October 31, 2016

"It was a very difficult ten years
of very hard work."

\- Jeffrey Skilling, former CEO of Enron Corporation

Dear Appleseed Shareholder,

In one of the worst corporate accounting frauds of all-time, Enron shareholders lost $74 billion after the company collapsed amid allegations of accounting fraud and deception. This infamous fraud was engineered by CEO Jeffrey Skilling, a former McKinsey & Company partner, who was eventually found guilty on 35 counts of conspiracy, fraud, and other crimes and sentenced to ten years in prison. The collateral damage of Enron's criminal activities resulted in the bankruptcy of a major accounting firm, Arthur Andersen, and ushered in a major piece of anti-fraud legislation, the Sarbanes-Oxley Act of 2002.

Skilling endeavored to artificially inflate the value of Enron's assets and, relatedly, its profits. Management used a number of off-balance sheet vehicles, called "Special Purpose Entities," to hide its liabilities from shareholders and improve its accounting profits. Many of Enron's executives sold Enron stock all along the way in their personal accounts, receiving $1.1 billion in proceeds between 1999 and 2001 alone. After the company filed for bankruptcy and the scheme became more evident, Skilling and several other executives, including the former CFO, Andrew Fastow, were sentenced to many years in prison. In the process, thousands of Enron employees, many of whom surely knew nothing about the fraudulent activity, lost their jobs.

Of course, schemes, frauds, and swindles have been around as long as money itself. Going back more than a couple of thousand years, there are eight different passages in the Bible that specifically forbid tampering with weighing scales because swindlers have always stood ready, both then and now, to separate the gullible from their hard-earned capital. Enron's gigantic accounting scheme represented neither a beginning nor an end to corporate frauds.

To be successful, a prudent investor must do a lot of things well. Among them, one must endeavor to identify and avoid fraudulent investments. This was true in the Ancient World, and it is just as true today.

In hindsight, corporate scams are easy to identify; hindsight vision is always clearer at the bottom of an economic cycle or at the bottom of a Bear Market after the money has disappeared. Warren Buffett described this concept eloquently in Berkshire Hathaway's 2001 letter to shareholders when he said, "You only find out who is swimming naked when the tide goes out." During the 2000-2002 Bear Market, corporate frauds such as WorldCom, Tyco, and Enron were exposed. Similarly, during the 2008-2009 Financial Crisis, investors learned about widespread securities fraud and mortgage fraud. Several large financial services companies, including Lehman Brothers, Countrywide Financial, and Washington

Mutual, failed during this period.

As we write this letter, the capital markets are neither in the midst of a financial crisis nor an economic crisis, and yet the waterfront already seems fairly crowded with naked swimmers. Listed below are a handful of corporate scandals that have been exposed in just the last year:

- **Valeant** (**VRX**), a large Canadian pharmaceutical company, created a secret network of pharmacies to boost drug prices and its profits at the expense of patients, insurance companies, and Medicare/Medicaid. To execute its pricing scheme, Valeant management allegedly employed a combination of accounting manipulation, deceptive pricing practices, securities fraud, and Medicare fraud.

- The leading bank in Germany, **Deutsche Bank (DB),** previously indicted for colluding with Banca Monte Dei Paschi di Sienta SpA, a large Italian bank, to "window dress" its accounting statements, was recently found by German regulators to have been involved in 103 similar deals with 30 additional clients. Deutsche Bank has also been charged in recent years for manipulating interest rates, manipulating the price of gold and silver, defrauding mortgage companies, and laundering money.

