within a matter of months, will begin to reduce the size of the Fed's balance sheet. Without a monetary policy reversal, we expect tightening liquidity conditions to begin impacting the capital markets.

- During the housing bubble, home buyers assumed, wrongly, that strongly rising prices reflected strongly rising values. Home prices surged even though household income and rent prices remained flat. Home price increases were driven by animal spirits, loosening lending standards, and the willful blindness of policymakers and bankers alike. During the subsequent housing bust, the price/median income and price/rent ratios both came back down to earth as housing prices declined.

  The banking system, saddled with toxic mortgages, was bailed out at the cost of trillions of dollars of taxpayer money. Many homeowners were not as lucky. Certain families that overpaid for their houses with large mortgages lost their homes. Today, nearly ten years after the housing bubble collapsed, more than 10% of homeowners in our home town of Chicago are *still* trapped in underwater mortgages.[2] For many homeowners, overpaying for their primary homes destroyed their long-term financial plans.

- In 2000, large cap growth stocks and dot-com stocks were absurdly overvalued, in our view. At the time, stock prices reflected unjustified and unrealistic optimism about the future growth and profitability of the U.S. economy and the U.S. technology sector.



For example, Cisco Systems was the most valuable company in the world during the early 2000s. The company traded at a nosebleed 125x Price/Earnings multiple at the time, and investors were talking about companies like Cisco as "one-decision stocks," meaning that investors who buy such a blue-chip technology stock do not have to think about it again as the stock continues to rise in price. History has proven that the optimism surrounding Cisco's share price was unwarranted and, as expectations

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[2] Source: Crain's Chicago Business.

inevitably came down when technology spending began to cool off, Cisco's share price plummeted. Today, Cisco shares still trade at less than 50% of the company's 2000 high.

In retrospect, the problem with investing in Cisco in 2000 was not that revenue and earnings growth did not materialize, as the business has performed well since that time. Cisco has generated an enviable five-fold increase in earnings per share since 2000. The problem for investors stemmed from the fact that Cisco's Price/Earnings multiple was simply too elevated in 2000, making it difficult for investors to generate adequate rates of return in the years to come.

Because it boasted the highest market capitalization in the United States in 2000, Cisco represented the largest constituent of the S&P 500 Index. Due to the overvaluation of Cisco Systems and other similarly overpriced large cap growth stocks, the S&P 500 Index and the Nasdaq Composite generated a negative investment return during the subsequent decade.

We view these historical examples as useful warnings from recent history about the dangers of investing in overvalued financial assets. We think investors should heed these warnings before committing additional capital to overvalued U.S. stocks.

