October 24, 2018

"My broker at Citigroup told me to look through this Korean version of the Moody's guide –
that it would look just like [the United States in] 1951, and he was right.
In six hours, I put together a small portfolio of 20-25 stocks, about $100 million total.
One example was Daehan Flour Mills. It has a 25% market share in wheat flour in South Korea.
Book value was 206,000 Won, the company had 201,000 Won in marketable securities,
and it was trading at 2x earnings. Markets are clearly not efficient all of the time."

-- Warren Buffett, speaking to students at the University of Kansas, 2005

Dear Appleseed Fund Shareholder,

Famed investor Warren Buffett generated fantastic returns throughout his investing career by following a specific strategy of making investments in deeply undervalued companies when nobody else was interested in them. In the example quoted above, Warren Buffett took advantage of an outstanding buying opportunity in South Korea, once again committing capital to investments that were unpopular while avoiding those investments that were popular.

Today, the U.S. economy is growing, unemployment is low, and the S&P 500 Index reached new highs during the third quarter. At the same time, interest in emerging market stocks appears non-existent and is worsening as an increasing number of emerging market stocks reach new 52-week lows. In our view, emerging market stocks have become too cheap to ignore. Accordingly, we have been increasing Appleseed Fund's capital commitments to emerging markets.

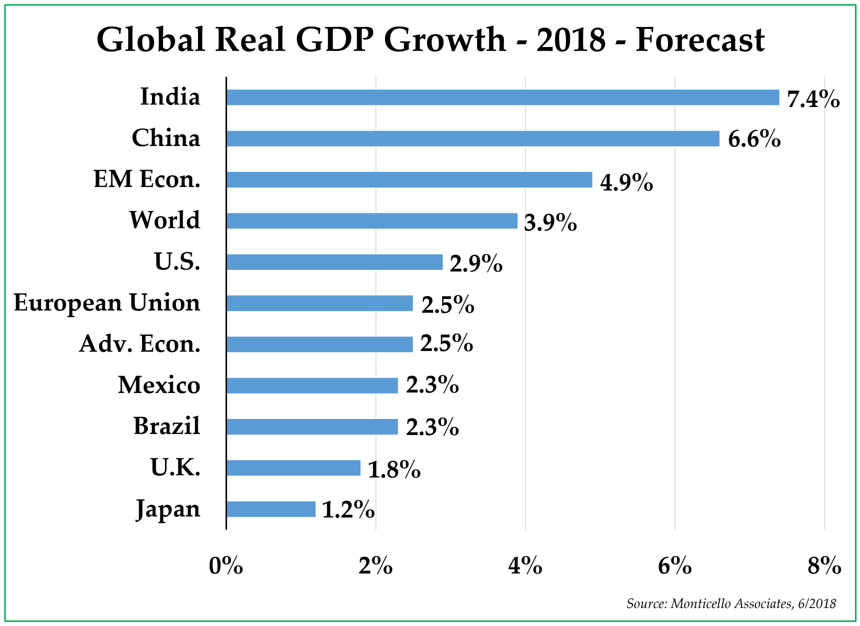
As U.S. stocks rallied in recent months contemporaneously with the decline in emerging market stocks, we have been selling fully valued U.S. equities, where appropriate, and selectively buying emerging market stocks that appear to have a favorable risk-reward profile at current prices. The Fund's exposure to U.S. stocks has never been lower, and the Fund's exposure to emerging market stocks has never been greater.

Without knowing when these emerging market stocks will bottom out, we are confident that the long-term return of our recent emerging market commitments should be attractive and should compare favorably to a passive investment in the S&P 500 Index.

Set forth below are several of the reasons behind our confidence:

- **GDP Growth**
  Although the rest of the world continues to generate faster economic growth than the United States, investors seem convinced that the United States is in much better shape than the rest of the world. We believe this consensus view is incorrect: every country has a unique set of problems, and there is little

to suggest that the United States has fewer problems than the rest of the world. Indeed, even this year, with the U.S. economy growing at almost 3%, emerging markets are growing at almost 5% (see chart to the right). Between 2018 and 2050, the working age population in the emerging markets is expected to increase by 135%, even while the working age population in the developed world is expected to decline by 7%.[1] Population growth, along with productivity improvements, should lead to far better growth in emerging markets over the next thirty years relative to that in the United States and other industrialized countries.