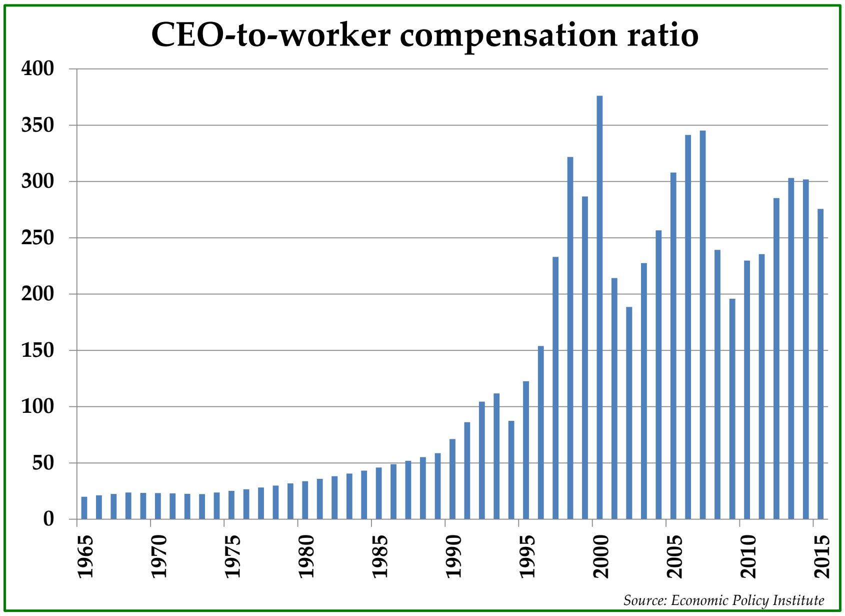
- **Volkswagen** (**VOW-DE**) executives confessed that the German automotive giant rigged emissions tests on millions of "clean diesel" vehicles over a ten year period of time, defrauding consumers and illegally emitting between 10 and 40 times the allowable levels of nitrogen oxide in the United States. Volkswagen's fraudulent business behavior has cost consumers and investors billions of dollars and resulted in 40,000 additional tons of annual nitrogen oxide emissions.

- One of the largest and oldest banks in the United States, **Wells Fargo** (**WFC**), created more than one million sham customer accounts to generate additional fees and meet its aggressive sales targets, betraying the trust of its banking and credit card customers. The bank has subsequently been fined $185 million by the Consumer Financial Protection Bureau, and CEO John Stumpf recently announced his forced retirement.

- **Theranos**, a relatively new private blood testing startup, which carried a private valuation of as much as $9 billion, ran 890,000 tests per year that required just one drop of blood. These revolutionary diagnostic tests were promoted to be inexpensive, painless, and effective. It now appears that the company owns zero proprietary technology, its diagnostic tests had little medical value, and, in all likelihood, Theranos endangered the lives of thousands of patients who relied on their inaccurate test results.

We could go on. The list of companies discussed above is far from comprehensive; indeed, it is merely the tip of the iceberg.

Importantly, this list includes only companies that allegedly broke regulations or laws. Many more boards and management teams have been making perfectly legal yet ethically questionable decisions to pay themselves with compensation packages that are both egregious and unjustified. Over the past 35 years, the ratio of CEO pay to the average worker pay has increased exponentially to nearly 300x, ballooning by a whopping factor of *ten times*.



It almost goes without saying that corporate corruption is a major economic and social problem. The five examples provided on the previous page have resulted in billions of dollars of shareholder value destruction, consumer fraud, and/or taxpayer fraud, not to mention impossible-to-quantify social and environmental costs. Worryingly, corporate corruption seems to be getting worse, not better. As investors, we are finding ourselves having increasingly frequent conversations about companies that are simply not investable because the board or management team's incentives are not aligned with shareholders. Moreover, corporate corruption has grown to the point where it is infecting the regulators responsible for preventing fraudulent activity. For many companies, hiring former regulators and politicians and settling multiple cases with regulators each and every year has become a key corporate strategy.

Active Management and Corporate Shenanigans

Avoiding corporate frauds requires high levels of vigilance and due diligence when we invest your capital. The increasing prevalence of corporate fraud is a great reason to be an active investor, and particularly so today when corporate frauds seem to be running rampant. As active managers, we can make a conscious choice not to own untrustworthy companies in order to minimize the probability of a permanent loss of capital.

Importantly, passive investors *by definition* own the entire market, or, depending on the index fund or ETF, entire sectors of the market, including companies that are rife with poor corporate governance controls. For example, passively managed funds indexed to the S&P 500 owned Enron, WorldCom, and Tyco in addition to Lehman Brothers, Countrywide, and Washington Mutual. Such passive funds owned these companies and, importantly, were most exposed to these companies when their market values were at a peak. Today, with the S&P 500 Index trading at a high valuation, it is quite possible that passive investment ownership of the next wave of corporate frauds could be similarly near a peak.

