January 15, 2016

Dear Appleseed Shareholder:

"In economics, things take longer to happen than you think they will, and then they happen faster than you thought they could."

– Rudiger Dornbusch, economist

Value investing can be a challenging endeavor, even in the best of times. It involves investing long-term capital in companies that are unknown, unloved, or unpopular. In our view, the only reason value investing receives any attention is that it has historically outperformed the broader equity markets over the long-term when applied in a disciplined and consistent manner.[1] That being said, when value investing underperforms over multi-year periods, as is the case today, skeptics wonder what the heck value investors were thinking by investing in such undeserving companies.

In 2015, the equity markets are experiencing the sixth year of an extended period of outperformance by growth stocks. Large cap value stocks underperformed large cap growth stocks by a whopping 11.5% in one of the most bifurcated markets since the late 1990s. This means that expensive stocks in glamorous companies have become even more expensive, while inexpensive stocks in slower-growth, out-of-favor companies have become more attractive. In 2015, there were a few stocks whose share prices continued to increase in value at a very rapid rate, and a large number of stocks that generated negative returns.

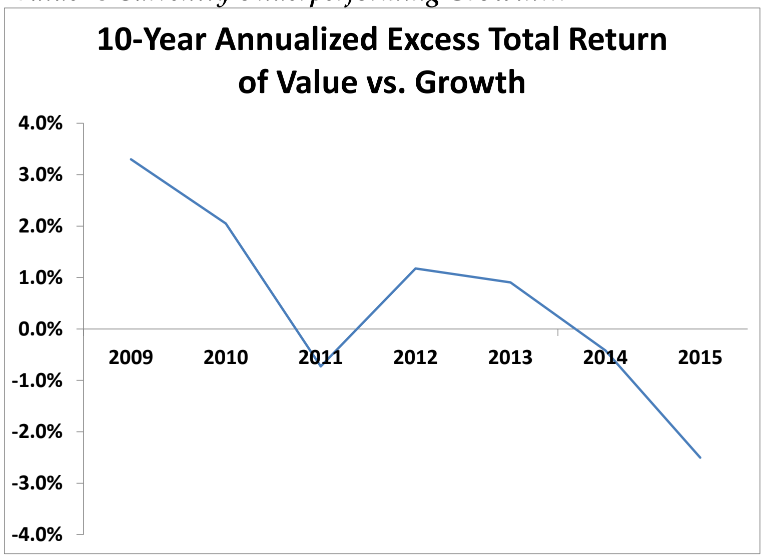
The chart provided at the top of the next page illustrates the underperformance of value stocks relative to growth stocks since 2009 and reinforces the notion that it has been a challenging time to be a value investor in recent years. Today's growth darlings are large-cap tech companies, such as Netflix, Alphabet, Facebook, Amazon, and Salesforce.com. These stocks far outpaced the market in 2015 as their P/E ratios expanded and bolstered the -0.87% performance of the MSCI World Index.

Despite recent history, large cap value stocks have outperformed large cap growth stocks by 2.0% per year on average since 1927, while small cap value stocks outperformed small cap growth stocks by 4.4% per year on average. While value investing can underperform growth investing in a pronounced way over multiple years, as it is doing today and as it did in the late 1990s during the dot-com bubble, it remains a sound strategy, in our view, because of its superior track record and because it is built on the principle of buying stocks whose share prices are depressed and

[1] Source: Ibbotson & Associates.