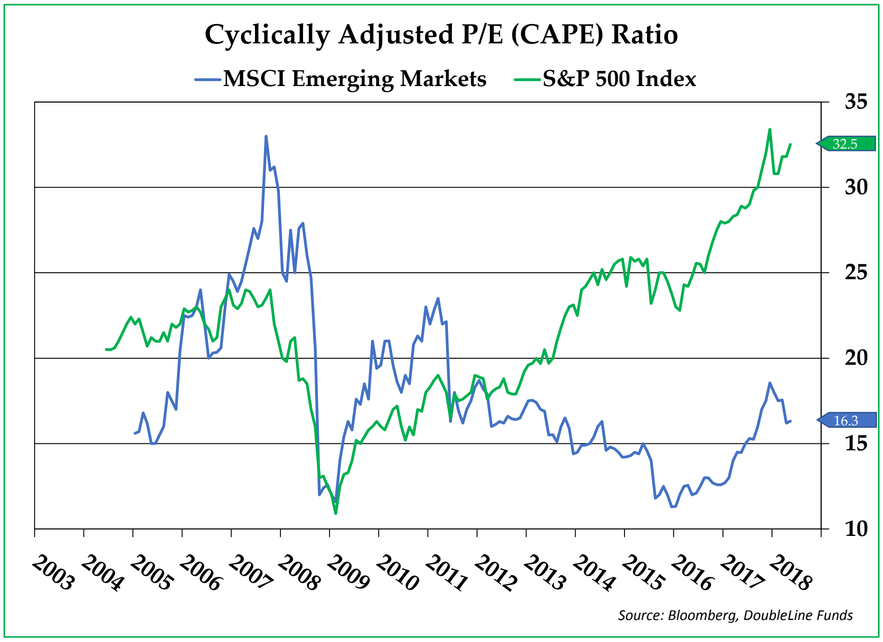


- **Emerging Markets Are Already Discounted**
  While the U.S. bull market continues to rage on, emerging markets have already experienced a significant correction this year, after also experiencing a significant correction in 2015. Emerging markets have been weak in 2018 due largely to increasing interest rates and spreading worries about a full-fledged trade war. In the United States, too, interest rates are starting to affect housing markets, auto sales, and credit card default rates, but the stock market generated a positive return during the first nine months of the year. During that same period, Brazil's stock market and China's stock market have declined by 13.7% and 19.3%, respectively. Even South Korea has not been spared, although its stock market is down much less. We believe it is likely that emerging market stocks will soon start to recover or U.S. stocks will soon experience a correction similar to that of many emerging markets.

- **Evolution of Emerging Markets**
  The world has changed considerably as a result of the growth of emerging markets over the past 20 years. Emerging markets represent 59% of the global economy today vs. just 43% in 1998, while the United States represents 15% of the global economy today vs. 20% in 1998.[2] Emerging market countries have become richer, and their middle-classes have increased commensurately; by 2020, China and India will represent two of the top three largest middle-class populations in the world. At the same time, emerging market economies are evolving away from low cost, labor-intensive industries and towards technology, the service sector, and consumer-driven industries. This shift results in more attractive businesses with generally better environmental and social profiles than used to be the case when emerging market economies were more dependent on exports and commodities.

[1] Source: Oppenheimer, World Bank.
[2] Source: World Economic Outlook, IMF.

- **Valuation Discrepancy**
  The valuation discrepancy between U.S. stocks and emerging market stocks is currently larger than at almost any time in recent history. Currently, the U.S. stock market is trading at a cyclically-adjusted P/E (CAPE) multiple of 32.5x earnings.[3] The solitary two times in history that the S&P 500 Index was more expensive by that measure were 1) the peak of the Dot-Com bubble in 2000 and 2) the stock market peak in 1929. Investors would be wise to remember how poor stock returns were after those valuation peaks. Meanwhile, the MSCI emerging market stock index has appreciated by just 1.1% per annum during the past eleven years, despite much faster GDP growth; emerging market stocks are currently trading at a cyclically-adjusted P/E ratio of just 16.3x, which is near a trough valuation level rather than a peak level. Put simply, emerging market stocks are currently trading at almost a 50% discount to their U.S. brethren.