However, as active investment managers, we have the freedom to step aside from investing in companies that we deem to be unsavory or questionable. By doing our homework, we not only endeavor to find outstanding long-term investments, but we also seek to steer clear of potential situations that could result in a capital loss due to management wrongdoing. We perform intense due diligence on prospective investments, and that homework helps us in our efforts to avoid corporate scandals.

Below are a few examples of the research we perform on prospective investments that helps us to avoid investing in potential frauds:

- *Avoid self-serving management teams*
  We analyze management compensation and incentive systems, seeking to understand how well management teams and boards are aligned with other stakeholders. Our efforts are aimed at determining if management compensation is both reasonable and appropriate. In general, we would rather invest in companies whose management teams own a large stake in the company.

- *Examine corporate governance practices*
  We also pay close attention to the structure, policies, and arrangements with the Board of Directors. For example, off-balance sheet arrangements that companies might form with management or members of the Board of Directors are often important red flags. We seek to invest in companies with independent directors that will hold management appropriately accountable for any wrongdoing.

- *Follow the cash, and watch out for debt*
  We spend enormous effort understanding the financial business model of a prospective investment, including an extensive analysis of historical cash flow statements and balance sheets. Fraudulent companies often have weak balance sheets, negative free cash flow, or both.

- *Seek out transparent investments*
  A company's financial statements should be understandable and transparent. Financial statements that are unnecessarily complex, excessively opaque, or contain egregious legalese are not only difficult to analyze; they are also red flags for potential management wrongdoing.

- *Understand the track record*
  We seek to understand past indiscretions that have resulted in regulatory investigations and lawsuits. Sometimes past investigations and lawsuits are frivolous, in which case it might be a buying opportunity, but they are often good indicators of a management team who is short-term oriented and less inclined to play by the rules.

- *Avoid investing in excessively promotional management teams*
  Management teams that over-promise, obfuscate problems, and try to purposefully talk up the share price are unreliable, at best. The same holds true for companies with poor governance practices. Overly promotional management teams and poorly governed boards are generally looking out for themselves, to the exclusion of other stakeholders.

- *Favor organic growth over acquired growth*
  Companies that grow organically, without the need for constant acquisition activity, are far less likely to be frauds than companies that depend on acquisitions to grow revenues and earnings. Acquisition-driven "roll-ups" often use acquisitions to hide underlying weakness in the core business. The same holds true for companies that constantly report adjusted earnings figures, which can be far different from actual reported earnings.

- *Seek companies who are honest about pensions*
  Companies who assume that their pension plans will generate an excessively high expected annual return are deluding their employees and their shareholders. Unrealistically high expected investment returns are often maintained because management and the board are afraid to properly account for a company's true liabilities. Sooner or later, a reckoning awaits.

After performing a proper level of due diligence up front, we try to follow Maya Angelou's suggestion: "*When someone shows you who they are, believe them the first time.*" For example, Enron would have easily failed at least five of the tests listed above. It was clear that Enron's management team was extremely aggressive in its accounting practices and, at the same time, executives were profiting immensely from the selling of their own shares of Enron stock to the general public.

With that said, sometimes red flags are not apparent until *after* making an investment. As a result, constant investment vigilance after making an investment is just as important as robust due diligence before committing capital. We are regularly analyzing recent developments in companies that are held in client portfolios in an effort to identify potential red flags that should cause us to reconsider our investment decisions. We meet multiple times a week as an investment group to discuss, review, and analyze prospective investments *and* existing investments.

In this letter we have been focused on avoiding mistakes. By applying a rigorous screening process to prospective investments, we hope to steer clear of corporate frauds, to be sure, but the same screening process also helps us in identifying outstanding companies for long-term investment. We believe those companies that are well-governed, that have significant inside ownership, and that have responsible management teams who are focused on building long-term value, tend to grow in intrinsic value over time.

By attempting to avoid corporate frauds through our decision making methodology, we hope to reduce investment mistakes that result in losses and allocate our clients' capital towards profitable investments. In doing so, we believe we improve our chances to generate attractive risk-adjusted returns. As it is with tennis or baseball, it is easier to win when you are minimizing unforced errors.

