August 2, 2018

Dear Appleseed Shareholder:

"The four most expensive words in the English language are 'this time it's different.'"

– Sir John Templeton, *Investor*

It's different this time, and it's also not different this time.

It's different this time because the credit-driven U.S. economy is burdened with a monumental level of financial obligations relative to GDP. According to the Bank of International Settlements (BIS), outstanding loans and debts that burden U.S. corporations, households, and government entities have reached $48.3 trillion or 250% of U.S. GDP. Including off-balance sheet items, the effective level of debt outstanding is almost $100 trillion or more than 500% of GDP. It's different this time because the U.S. economy has never in its history piled on so many financial obligations.

With that said, it's also not at all different this time, because this is not the first time that a society's financial obligations have grown to unsustainable levels. This story has been repeated often through history, and it usually ends poorly. The downside risk today for investors is captured in Charles Bullock's account of Dionysus of Syracuse, from more than 2000 years ago.

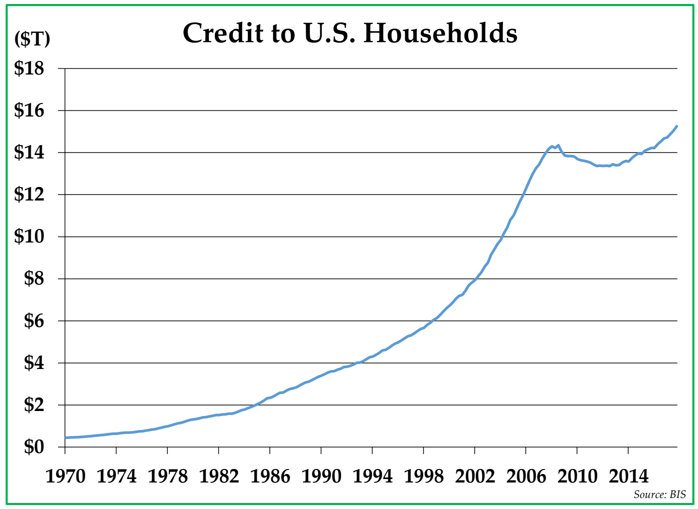
> Having borrowed money from citizens of Syracuse and being pressed for repayment, he [Dionysus] ordered all the coin in the city to be brought to him, under penalty of death. After taking up the collection, he re-stamped the coins, giving to each drachma the value of two drachmae, so that he was enabled to pay back both the original loan and the money he had ordered brought to the mint.

Displaying a level of creativity that could compete with today's central bankers, Dionysus defaulted on his debts by debasing the currency, to the detriment of Syracusans who held their savings in drachmae. When a debt obligation becomes too big to repay, it is no longer a problem for the debtor; it becomes a problem for the creditor. The warning *caveat emptor,* which translates to "buyer beware," remains timeless because "this time" is hardly ever different.

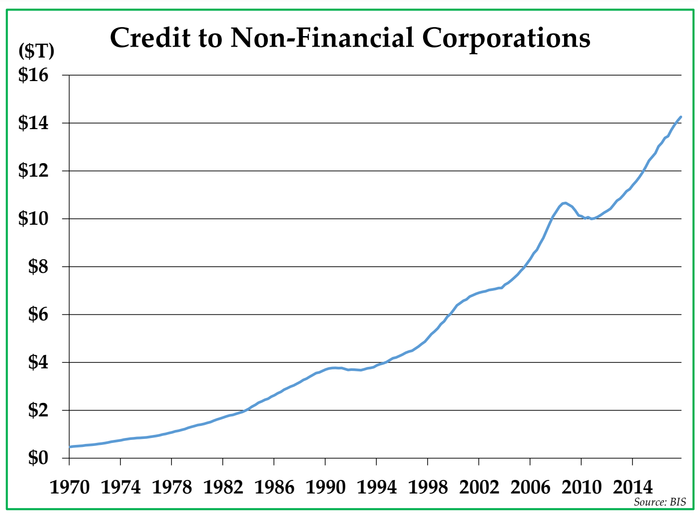
$100 Trillion of Financial Obligations

Let's review the U.S. economy's financial obligations one-by-one to better understand what makes up the $100 trillion of financial obligations of U.S. consumers, households, and government entities:

* **Credit to households ($15.25 trillion or 79.7% of GDP):** U.S. household debt includes $10.1 trillion of mortgage debt, $1.5 trillion of student debt, $1.1 trillion of auto loan debt, and $0.8 trillion of credit card debt. While still very high, the level of household debt relative to GDP has declined slightly over the past ten years due to the many mortgage-related defaults that have occurred since the financial crisis. Nevertheless, household debt has increased dramatically at a rate of over 7.1% per annum over the past forty years as household income has simply not kept pace with increases in living expenses for most Americans, particularly with regards to healthcare, housing, and education expenses.