Overvalued U.S. Stocks Today

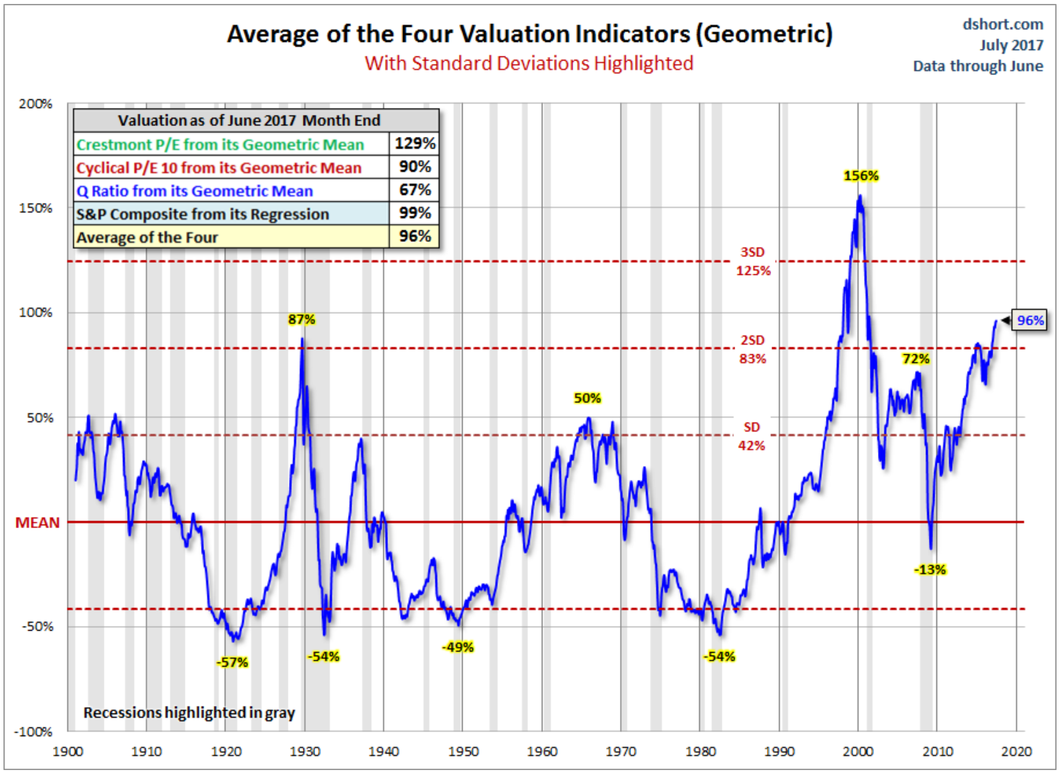
We are currently in the ninth year of an incredible, liquidity-driven bull market in financial assets. By now, many investors have forgotten what it feels like to experience a crushing bear market; in fact, nearly one-half of traders on Wall Street have never experienced a recession in their professional careers. Few investors are paying attention to value, but they are paying attention to a handful of technology companies, the so-called "FANG" stocks, which due to their market capitalizations, have had an outsized influence on the returns of the S&P 500 Index. In this respect, the market environment today rhymes with the bull market of the late 1990s.

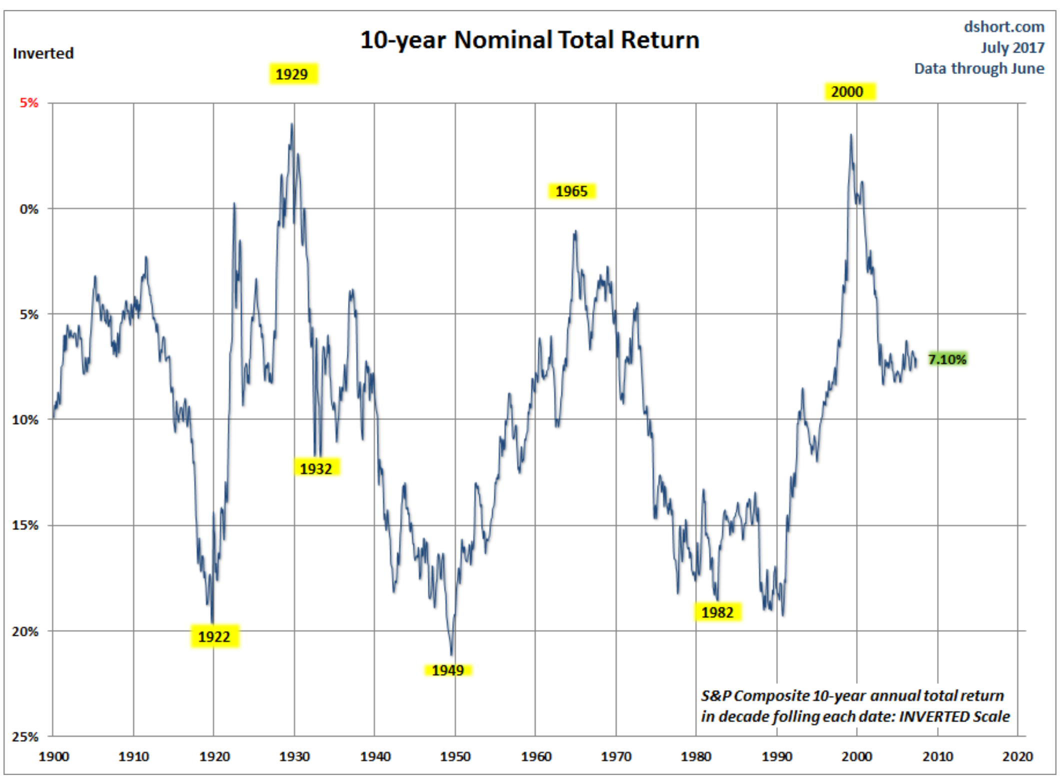
The two charts on the following page are worth examining because they help to explain our somewhat somber view on the prospective 10-year returns for the S&P 500 Index.[3]