Performance and Portfolio Changes
Over the past twelve months ending 10/27/2016, Appleseed Fund Investor Class has generated an absolute return of 4.09%, outperforming the MSCI World Index, which generated a total return of 1.99%. Our overweight position in gold, in commodity related companies, and in stocks with emerging market exposure have helped the Fund's relative performance over the past twelve months, offset partially by losses in a handful of our equities and a couple of our short positions.

Appleseed Fund continues to exceed our long-term goal of outperforming the market. Through 9/30/16, Appleseed Fund Investor Class has outperformed the MSCI World Index by more than 2.2% per annum on average since its 2006 inception.

Within our equity portfolio, the biggest contributors to the Fund's performance over the past year were **Titan International (TWI)**, **Samsung Electronics (005930-Korea)**, and **United Natural Foods (UNFI)**. Titan's agricultural wheel and tire business has continued to struggle due to persistently weak corn prices. When corn prices are low, farmers purchase fewer tractors. We expect the cyclical weakness in demand for agricultural capital equipment to eventually reverse, but we were too early with Titan, and the wait has been painful. Titan International was one of our worst performers in 2015, and, a year ago, Mr. Market was certain that the company was going to go out of business. Titan's business continues to struggle, but Mr. Market has re-considered his dour view on the company, and the share price has more than tripled since January. Samsung Electronics has benefited from continued leadership and strong profitability from the company's cutting edge DRAM and NAND flash technologies. While the Galaxy Note has been a near-term challenge for the company, Samsung is generating improved profitability from its low and mid-range smart phones. United Natural Foods continues to grow with the natural foods industry, albeit at a reduced pace compared to previous years. Our returns from United Natural Foods were driven by our decision to add significantly to the Fund's position when the stock was trading in the low $30s at the end of February.

Within our long equity portfolio, the most significant detractors to performance over the past year have been **Mosaic Company (MOS)**, **Rentech (RTK)**, and **LPL Financial (LPL)**. Rentech is in the midst of building several wood pellet manufacturing facilities in Canada, and the construction efforts have taken longer and been more costly than management anticipated. Mosaic continues to be hurt by weaker than expected demand for fertilizer. We expect fertilizer demand to firm up eventually, but not until corn prices strengthen. LPL Financial, which the Fund sold and no longer owns, was a mistake. Paraphrasing Maya Angelou, LPL's board showed us who they were from a corporate governance standpoint when they repurchased shares held by the private equity firm that took the company public several years ago. Unfortunately for LPL shareholders, they executed this buyback just before announcing a surprisingly disappointing quarter. Having lost confidence in LPL's Board of Directors, we sold the stock at a loss. Fortunately, losses from these three stocks were more than overshadowed by gains made elsewhere within the portfolio.

During the recent quarter, we sold Appleseed's positions in **Adidas AG (ADS-Germany)** and **Female Health Company (FHC)**. We purchased Adidas at the end of 2014, and the company's share price has more than doubled since then. While the fundamentals of the company have been strong, we decided to sell the Fund's shares for a profit once the share price exceeded our intrinsic value estimate for the company. We sold Female Health Company due to a proposed merger with Aspen Park Pharmaceuticals which we do not support. We were not impressed with Aspen Park's management team, and we were not impressed with Female Health Company for seeking out this merger. Our investment in Female Health Company was modest, and we decided Appleseed Fund's capital could be better deployed elsewhere.

During the recent quarter, we also initiated new positions in **Cosco Pacific (1199-HK)** and **Herbalife (HLF).** Cosco Pacific is one of the largest port operators in the world and should benefit from earnings growth when global trade begins to increase again. However, even without earnings growth, the company is trading at a steep discount to its port operator peers, providing us with an attractive margin of safety on our initial position. This is the second time we have invested in Herbalife. Our view is diametrically opposed to the view of Bill Ackman, who has run an extensive public relations campaign against the company in order to profit from his short sale investment in the company. We thought he was incorrect in his assessment in 2013, and we think he remains incorrect today. In Herbalife, we are making an impact investment in a company whose fundamental value proposition is a community-based, personal support network for people who want to improve their diet and transition to a healthier lifestyle. Herbalife's multilevel marketing model is uniquely suited to provide such a support network, which cannot be matched by either GNC or Weight Watchers. This unique value proposition has driven the long-term growth of the company, and we expect that growth to continue for years to come. In our recent investor webinar, we spoke extensively about Herbalife, and a transcript to that discussion can be found on the Appleseed Fund website (www.appleseedfund.com).