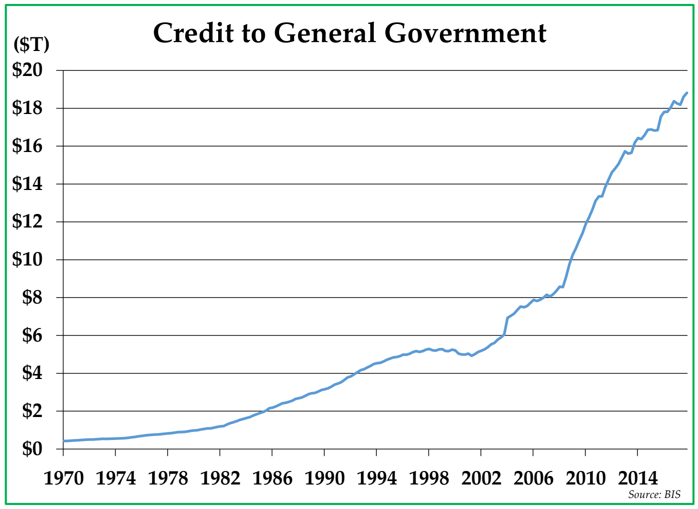


* **Credit to non-financial corporations ($14.26 trillion or 73.5% of GDP):** Corporate debt stands at a record level and continues to grow, driven by corporate buybacks and the growth of leveraged buyouts. Record issuance of corporate bonds and leveraged loans in recent years has boosted the share prices of both public and private companies, driving outsized compensation increases for management teams and private equity firms through financial engineering. As interest rates increase and corporate bankruptcies accelerate, investors and employees will see the unfortunate downside of this level of leverage.

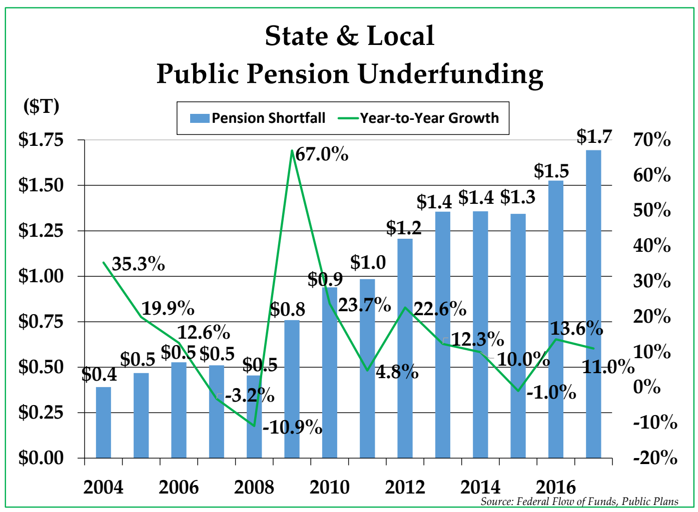


* **Government debt ($18.81 trillion or 97.0% of U.S. GDP):** Government debt includes $3.1 trillion owed by various state and local governments along with $15.4 trillion owed to the public by the Federal government. These debts are also at record levels and continue to grow at a faster rate than GDP, driven by demographics, military spending, deficits generated during the Financial Crisis, and a persistent mismatch between tax revenues and spending levels. Unfortunately, Congress and the Trump administration further impaired the Federal government's financial strength by passing the Tax Cuts and Jobs Act (TCJA) of 2017, which is

projected to increase future U.S. government deficits by almost $1.5 trillion per annum over the next decade and by approximately $1.0 trillion per annum thereafter.