- **The U.S. Dollar is Overvalued**
  When the U.S. dollar appreciates relative to the currencies of other countries, the U.S. stock market tends to *outperform* the stock markets of other countries. Similarly, when the United States dollar depreciates versus the currencies of other countries, the U.S. stock market tends to *underperform*. We think several important fundamental factors should lead to a weaker dollar in the years ahead, and that dollar weakness should fuel earnings growth and share price appreciation in emerging markets:

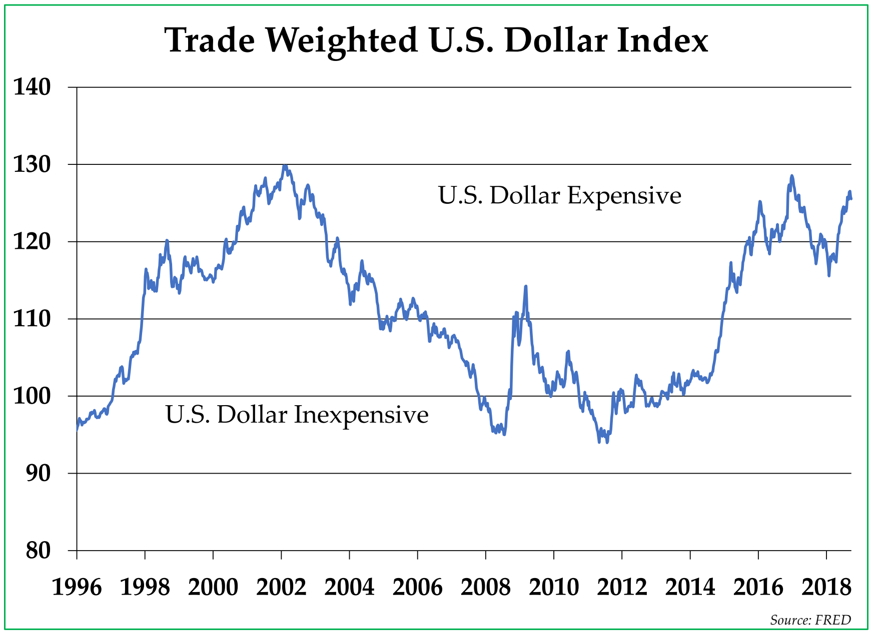
  - Growing U.S. current account and Federal budget deficits should contribute to dollar weakness in the years ahead, especially given that foreign central banks (in aggregate) seemingly chose to discontinue financing U.S. borrowing by purchasing more U.S. Treasuries beginning in 2013.

  - China and Europe appear committed to importing energy on world markets using the Chinese Renminbi and the Euro as the transaction currency, respectively, rather than the U.S. dollar. As

[3] The cyclically-adjusted P/E (CAPE) ratio is a valuation measure that takes into account 10 years of earnings adjusted for inflation. If P/E ratios, profit margins, and inflation rates are mean reverting, and we believe that they are, this measure is a useful indicator of forward-looking equity returns. The lower the CAPE ratio, the more likely it is that 10-year forward returns will be attractive. The higher the CAPE ratio, the more likely it is that 10-year forward returns will be lower than historical returns.

the U.S. dollar is used less often for cross-border transactions in the years ahead, lower demand for U.S. dollars should lead to commensurate adjustments in U.S. dollar foreign exchange rates.

- Several valuation indicators such as *The Economist's* Big Mac Index suggest that the U.S. dollar is overvalued versus other currencies.



Investing in emerging market stocks involves risk, not only because the share prices of emerging market stocks can be volatile on their own, but they are also subject to fluctuations in currency exchange rates which can also be volatile. Despite the large valuation discrepancy, we do not know whether emerging market stocks have bottomed or whether U.S. stocks are near their top.

With that said, as long-term investors, we think the risk-reward profile in many cases in emerging market stocks exceeds that of owning overvalued U.S. stocks. Our approach has been to scale into our emerging market positions gradually as an increasing number of stocks appear increasingly undervalued.