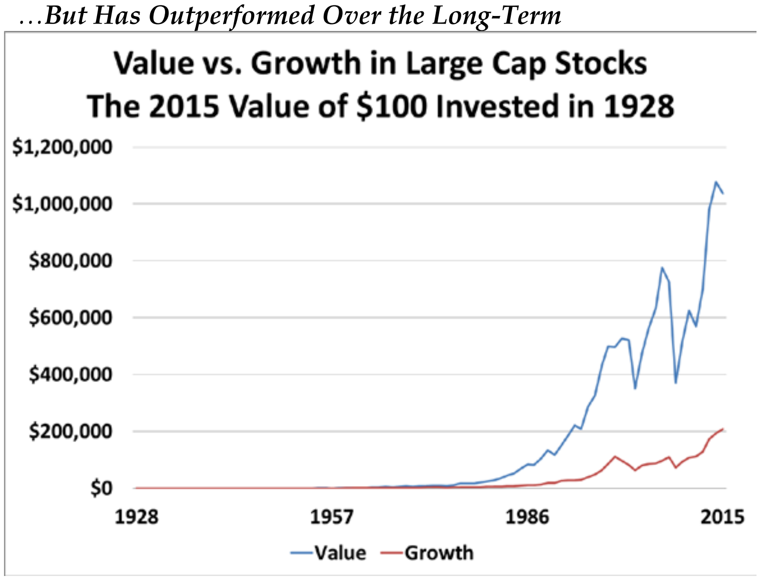
selling stocks whose share prices are expensive.

Value Is Currently Underperforming Growth…



Source: Ibbotson & Associates. *

…But Has Outperformed Over the Long-Term



Source: Ibbotson & Associates.

*Growth: Fama-French Large Growth TR USD, Value: Fama-French Large Value TR USD

Our value investing approach, similar to that of Warren Buffett and Benjamin Graham, entails selectively investing in quality, responsible companies that are temporarily out of favor, and then waiting for Mr. Market to change his mind about the attractiveness of owning such companies. Sometimes the wait is a long one; in the case of the performance of value stocks versus growth stocks, the wait has lasted for six years. Today's extended outperformance of growth stocks and underperformance of value stocks reminds us of the market environment that investors experienced during the dot-com bubble in the late 1990s.

At this point, some investors might ask the question, "Isn't it time to throw in the towel and begin buying the growth stocks that are going up in price?" In our view, investing in overvalued companies just because their share price is rising is a recipe for permanent capital losses. Speculators learned this lesson the hard way when the dot-com bubble burst, and then they learned it again when the housing bubble burst.

Two Examples: United Natural Foods (UNFI) versus Netflix (NFLX)

Moving from the broader equity market to actual stocks, we can compare United Natural Foods, a value stock we purchased in December on behalf of Appleseed Fund that is out of favor at the moment, and Netflix, a growth stock that Appleseed Fund does not own. UNFI is a leading natural food distributor, while Netflix is a leading distributor of over-the-top (OTT) video content. Both companies are leaders in their respective industries.

During the past 12 months, Netflix has grown revenues at a faster pace than UNFI, but Netflix's earnings per share have declined by nearly one-third. Meanwhile, UNFI revenues have grown at a double-digit rate, and earnings per share have increased. That said, organic revenue growth at UNFI is decelerating due in part to the loss of an important customer (Albertsons). Meanwhile, revenue growth at Netflix remains strong due to the continued expansion of the company's OTT subscription service.

Business Trends Through 9/30/15

	Netflix	*UNFI*
Annualized Revenue growth	24%	15%
Annualized EPS growth	-30%	3%

In 2015, Netflix was one of the few stocks that generated meaningfully positive returns, as the Netflix share price increased by 134%. Its share price increased far in excess of its revenue growth and despite an earnings per share decline. Investors are currently valuing Netflix at an all-time high multiple of sales of 8x, which is far more expensive than the 1x sales multiple that investors were willing to pay for its shares just four years ago. As a multiple of operating profit, investors are valuing Netflix at 150x, which is triple the 50x operating profit multiple that investors were willing to pay for Netflix shares just one year ago.

In contrast, 2015 was a horrible year for the UNFI share price. Despite revenue and EPS growth, its share price declined by half. Today, the company is valued by investors at a sales multiple of 1x and an operating profit multiple of 10x. UNFI's business has grown consistently for years, and it is usually a popular stock among growth investors. However, this is one of the few times in which UNFI has been thrown into the value trash bin; the last time UNFI traded at valuation multiples this low was during the financial crisis.