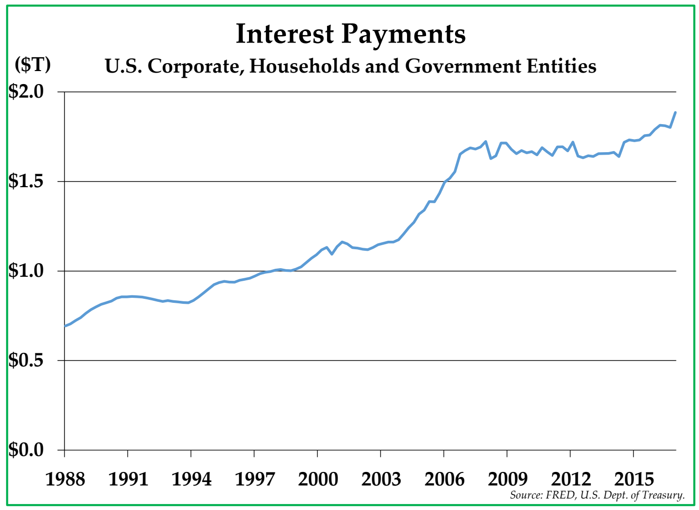
- **Pension underfunding ($2.25 trillion or 11.6% of GDP):** While not officially tallied on anyone's balance sheet, pension plans are woefully underfunded and represent an enormous off-balance sheet liability for cities like Chicago, states like Illinois, and multi-employer pensions. According to the Center for Retirement Research at Boston College, state and local pension plans are only 72% funded today, representing a total shortfall of $1.7 trillion. Surprisingly, these unfunded obligations have more than doubled since 2009 despite a strong bull market in the prices of all kinds of financial assets, from stocks to bonds to private equity investments. Meanwhile, multi-employer pension plans are only 46% funded, with a corresponding unfunded liability of $500 billion.



- **Social insurance obligations ($49.0 trillion or 253% of GDP):** Every day, roughly 10,000 baby boomers retire and begin collecting Social Security and Medicare benefits for the first time. As the retiree to worker ratio increases, demographic challenges will increasingly put cash flow pressure on the Federal budget. According to U.S. General Accountability Office (GAO) estimates, the net present value of the Federal government's Social Security obligations is $15.4 trillion, or 79% of GDP, while the net present value of Medicare obligations is $33.5 trillion, or 173% of GDP. These costs are driven by both demographics and runaway healthcare price inflation.

Why These Obligations Are Problematic

As debts have increased and as interest rates have begun increasing, interest payments for U.S. corporations, households, and government entities are now almost $2 trillion annually. Even without the Federal Reserve raising interest rates further from current levels, interest payments should exceed 10% of GDP in 2018. If interest rates were to rise to levels close to the historical average, interest rate payments would devastate the U.S. economy and likely result in another debt crisis.



Policy Implications

Thus far our discussion has centered on the U.S. economy, but the excessive financial obligations are widespread across the world. The Financial Crisis was, after all, a global crisis, affecting large multi-national banks across the world, and other countries' challenges are similar to or even worse than that of the United States. For example, while the combined private and public debt/GDP ratio is 252% in the United States, countries like the United Kingdom, China, Japan, and Canada have debt/GDP ratios of 283%, 256%, 373%, and 289%, respectively.[1] Put simply, many of the largest economies across the world are seemingly drowning in excessive financial obligations.

These financial obligations are deflationary and make the global financial system more fragile. If the world were to enter a deep recession and global GDP were to decline by 5%, the debt ratios listed above would materially increase. As corporations, consumers, and perhaps even some governments defaulted on their debts, global GDP would likely decline further, creating a vicious cycle which economist John Maynard Keynes famously described as a liquidity trap, whereby everyone just wants to own cash. During the Great Depression, many banks failed because cash was no longer available for depositors to withdraw.

To prevent a liquidity trap, in advanced economies like the United States, Europe, and Japan, policymakers are likely to continue a set of policies known as *financial repression* until debt/GDP ratios decline to historically normal levels. Financial repression was also the playbook of advanced economy policymakers after World War II when the debt/GDP ratio in the United States was similarly high. Dr. Carmen Reinhart, who wrote the book about debt crises and financial repression (ironically titled *This Time is Different*) suggests that most advanced economy countries pursue financial repression when trying to alleviate excessive domestic debt. Financial repression

[1] Source: BIS.

policy includes the following:

- *Maintaining negative real interest rates:* Keeping real (*i.e.,* inflation-adjusted) interest rates persistently negative over several decades is the cornerstone of financial repression. While harmful to fixed income investors, negative real interest rates make it easier for GDP to grow faster than public debt, thereby reducing the debt/GDP ratio. Alternatively, a surprise burst of inflation accomplishes the same goal, but in a shorter timeframe.

- *Herding domestic investors into public debt:* Laws and regulations that force or coax investors into owning more public debt represent the other critical component of financial repression. For example, regulatory changes regarding money market funds have thus far resulted in a trillion dollars of additional domestic capital that own U.S. government debt since 2016.