- The first chart ("Average of the Four Valuation Indicators") uses four different valuation metrics to determine the overall "value" of the S&P 500 Index. Depending on the metric used, the stock market is trading at 67% to 129% above fair value. The chart's plot of the average of these four measures over time illustrates how richly priced the S&P 500 Index is today compared to history. The S&P 500 Index is currently trading at a valuation level that is higher than any other period of the past 100 years except for the 1999-2000 years when the dot-com bubble had not yet burst.

[3] Source: Jill Mislinski, dshort.com.

APPLESEED FUND





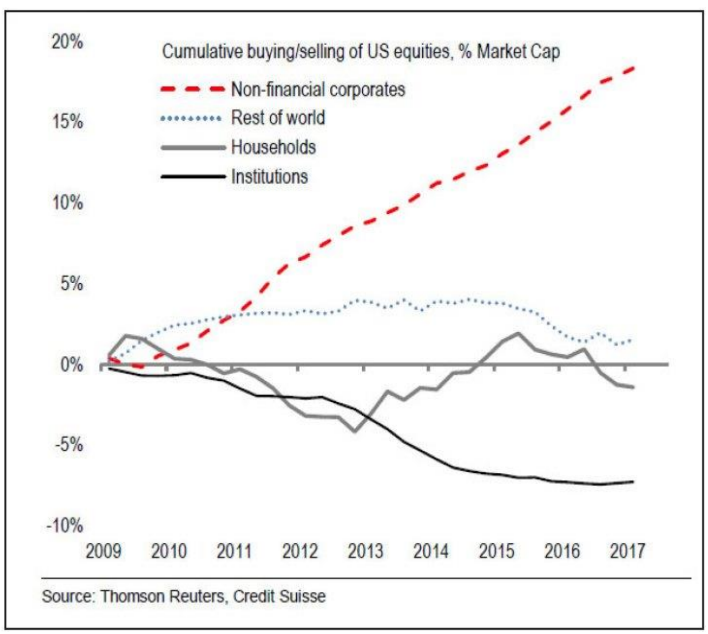
- The second chart ("10-Year Nominal Total Return") on the previous page is inverted and plots the 10-year forward annual return history generated from owning U.S. stocks. The X-axis in the second chart is the same as the X-axis in the first chart so that you can more easily review these two charts together and make visual comparisons. You should note the inverse relationship between the valuation level and the subsequent 10-years of stock market returns:

  - The range of historical 10-year forward return figures spans from -4% (in 1929) to +21% (in 1949). Years which began at below-fair-value levels generated extremely attractive 10-year forward returns, while years which began at more expensive valuation levels in the first chart generated much lower 10-year forward returns.

  - The two peaks in valuation besides the current era, 1929 and 2000, resulted in negative forward returns for stocks during the subsequent ten years.

These charts suggest to us that the investment return of owning U.S. stocks during the next decade is likely to be sub-par. Given the inclination of the Federal Reserve to depreciate the dollar, future stock returns may be positive due to inflation, while inflation-adjusted returns from owning stocks in the future are likely to be weak.