We want to also compare and contrast current management behavior with respect to personal stock transactions. Netflix management generates additional compensation through stock option grants, and management regularly exercises their stock options and sells their Netflix shares to the public. As for UNFI, at today's stock price, management has been taking their hard-earned compensation and *buying* additional UNFI shares on the open market.

In 2015, owning Netflix shares represented a home run, while owning UNFI would have been a disaster. The story of these two stocks was the story of growth and value last year. We suspect that UNFI's share price has much better prospects over the next five years than NFLX, which is why we initiated a position in UNFI in early December.

By the way, Appleseed Fund's investment portfolio is full of what we believe to be terrific companies such as UNFI that, in our view, have strong long-term business prospects and inexpensive share prices. We discussed our rationale for owning many of our stocks in our February 2015 and October 2015 conference calls.

ESG Value Investing

Our value investing approach is different from most value investors who, unlike us, do not consider the environmental, social and governance (ESG) performance of the companies in which they invest. At the same time, our approach is also different from many ESG investors who tend to be more attracted to growth companies.

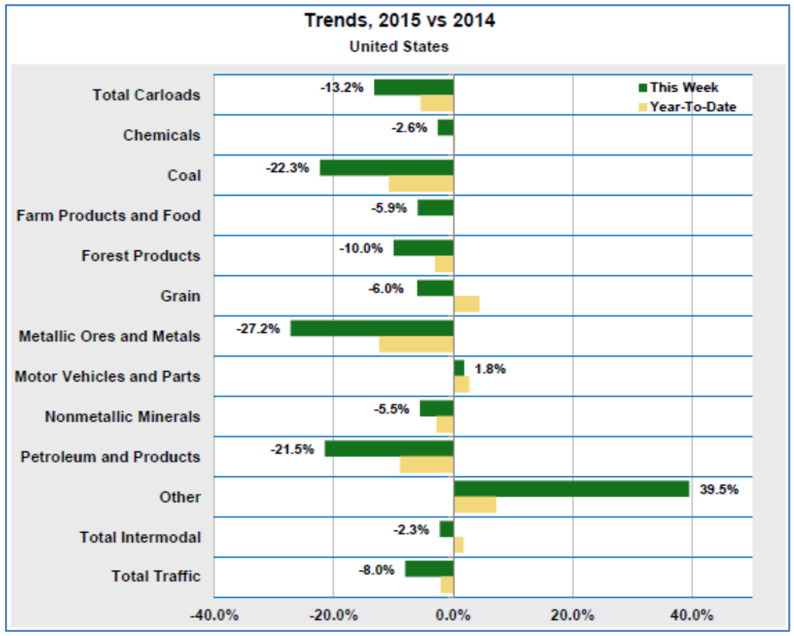
We believe it is important to understand as many fundamental factors as possible that might affect an investment, including environmental, social, and governance factors. Warren Buffett once said that "risk comes from not knowing what you are doing." Our ESG work increases our knowledge, and that increased knowledge decreases our risk. As stewards of your capital, we believe that our primary job is to minimize the chances of a permanent loss of capital. In this regard, we think that both value investing and ESG investing are important risk mitigation tools.

The Path to Monetary Normalization

In our last quarterly letter, we mentioned that cash had outperformed almost every other asset class in the world since the end of the Federal Reserve's quantitative easing programs (October 29, 2014). We think the strength of the dollar and the underperformance of more risky assets -- particularly commodities and emerging market currencies – have been driven by the implicit monetary tightening, in the form of a stronger dollar, that has occurred since the Federal Reserve ended its quantitative easing policy in Fall 2014.