So far, these policies have not worked as successfully as they did after World War II; the debt/GDP ratio has only continued to increase since the Financial Crisis. Also, more recently, Congress and the Trump administration have enacted revenue cuts along with budget increases which should further increase the budget deficit and government debt. For those reasons, we believe the likelihood of a surprise burst of elevated inflation seems to be increasing.

Investment Implications

At the present moment, interest rates and inflation are rising, U.S. stocks are generally expensive, geopolitical risks are increasing and the economy, while seemingly firing on all cylinders, has been expanding for nearly a decade. Given this backdrop, we are investing carefully and probably erring on the side of prudence and defensiveness.

Set forth below are our thoughts on the relative attractiveness of various asset classes:

- **Short-term bonds: *Depends***
  We generally view our short-term bond portfolio as a portfolio of "cash equivalent" investments. Our expectation is that this capital can be deployed into attractive, undervalued, equity investments when the opportunity arises. While not generating a particularly attractive return per se, our short-term bond portfolio provides us with optionality during market downturns.

- **Long-term bonds: *Unattractive***
  If inflation grinds on for years at a rate slightly above the long-term interest rate or if an inflation surprise arrives, long-term bonds will not be a good way to generate positive real returns. Accordingly, we do not own any long-term bonds in Appleseed Fund.

- **Technology growth stocks *Unattractive***
  Facebook, Amazon, Netflix, and Google (the so-called "FANG" stocks) have promising businesses with quickly growing revenues and profits. These companies have no less promise than Cisco Systems had in 2000. However, a great business alone does not make a sound long-term investment, because the price we pay for any investment matters. Cisco Systems shares generated a negative return during the decade that followed its peak in

2000, and we suspect that the FANG stocks will have a similarly difficult decade between 2018 and 2028. We do not own any FANG stocks in Appleseed Fund.

- **Commodities and commodity-related stocks:** ***Attractive***
  Commodities and companies whose earnings increase with commodity prices tend to do well in an environment of rising inflation. The agricultural sector in particular appears attractive right now, as agricultural commodity prices have been depressed due to bumper crops in recent years. In Appleseed Fund, we own Titan International (TWI), a producer of tractor wheels and tires, and Mosaic Company, a fertilizer producer. We also own other companies whose earnings should benefit from an increase in commodity prices, including Stagecoach (SGC-London), Sberbank (SBER-London), and Bollore (BOL-Paris).

- **Selected value stocks:** ***Attractive***
  Just as bargains could be found at the peak of the Dot-Com bubble, we are finding bargains today. We are seeking to avoid exposure to the most wildly overvalued sectors of the stock market while investing in out-of-favor companies which are ignored or temporarily out-of-favor. If inflation accelerates, equity valuation ratios (such as the P/E ratio) should compress, but more so for those companies that trade at an expensive P/E ratio than for those companies that already trade at a discounted P/E ratio. We own a number of companies, including BMW (BMW-Germany), Sberbank, SK Telecom (SKM), Stagecoach, Air Lease Corporation (AL), and Samsung Electronics (057050-Korea) which have a P/E ratio of less than 10x.

- **Foreign stocks:** ***Attractive***
  Equities outside the United States are generally more attractively valued than U.S. stocks, and emerging market stocks, while somewhat more volatile, look particularly attractive as long-term investments. If a U.S.-centric inflation surprise happens, companies with profits denominated in foreign currencies should perform better than U.S. companies. At the end of the quarter, 29.1% of Appleseed's equity exposure are U.S.-based companies, 12.7% are based in developed market countries outside the United States, and 22.0% are based in emerging market countries.

- **Gold:** ***Attractive***
  Historically, gold has generated better returns than bonds in negative real interest rate environments. As the dollar's role as the world's reserve currency weakens, we believe that it is likely that gold will become an important reserve asset once again. Finally, if an unexpected large burst of inflation arrives, gold should serve as a useful inflation hedge and store of value. At the end of the quarter, 16.8% of the Fund's net assets were invested in gold bullion trusts.

In summary, we are wary of rising interest rates and compressing P/E ratios which often accompany inflation. We believe we are positioned for an environment where inflation accelerates, but we are also trying to hold enough capital in the form of cash and short-term bonds so that we can take advantage of investment opportunities as they arise.

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Portfolio Changes

New Long Equity Positions	*Sold Long Equity Positions*
Sberbank	Herbalife (HLF)
	CF Industries (CF)
	Sally Beauty Holdings (SBH)
	Joint Corporation (JYNT)

This quarter, we sold Appleseed Fund's Herbalife position, which was our largest equity position for the last couple of years. We purchased Herbalife shares at a discount to intrinsic value and generated an attractive return for Appleseed Fund investors.