Price-insensitive Buyers of Stocks
Among other reasons, significant capital investments on the part of *price-insensitive investors* have been driving the current overvaluation of the U.S. stock market. Price-insensitive investors make capital investments for reasons unrelated to the relationship between price and value. Price-insensitive investors today include the following investor categories:



- *Central banks:* In recent years, certain central banks have turned to printing money (to keep their currency exchange rates low) while, at the same time, *buying stocks* with that printed money. The Swiss National Bank, for example, owns about $80 billion in U.S. stocks and has invested $17 billion in U.S. stocks in 2017 year-to-date. Unlike private investors, central banks do not make investment decisions to generate economic profits; they make investment decisions to meet monetary policy goals.

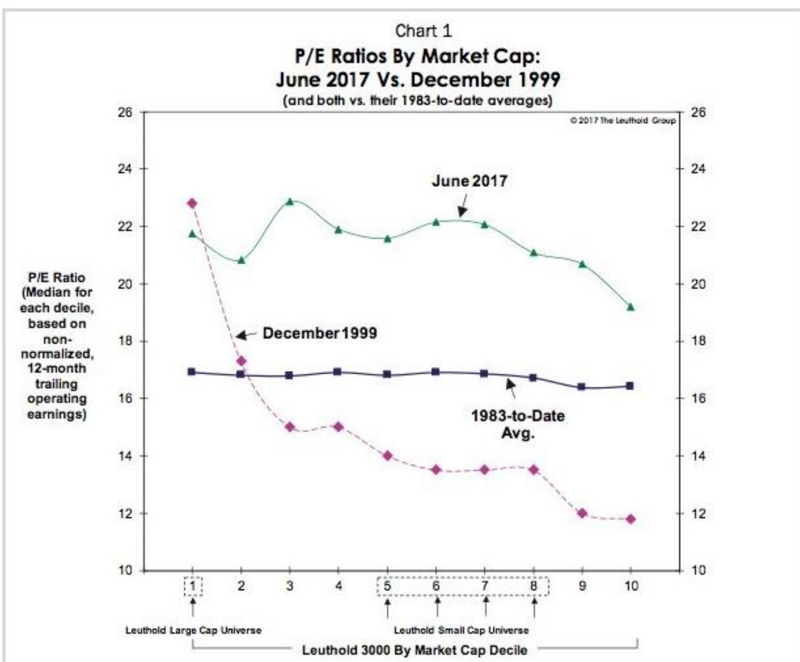
- *Corporations:* Corporations have been taking advantage of the low interest rate environment to issue debt and use the proceeds to buy back shares of their own stock. In the chart above, it is clear that the *primary* buyer of equities since the financial crisis have been corporations. Corporate buyback activity has exceeded $100 billion per quarter over the past several years. Management teams and boards generally make these buyback decisions to maximize the value of their equity grants, stock options, and other forms of equity-linked compensation. Because corporate buybacks are usually driven by management compensation considerations rather than by price/value considerations, corporations should also be categorized as price-insensitive investors.

- *Passive index funds and ETFs:* Capital flows into passive index funds and ETFs have increased markedly in recent years. Passive investing is, by definition, price-insensitive investing, and capital flows into passive products have greatly increased the level of price-insensitive investment activity.[4]

Unfortunately, price-insensitive buying can lead to poor capital allocation decisions. Conversely, just as price-insensitive buying can boost the prices of stocks, price-insensitive selling can depress the prices of stocks. When the next market turn occurs at some undetermined point in the future, we fear that such price-insensitive buyers may become sellers, thus potentially exacerbating the next market downturn.

Finding a Place to Hide

In 2000, the overvaluation of the stock market was limited to the overvaluation of dot-com stocks and large cap growth stocks. At the time, it was possible to find undervalued stocks by investing in other areas of the market, such as in value stocks. While large cap stocks in the top decile of size like Cisco were ludicrously priced, in our view, many mid-cap and small-cap stocks offered attractive value (see purple line in the chart below).



[4] Last year, in our Q2 letter, we discussed the topic of passive investing in detail.