Monetary tightening continued with the Federal Reserve's decision in December to finally raise interest rates for the first time in almost a decade. We view this decision as a remarkable policy change made all the more remarkable because deflationary pressures in the global economy at the moment are weighing far more heavily than inflationary factors. We believe the Federal Reserve is trying to reverse the easy monetary policies that have taken place over the past five years and that have inflated financial assets, despite weak economic growth.

The industrial and materials sectors are already contracting, and global exports have declined to the second lowest level since 1957. In the United States, railroad car loadings, which is a useful economic indicator, generated a 1.1% *decline* in 2015, and the decline rate is worsening, not improving (see chart to the right).



Source: AAR.

Since the financial crisis of 2008, economic growth has been driven by Federal Reserve policies that encourage credit growth. Using the credit expansion logic of Popeye's friend Wimpy, when you buy hamburgers today that you promise to pay for on Tuesday, the economy grows. And, when interest rates are kept artificially low for years, private and public credit grows even faster than the economy. In the United States, private credit is currently growing at a 5% annual rate.

However, by ending its quantitative easing policy last year and raising interest rates by 0.25% in December, the Federal Reserve has begun reversing the economic machinery that has inflated asset prices and driven the growth of the global economy since 2009. Low interest rates inflated asset prices, encouraged credit growth, and led to six years of tepid economic expansion (and a far more indebted global economy). Higher interest rates will reduce private credit growth, and declining private credit growth will dampen GDP growth. We certainly have been here before -- The last two recessions were caused by the Federal Reserve raising rates and deflating the asset bubbles that it had previously created with interest rates that were too-low-for-too-long.

In short, we expect the economy to continue slowing and we believe the risk of a recession is high and growing at the moment.

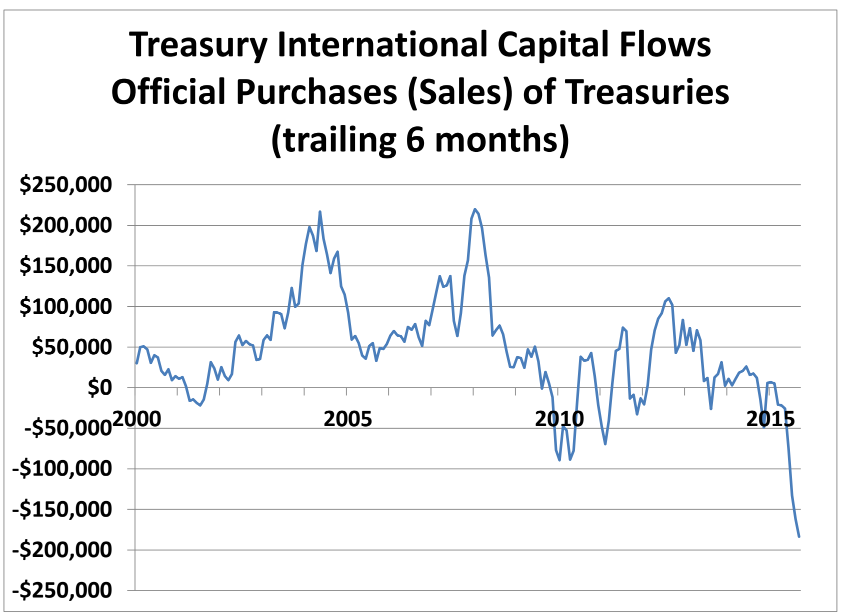
With the stock market priced for perfection, we are positioned with two-fifths of Appleseed Fund's portfolio held in cash and gold bullion. Many of the stocks Appleseed Fund owns (exhibit A: United Natural Foods) have already experienced bear market declines of more than 20%, indicating to us that further downside risk is less likely. Deflationary pressures have already severely affected many commodities and emerging market currencies, while global trade and industrial production are declining.