Our overall asset allocation remains roughly the same as it was on June 30. We are fairly diversified across asset classes, and we continue to have a fair amount of dry powder in the form of cash, bonds, and gold, which we hope to deploy when stock buying opportunities increase. Put more simply, we are trying to position the portfolio defensively.

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As demonstrated in the annual report, we are continuing to make efforts to do the right things for our own shareholders. To that end, you will notice that the expense rate of the Investor share class has declined. The recent decline in the Fund's expenses was a purposeful decision on our part, taken a year ago, to make sure that Appleseed Fund is priced competitively. As portfolio managers, we remain deeply invested in Appleseed Fund, with our time and also with our own personal capital.

We are ever grateful for the loyalty and trust of Appleseed Fund shareholders. We believe to be a successful investor, a long-term perspective is required. To be a successful portfolio manager, shareholders with a long-term perspective are required. We are fortunate to have a shareholder base with wisdom and patience, which in turn allows us to invest with wisdom and patience. Thank you.

If you have any questions, please do not hesitate to reach out to Colin Rennich, our Director of Sales. His email address is colin@appleseedfund.com.

Thank you again for your continued support and your trust in our ability to manage your Appleseed Fund investment.

Sincerely,

Billy Pekin, CFA
Adam Strauss, CFA
Josh Strauss, CFA

Fund statistics from 12/08/06 until 09/30/2016. Source: Morningstar. Through 09/30/2016, the Appleseed Fund (APPLX) generated a one year return of 9.90%, a three year annualized return of 0.98%, a five year annualized return of 6.48% and an annualized return of 6.05% since the Fund's inception on 12/08/06.

You should consider the fund's investment objectives, risks, charges and expenses carefully before you invest. 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. The Fund's prospectus contain important information about the Fund's investment objectives, potential risks, management fees, charges and expenses, and other information and should be read carefully before investing. You may obtain a current copy of the Fund's prospectus or performance data current to the most recent month by calling 1-800-470-1029.

Appleseed Fund has contractually agreed to limit the net expense rate to 1.14% of net assets of Investor shares through January 31, 2017. The gross expense ratio of the Fund's investor class is 1.41%, and the net expense ratio after contractual fee waivers is 1.24%. The Fund's ninety day redemption fee is 2.00%.

There is no guarantee that this or any investment strategy will succeed; the strategy is not an indicator of future performance; and investment results may vary.
There are no guarantees that dividend paying stocks will continue to pay dividends. Dividend paying stocks may not experience the same capital appreciation potential as non-dividend paying stocks. In addition such a strategy does not ensure profit or guarantee against loss.

Investments in international markets present special risks including currency fluctuation, the potential for diplomatic and political instability, regulatory and liquidity risks, foreign taxation and differences in auditing and other financial standards. Risks of foreign investing are generally intensified for investments in emerging markets. You should carefully consider the investment objectives, potential risks, management fees, and charges and expenses of the Fund before investing.

The MSCI World Index is a widely followed, unmanaged group of stocks from 23 international markets and is not available for purchase. The Index returns do not reflect the deduction of expenses, which have been deducted from the Fund's returns. The Index return assumes reinvestment of all distributions and does not reflect the deduction of taxes and fees. Individuals cannot invest directly in the Index. However, an individual can invest in exchange traded funds or other investment vehicles that attempt to track the performance of a benchmark index.
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 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.

The following holding percentages are for each equity mentioned in the presentation as of

09/30/2016 owned by Appleseed Fund; By Ticker Symbol; UNFI 5.61%, HLF 6.45%, TWI 1.99%, KR005930 1.97%, MOS 3.05%, RTK 0.74%, VRX 0.00%, DB 0.00%, VOW-DE 0.00%, WFC 0.00%, LPL 0.00%, ADS 0.00% FHC 0.00%, 1199-HK 2.82%.

The Fund is managed by Pekin Singer Strauss Asset Management, an SEC registered investment firm dedicated to value investing.

For more information, visit www.appleseedfund.com.

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