In comparison, it is more difficult to find a place to hide today because the overvaluation in U.S. stocks is not limited to large cap growth stocks. The green line, marked "June 2017," shows clearly that U.S. stocks across the market capitalization spectrum appear to be expensive in the current market.

Side-stepping overvalued U.S. stocks today thus becomes a more difficult task than it was in 2000. As a result, the Fund's U.S. equity exposure is currently less than 30% of the portfolio. Our capital allocation decisions are varied and client dependent, but they include one or more of the following strategies:

- Sticking to high quality companies with strong balance sheets and cash flows as well as wide economic moats.

- Investing selectively in new equity securities that we believe are trading at a discount to our estimation of intrinsic value and where the expected return is far higher than that of the broad market indices.

- Holding cash and cash equivalents which can be used to purchase stocks when stocks become more attractively priced.

- Allocating more capital to foreign stocks which are inexpensive relative to U.S. stocks, in our view.

- Maintaining a meaningful position in precious metals which should appreciate with inflation but are not subject to the overvaluation problem of U.S. stocks.

Our goal is not to time the market in any way or to avoid risk altogether, but to invest only where we are paid sufficiently to take risk. We have already mentioned that we have no strong view about when the market will peak, but we do have a strong view that the majority of U.S. stocks are expensively priced.

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Portfolio Changes

New Long Equity Positions	*Sold Long Equity Positions*
Stagecoach Group (SGC-LSE)	Grand Canyon Education, Inc. (LOPE)
Taiwan Semiconductor (TSM)	
McKesson (MCK)	
Air Lease (AL)	

We sold Appleseed Fund's Grand Canyon position this quarter after Grand Canyon shares increased by more than 50% from our purchase price in late 2016, exceeding our estimate of the company's fair value. While we owned the stock, the company's results were quite solid, but more importantly, investor sentiment improved significantly. As a result, Grand Canyon was a significant contributor to the Fund's investment performance during our brief ownership period. Once the shares traded above fair value, however, we thought it was in the best interest of Appleseed shareholders that we sell our Grand Canyon position in order to redeploy the proceeds into other undervalued, high-quality investments.

The four new holdings listed above of Appleseed Fund are all modest positions at the current moment, with each of them being 1.5% to 2.5% of the total portfolio. We summarize our investment thesis for Stagecoach and Qualcomm below:

Stagecoach Group:
One of our new long positions, Perth, Scotland-based Stagecoach Group plc, operates a collection of public transport businesses. The Company operates a best-in-class set of franchises in the United Kingdom, where it is the largest of five service providers that collectively control 80% of a mostly deregulated regional bus transportation network. Stagecoach also operates regulated bus franchises in the city of London, and it has a substantial bus transportation footprint in North America, where the group owns Coach USA, Coach Canada, and a budget intercity coach service called Megabus. In addition, Stagecoach operates a portfolio of U.K. rail franchises both directly and indirectly through a joint venture with the Virgin Group. Benefiting from the 1985 bus deregulation and the 1996 rail privatization, Stagecoach has grown both organically and through acquisitions to become the U.K.'s dominant regional bus player and its second largest rail operator.

The valuation of Stagecoach has become more attractive over the past few years due to 1) a weak economy in Great Britain causing the usage of public transport to fall, thus crimping margins, and 2) concerns about future knock-on effects associated with Brexit. Despite these issues, we like Stagecoach's business fundamentals:

- Stagecoach's core business of public bus and rail transport services provides an increasingly important economic and social benefit to the local economy. With high population density in the United Kingdom, vehicle traffic congestion leads to lost economic productivity, increased levels of carbon dioxide emissions, and higher levels of smog. Public transportation, whether rail or bus, represents a more efficient and responsible use of fossil fuels, thereby lowering polluting emissions. We expect that public policy in the U.K. and the U.S. will continue to incentivize people to increase their use of public transportation options.