Gold's Investment Merits

We have held a meaningful allocation to gold over the past several years in Appleseed Fund's portfolio as a hedge against a decline in the dollar's purchasing power. Our concerns arise in light of how leveraged and unsustainable the monetary system has become with record levels of debt and derivatives. Over the last two years, gold has declined in value versus the dollar, although it has performed better than almost every other currency besides the dollar. There are several reasons why, looking out five years, we continue to be comfortable owning a meaningful gold position at current prices.

1. *Foreign central banks are selling their U.S. Treasuries.* The primary export of the United States over the past 35 years has been trillions of dollars of Treasury bonds, which have become the central pillar of the international monetary system. Our trading partners sell their goods to the United States in exchange for dollars, which foreign central banks have used to purchase Treasury bonds to be held as foreign currency reserves. By purchasing Treasury bonds instead of goods, foreign central banks have kept interest rates low and held up the exchange rate value of the dollar.

   However, beginning in 2015, foreign central banks, led by the People's Bank of China, ceased accumulating U.S. Treasuries, and began selling them at a record pace. Whatever the reasons, this de-dollarization of foreign reserves represents a significant change for the international monetary system.

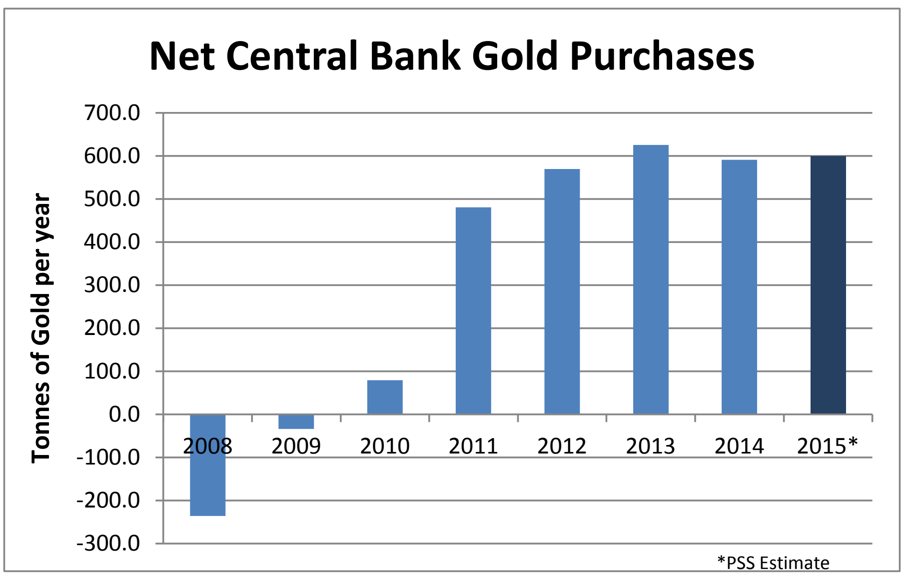


Source: U.S. Dept. of Treasury. TIC flows are measured in $ mm.

   Supporting our hypothesis that important changes to the international monetary system are afoot, several important reforms at the International Monetary Fund (IMF) have recently been ratified by both the IMF and by Congress, giving the Chinese yuan a much larger profile within the international monetary system. At the same time, several countries, including China, have recently de-pegged their currency from the dollar.