With those risk disclaimers out of the way, we are excited to have a growing number of attractive emerging market investments. We agree with Buffett that markets are not efficient all of the time, and we think emerging markets represent an attractive long-term investment opportunity at today's depressed share prices.

Appleseed Fund's Emerging Market Holdings
Our emerging market equity holdings include the following companies (in alphabetical order):

- **China Mobile (CHL)** –With over 800 million subscribers, China Mobile is the largest wireless telecom services company in the world. To put this 800 million subscriber figure in perspective, China Mobile's subscriber base is almost four times the size of the U.S. customer base of Verizon, the #1 U.S. wireless carrier. With a 62% market share of the mobile market in China, China Mobile enjoys a tremendous scale advantage versus its competitors.

- **Cosco Shipping Ports (1199-Hong Kong)** – While it is already one of the largest port operators in the world, we expect Cosco's revenues and profits to continue to grow, driven by GDP growth in China and market share gains driven by One-Belt-One-Road investments. At the moment, Cosco Shipping's share price is more than discounted due to worries about a decelerating Chinese economy and due to worries about a trade war with the United States.

- **Embraer S.A. (ERJ) –**Embraer is the world's leading producer of commercial jets in the 70 to 130 seats segment of the market, with roughly 51% global market share. Headquartered in Brazil, Embraer is well managed, benefits from significant barriers to entry, and should see expanded profit margins with a weakened Brazilian Real.

- **Hyundai Home Shopping (057050-Korea) –** Hyundai Home Shopping is a leading home shopping retailer in South Korea, marketing a wide variety of products over cable television and, increasingly, via online channels. This small-cap company, which is growing revenues and generating positive free cash flow, has cash and investments on its balance sheet that represent over 80% of the company's market capitalization.

- **Samsung Electronics (005930-Korea) –** Samsung is a Korean technology conglomerate and a leading global producer of smart phones, semiconductors, flat-panel displays, and other technology products. Currently trading with a Price/Book ratio of 1.3x and a Price/Earnings ratio of just 6x, Samsung is the cheapest mega-cap stock in the world, in our view.

- **Sberbank (SBER-London) –** Sberbank is a leading retail and commercial bank with the largest moat of any bank we have ever come across. Its market share is more than 45% in retail deposits, more than 40% in retail loans, more than 45% in credit cards, and more than 55% in mortgages. With such a strong scale advantage, we expect Sberbank, headquartered in Russia, to generate strong returns for years to come. However, investor sentiment is beyond terrible; the company currently trades at a P/E ratio of just 5x.

- **Sina Corporation (SINA) –** Founded in 1998, Sina Corporation is a Chinese technology holding company. Management has an outstanding track record of asset allocation, having founded and spun-out Weibo, which is one of China's largest social networks. The discount to net asset value is so large with this company that we have had to check our math several times to make sure we did not make a mistake.

- **SK Telecom (SKM) –** A long-term holding for Appleseed Fund already, SK Telecom is the leading wireless telecom company in South Korea. SK Telecom also owns a 21% stake in SK Hynix, which is arguably the cheapest semiconductor company in the world. Between the value of the wireless business and the value of the company's SK Hynix stake, we believe SK Telecom's fair value is significantly more than its current share price.

Performance and Portfolio Changes

During the twelve months ending on 09/30/2018, Appleseed Fund Investor Class generated a return of 6.68%, while the MSCI World Index generated a return of 11.25%. While Appleseed Fund's return over the past twelve months has been satisfactory, the Fund's relative performance was detrimentally affected by its allocation to cash, bonds, gold, and value-oriented stocks. Appleseed Fund continues to exceed our long-term goal of outperforming the market. Through 9/30/18, Appleseed Fund Investor Class has outperformed the MSCI World Index by more than 0.73% per annum on average since its 2006 inception.

Within our equity portfolio, the biggest contributors to the Fund's performance over the past twelve months were **Syntel (SYNT)**, **Fabrinet (FN),** and **Herbalife (HLF)**. All three of these companies experienced strong appreciation in their share prices during the 2018 fiscal year and, in all three cases, we liquidated our positions when the share price exceeded our estimates of intrinsic value.