- The founders of the business continue to play a role on the Board of Directors and still own ~26% of the shares outstanding, making them strong partners with the company's shareholders.

- The valuation is attractive, with the stock price trading near 52-week lows at the time of our purchase, driven in no small part by a high level of pessimism on the part of the sell-side Wall Street analysts who cover Stagecoach.

- While we wait for the business to improve and Mr. Market to change his mind about Stagecoach, we are being paid a 6.6% dividend.

Qualcomm:
Billions of people use Qualcomm's products on a daily basis, and yet few have ever heard of this company. Qualcomm has developed a wide range of high-speed wireless communication technologies for which it receives a royalty. In addition, Qualcomm's Snapdragon chipsets power numerous electronic devices including the Samsung Galaxy S8 and Google Pixel smartphones. The ever increasing technological and capital intensity of this business protects Qualcomm's competitive position and its profit margins; growing global prosperity and booming demand for sophisticated artificial intelligence applications (such as self-driving cars, cloud computing, internet of things, wireless charging technologies for electric vehicles, drone technologies for precision agriculture, and virtual reality) should provide ample room for growth in the years to come.

At the moment, the company is engaged in a high profile lawsuit with Apple over Qualcomm's royalty rate; as a result, the share price has decreased and the company's shares have become attractive, in our view, relative to the company's operating profit, free cash flow, and dividend yield (4%+). We expect Qualcomm to win its court case with Apple, but we believe the company's shares are undervalued even if we are incorrect in our assessment.

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Portfolio Performance and Positioning

As of 06/30/2017 Appleseed Fund's generated a total return of 8.79% year to date versus a return in the MSCI World Index of 10.66%. Appleseed Fund's total return since inception is 6.27% per annum versus an average total return in the MSCI World Index of 4.65%.

The strongest three contributors to performance were Herbalife (HLF), Jones Lang LaSalle (JLL), and McKesson (MCK), while the most significant detractors to performance among our long equity positions were United Natural Foods (UNFI), Mosaic Company (MOS), and Verizon (VZ). As their shares traded closer to our estimate of intrinsic value, we trimmed our holdings of Herbalife, Jones Lang LaSalle, and McKesson and used the proceeds to deploy into other holdings.

At quarter end, stocks represented 63.2% of the portfolio, gold represented 16.7% of the portfolio, and our cash/bond position represented approximately 20.1% of the portfolio. With the addition of several new undervalued equities, and with U.S. equities trading at nosebleed valuations, we think Appleseed Fund's portfolio is well-diversified, generally undervalued, and positioned with enough cash to take advantage of any buying opportunities that might arise.

We are ever grateful for the privilege of working with you to manage your Appleseed Fund investment.

Sincerely,

Josh Strauss, CFA
William Pekin, CFA
Adam Strauss, CFA

Through 06/30/2017, the Appleseed Fund (APPLX) generated a one year return of 8.66%, a three year annualized return of 0.47%, a five year annualized return of 6.70%, a ten year annualized return of 5.61% and an annualized return of 6.27% since the Fund's inception on 12/08/06.

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.

Top 10 holdings as of 06/30/2017: Sprott Physical Gold Trust 15.09%, United Natural Foods Inc 6.44%, Herbalife Ltd 6.40%, Hyundai Home Shopping Network Corp 4.49%, Oaktree Capital Group LLC 4.19%, Mexico Utd Mex St 4/75% 2018-06-14 3.97%, SK Telecom ADR 3.95%, Toyo Tanso Co Ltd 3.14%, Bayerische Motoren Werke AG 3.14%, COSCO Shipping Ports Ltd 3.13%.

The gross expense ratio of the Fund's investor class is 1.48%, and the institutional class is 1.23%; the net expense ratio after contractual fee waivers through January 31, 2018 is 1.25% and 1.06%. The Fund's ninety day redemption fee is 2.00%. The Fund's past performance does not guarantee future results. The investment return and principal value of an investment in the Fund 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 1-800-470-1029.

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)