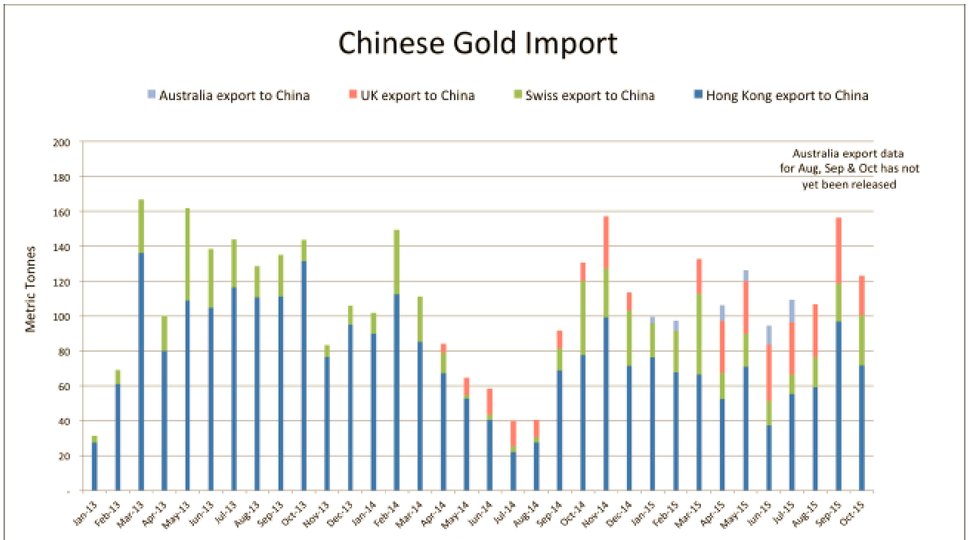
While these reforms are likely healthy and long overdue, they represent significant policy shifts away from the current dollar-centric monetary system. For now, the exchange rate value of the dollar remains strong, but a long-term decline in demand for Treasuries by foreign central banks will, in our opinion, have an adverse effect on the dollar's value sooner or later.

2. *Foreign central banks are buying gold.* Ever since the financial crisis, and perhaps in anticipation of the monetary policy changes now being implemented, foreign central banks have been accumulating gold as a hedge against their dollar denominated (U.S. Treasuries) foreign reserves. These purchases continue unabated. The People's Bank of China, which has been the largest seller of U.S. Treasuries, has also begun disclosing its monthly purchases of gold. While central banks are reducing their holdings of U.S. Treasuries, they have been acquiring gold in 2015 at a pace of 125 to 150 metric tons per quarter.



Source: WGC.

3. *Physical gold supplies in the West are low and declining:* Since 2013, physical gold has been moving from West to East at a steady but rapid pace. China has imported gold from Western countries at a rate of at least 100 metric tons per month. Meanwhile, the largest physical gold exchange traded funds (GLD), which owns gold stored in London, has realized an inventory decline of more than 50% since the beginning of 2013. We think the demand for physical gold from China and India will eventually result in physical supply shortages that must be resolved with a higher price for physical gold.



Source: Bullionstar.com, SGE, CGA, Eurostat, Swiss Customs, Hong Kong Customs, comtrade.

Indeed, Mr. Market can be fickle when it comes to providing a price to investors that matches value, and certainly that has occurred as we have waited for a higher gold price. Eventually, we will trim or liquidate our gold position, but, at the moment, we are sleeping well at night with this position. Given the strength of the dollar and gold's strong long-term fundamentals, we expect that our patience will be rewarded over the intermediate period ahead.

<u>Portfolio Performance</u>

Appleseed Fund Investors shares generated a -9.12% return during 2015. Since its inception in December 2006, Appleseed Fund has generated an annualized return of 5.25% per annum. Our winners in 2015 were **Adidas (ADS-Germany), Teva Pharmaceuticals (TEVA), McDermott (MDR)** and **Sberbank (SBRCY)**, but the returns from these winners were more than offset by companies such as **Titan International (TWI)**, **Rentech (RTK)**, **Aggreko (AGK-LON),** and **Mosaic Company (MOS)** with exposure to foreign currencies and/or falling commodity prices. All of these companies are positioned to thrive if and when the dollar weakens; by that same token, their profits and share prices declined in 2015 when the dollar strengthened. Because of recent declines, our estimated upside to intrinsic value of these positions is greater today than it was a year ago.

<u>Portfolio Changes</u>

We briefly discussed our recent purchase of **United Natural Foods (UNFI)**, which is now a top ten holding in Appleseed Fund. We believe UNFI's shares are undervalued, and we like the attractive fundamentals of the natural food industry, which we think will outpace the grocery industry for years to come. UNFI is by far the largest distributor in its industry, serving companies like Whole Foods which have few distribution alternatives. We also initiated a new position in **DSW Inc. (DSW)**, the #1 market share leader of footwear retail in the United States.