We sold Herbalife because its stock appreciated to our intrinsic value estimate and because its balance sheet had deteriorated. Earlier in this letter, we criticized U.S. corporations for issuing debt to buy back shares in an attempt to financially engineer a (temporarily) higher share price. While excessive financial engineering benefits investors and management in the short-term, it often harms employees, customers, and investors in the long-term. Our goal, first and foremost, is to avoid permanent capital losses for our shareholders. Herbalife's decision to engage in such financial engineeringing to fend off Pershing Square's short attack turned us from a buyer into a seller, albeit with a nice profit for our shareholders. We wish, instead, that management had been patient and simply waited for the company's fundementalsls to eventually fend off Pershing Square.

We also sold CF Industries and Joint Corporation at a healthy internal rate of return for Appleseed shareholders after the share prices of these companies reached our estimates of intrinsic value. With Sally Beauty, after a disappointing quarter, we sold at a slight loss due to our increasing worries about deteriorating business fundamentals; we exited the stock at a price close to our entry price.

During the first half of 2018, emerging market stocks declined materially. We have been using the recent decline as an opportunity to add to existing emerging market equity positions, but we also re-initiated a position in Sberbank, a retail and commercial bank with outstanding fundamentals that has once again become tremendously undervalued, in our view.

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Portfolio Performance and Positioning

Appleseed Fund Investor Share generated a total return of -2.15% during the most recent quarter versus a return in the MSCI World Index of 1.73%. Appleseed Fund Investor Share total return since inception is 6.04% per annum versus an average total return in the MSCI World Index of 5.26%.

The strongest three contributors to performance were Syntel (SYNT), Mosaic Company (MOS), and Fabrinet (FN), while the most significant detractors to performance among our long equity positions were Hudson Technologies (HDSN), Brighthouse Financial (BHF), and Taiwan Semiconductor (TSM).

Hudson's stock price has declined significantly in recent months due to a ~50% pull-back in reclaimed R-22 pricing, which in turn was driven by an unusually long and cool spring. Typically, customers do not turn on the air conditioning systems until the summer heat arrives, and, therefore, any need to replace refrigerants in air conditioning systems has been delayed this year. We feel that the pressures on Hudson's share price are temporary and should fade in time, and our optimism is supported by the following:

- The new supply of R-22 in the United States will fall to zero over the next 18 months. Therefore, the volume and pricing of high-margin reclaimed R-22 for Hudson should increase over the next few years.

- As the summer heat has finally arrived, we expect that any excess inventory of refrigerants in the wholesale channel will be used up.

- Hudson's valuation is attractive, with the stock price trading at a single-digit earnings multiple and a discount to book value.

- Insiders own 14% of Hudson, and their incentive systems are properly aligned with generating value for shareholders.

- Founder and CEO Kevin Zugibe has been putting his money where his mouth is. Mr. Zugibe has been buying shares of Hudson stock at open market prices recently.

In our view, Hudson should be able to leverage its existing infrastructure and produce sales and earnings growth over the intermediate period ahead. When prices for refrigerants return to its potential upward trajectory, it should cause Hudson's stock price to increase in turn.

At quarter end, stocks represented 63.7% of the portfolio, gold represented 16.8% of the portfolio, and our cash/bond position represented approximately 19.5% of the portfolio. We continue to believe Appleseed Fund's portfolio is well-diversified, generally undervalued, positioned for accelerating inflation, and holding enough cash and short-term bonds 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
Shaun Roach, CFA

ANNUALIZED RETURNS- as of 6/30/2018					
	1 Year	3 Years	5 Years	10 Years	Since Inception
Investor Class (APPLX)	3.54%	3.26%	3.79%	7.61%	6.04%
Institutional Class (APPIX)	3.73%	3.45%	4.01%	*7.78%*	*6.18%*
MSCI World Index	11.10%	8.48%	9.94%	6.26%	5.26%

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.

As of 06/30/2018 the Funds's Top Ten Holdings can be found at: www.appleseedfund.com

The gross expense ratio of the Fund's investor class is 1.57%, and the institutional class is 1.32%; the net expense ratio after contractual fee waivers through January 31, 2019 is 1.36% and 1.17%. The Fund's ninety day redemption fee is 2.00%.

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.

Investing involves risk, including loss of principal. There is no guarantee that this, or any, investing strategy will be successful.

Diversification does not ensure a profit or guarantee against loss.

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.

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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