Within our long equity portfolio, the most significant detractors to performance over the past year have been **Brighthouse (BHF)**, **Titan International (TWI)**, and **Hudson Technologies (HDSN)**.

- We sometimes enter our positions too early, and that certainly was the case with Hudson Technologies. Hudson Technologies is a leading environmental remediation company focusing on regulated refrigerants. We initiated Appleseed's Hudson position in the early Spring, right before one of the coldest and wettest Springs on record. Due to the cold spring, refrigerant prices plunged through the floor, and so did Hudson's share price. We have since added to our position; as we often say in Chicago with regards to our sports teams, wait 'till next year.

- Titan International is a small-cap wheel and tire producer for farm machinery, construction, and mining equipment. Its end markets have been in recession for years, and they are starting to come out of it now. For example, corn and soybeans are trading at prices more than 50% lower than the highs reached in 2012. Even though Titan handily beat expectations for the last quarter on the top and bottom lines, 2H 2018 guidance was disappointing, sending the share price down by 30%. We added to our position along with the CFO and current Chairman who purchased shares worth $864,000 at open market prices.

- Brighthouse was a disappointment this year, as we had expected the share price to increase along with increased interest rates. We decided we had made a mistake, and we sold our Brighthouse shares as a tax loss.

We made several changes to Appleseed's equity portfolio this quarter, reducing the Fund's exposure to U.S. equities and increasing the Fund's exposure to emerging market equities. Appleseed Fund is currently underweight U.S. equities and overweight emerging market equities relative to the recent past.

We liquidated the Fund's positions in **Taiwan Semiconductor (TSM)**, **CF Industries (CF)**, Brighthouse Financial (BHF), Syntel (SYNT), and Fabrinet (FN). Except for Brighthouse Financial, which we discussed above, our liquidations represented stock picks which appreciated beyond our estimates of fair value.

At the same time, we initiated new positions in Samsung, Embraer, **Ardelyx, Inc. (ARDX), Osram Licht (OSR-Germany),** and Sina Corporation (SINA). Three out of five of these new positions are headquartered in emerging market countries: Samsung in South Korea, Embraer in Brazil, and Sina in China. Only one of these new positions is headquartered in the United States: Ardelyx.

Ardelyx is a pharmaceutical company based in Fremont, CA that specializes in gastrointestinal and cardiorenal diseases. The company's most promising late-stage product candidate is called *tenapanor*. Thanks to a unique mechanism of action, this molecule demonstrates significant potential to treat two separate conditions: irritable bowel syndrome with constipation (IBS-C) and hyperphosphatemia in end-stage renal disease (ESRD). Each of these conditions represents a more than $1 billion market, yet the company's market capitalization of Ardelyx currently stands at just $250 million. Once tenapanor is approved and commercialized for both conditions, as we expect it will, we believe the share price will appreciate.

Spun off during the summer of 2013 from Siemens AG, the German industrial conglomerate, Osram Licht is one of the world's dominant providers of energy-efficent LED chips, wafers, emitters, and lighting products. The Company maintains dominant market share in growth markets like industrial lighting and automotive lighting, and yet the valuation implied by the current stock price is attractive.

Our overall asset allocation remains roughly the same as it was on June 30, 2018, although we have slightly increased our overall allocation to equities and slightly increased our overall allocation to corporate bonds. In addition, we have purchased puts on the S&P 500 Index in recent months due to the low levels of volatility during the summer and our expectation that stock market volatility will rise coming into the November mid-term election.

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As always, we appreciate your trust, your patience, and your long-term outlook. If you have any questions about the ideas we have shared in this letter or about Appleseed Fund's investment portfolio, please do not hesitate to contact Colin Rennich, our Director of Sales. His email address is colin@appleseedcapital.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
Shaun Roach, CFA

ANNUALIZED RETURNS- as of 9/30/2018					
	1 Year	3 Years	5 Years	10 Years	Since Inception
Investor Class (APPLX)	6.68%	8.31%	3.55%	8.12%	6.30%
Institutional Class (APPIX)	6.85%	8.53%	3.78%	*8.30%*	*6.45%*
MSCI World Index	11.25%	13.54%	9.28%	8.56%	5.57%

Fund Inception Date: 12/08/2006

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 09/30/2018 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. 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.

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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