Like UNFI, DSW's has a terrific track record of growth and a strong management team that has been buying shares on the open market.

During the quarter, we sold our shares of **Sykes (SYKE)**, a small cap business services company that has more than doubled in value since we purchased the stock. The company's profit margins have expanded considerably during the last couple of years and above what we would consider normalized levels. As a result of improved profits and a significantly improved valuation, the company's share price now exceeds our estimate of full value. We also sold our shares in **FTD Companies (FTD)** and used the proceeds to purchase DSW shares, which we view as a better risk reward investment than FTD.

We wish you a happy, healthy, and prosperous 2016, and we thank you again for your investment in Appleseed Fund. Should you have any questions, please do not hesitate to contact Colin Rennich (colin@appleseedfund.com).

Sincerely,

William Pekin, CFA

Josh Strauss, CFA

Adam Strauss, CFA

Through 12/31/2015, the Appleseed Fund (APPLX) generated a one year return of -9.12%, a three year annualized return of 2.09%, a five year annualized return of 3.27% and an annualized return of 5.25% 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.

Appleseed Fund has contractually agreed to limit the net expense rate to 1.20% of net assets of Investor shares and 0.95% of net assets of Institutional shares, exclusive of acquired fund fees, through January 31, 2016. The gross expense ratio of the Fund is 1.43%, and the net expense ratio after contractual fee waivers is 1.30%. The advisor has contracted with the Fund to waive fees to maintain a 1.20% expense ratio (excluding indirect expenses) through January 31, 2016. The Fund's ninety day redemption fee is 2.00%.

Mentioned holding at the end of the Fund's reporting period on December 31, 2015 – NFLX – 0.00%, GOOGL – 0.00%, FB – 0.00%, AMZN – 0.00%, CRM – 0.00%, UNFI – 3.92%, ADS – 2.21%, TEVA – 0.00%, MDR – 1.92%, SBRCY – 1.68%, TWI – 2.94%, RTK – 0.86%, AGK – 2.59%, MOS – 4.34%, DSW – 4.09%, SYKE – 0.00%, FTD – 0.00%.

The MSCI World Index is a widely followed, unmanaged group of stocks from 23 international markets and is not available for purchase. These indices provide total returns in U.S. dollars with net dividends reinvested. These index returns do not reflect the deduction of expenses, which have been deducted from the Fund's returns. These index returns assume reinvestment of all distributions and do not reflect the deduction of taxes and fees. Individuals cannot invest directly in these indices, however, an individual can invest in exchange traded funds or other investment vehicles that attempt to track the performance of a benchmark index. Fama-French value stocks are defined as those that have high ratios of book value to market value and growth stocks are defined as those that have low ratios of book value to market value.

Value-based investments are subject to the risk that the broad market may not recognize their intrinsic value. Investments in international markets present special risks such as erratic market conditions, economic and political instability and fluctuation in currency exchange rates; this may be enhanced when investing in emerging markets. Investments in commodities may be affected by overall market movements, changes in interest rates, and other factors such as weather, disease, embargoes and international economic and political developments. Commodities may subject the Fund to greater volatility than investment in traditional securities. Small and mid-cap stocks involve greater risks and they can fluctuate in price more than larger company stocks. Short-selling involves increased risks and transaction costs. You risk paying more for a security than you received from its sale.

The views and opinions expressed in this material are those of the authors. While we believe we have a reasonable basis for our appraisals and we have confidence in our opinions, actual results may differ materially from those we anticipate. These opinions are current as of the date of this letter but are subject to change. There is no guarantee that any forecasts or opinions in this material will be realized. Information should not be construed as investment advice nor be considered a recommendation to buy, sell or hold any particular security.

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.

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