April 27, 2020

Dear Shareholders,

"There are decades where nothing happens,
and there are weeks when decades happen."

— Vladimir Ilyich Lenin

Out of seemingly nowhere, the world is engaged in the most significant crisis since World War II. First and foremost, this is both a health crisis and a humanitarian crisis, with the estimated number of expected deaths from the coronavirus ranging from 50,000 to 200,000 just in the United States. Needless to say, some things are more important than the financial markets, such as your health, the health of your loved ones, and the health of the community at large. We are grateful for our healthcare workers, who are taking significant risks to help others, and to all of the other people who continue to work to provide essential products and services to the general public. We are also concerned about the economic damage caused by the worldwide shutdown and hopeful that the pandemic dissipates sooner rather than later so that everyone can begin to return to their pre-crisis lives.

The shutdown, while saving many lives, has resulted in a sudden stop of the global economy, with devastating results on the cash flows and balance sheets of individuals, corporations, and governments alike. Even more concerning, the global economy entered this crisis entirely unprepared, with record levels of debt. An enormous and sudden cash flow shortfall combined with record indebtedness is a certain recipe for a debt deflation and depression without government interference. And, sure enough, to make sure a depression doesn't happen, the United States and other countries are embarking upon a level of economic and market intervention that is unprecedented in the West. For now, it may not be enough, given the deflationary forces surging through the economy; stock prices are lower, commodity prices have crashed, small businesses have been shuttered, unemployment is skyrocketing, and bankruptcies are rising.

Without a doubt, the U.S. government will unroll further interventions to arrest the deflationary forces unleashed by the shutdown until the current deflation wave morphs into inflation, and quite possibly a high level of inflation. With the newly signed CARES Act, the U.S. government is embarking upon "helicopter drops" of money as famously described by Ben Bernanke in the 2002 anti-deflation speech that helped to earn him his job as Chairman of the Federal Reserve several years later:

> In practice, the effectiveness of anti-deflation policy could be significantly enhanced by cooperation between the monetary and fiscal authorities. A broad-based tax cut [not just for the wealthy], for example, accommodated by a program of open-market purchases to alleviate any tendency for interest rates to increase, would almost certainly be an effective stimulant to consumption and hence to prices.

Through the CARES Act, the U.S. government is distributing money broadly to U.S. citizens through a combination of tax cuts, outright payments, and forgivable loans, and financing it through open-market purchases on the part of the Federal Reserve. Although the CARES Act will be injecting more than $2

trillion into the U.S. economy, we suspect that the CARES Act may be just the first in a series of helicopter drops.

We will be referencing this famous Ben Bernanke speech, titled "Deflation: Making Sure 'It' Doesn't Happen Here," multiple times in this letter. It is a speech worth reading because it represents the full playbook of how policymakers are attempting to combat the current asset deflation. Also, while analyzing the economic and financial implications of new legislation in this note, we want to make clear that we hesitate to second-guess either Congress or the Federal Reserve for the actions currently being taken. It makes enormous sense to provide financial assistance as quickly as possible to businesses that have closed or to employees who have lost their job as a result of the shutdown.

As a result of the coronavirus shutdown and the fiscal and monetary response, an epic battle is taking place between the forces of deflation and inflation. The current deflationary wave is powered by the likely-to-be worst fundamental economic data since the Great Depression and a record level of debt. The future inflation will be driven by accelerating fiscal deficits, a soaring U.S. debt level that will need to be managed by inflating it away, and a Federal Reserve with unlimited printing power. Ultimately, we expect inflation to win this tug of war because policymakers are limited only by their willingness to print and spend money and because, given the amount of debt soon to be outstanding, they will have no other alternative. However, we do not know if inflation's eventual victory will occur in two months or two years. It is impossible to forecast the independent variables, such as the length of the shutdown, policy decisions, and the willingness of economic participants to hold onto fiat currencies that are being diluted aggressively.

With that backdrop, we want to share with you our current thinking across several different asset classes.

1. **Gold**

   In Ben Bernanke's anti-deflation speech, he referenced a historical event in 1933 which marked an important turning point for gold and for the economy in the Great Depression:

   > A striking example [of an effective weapon against deflation] from U.S. history is Franklin Roosevelt's 40 percent devaluation of the dollar against gold in 1933-34, enforced by a program of gold purchases and domestic money creation. The devaluation and the rapid increase in money supply it permitted ended the U.S. deflation remarkably quickly.

   Gold, in the current monetary era, has not been purchased by the Federal Reserve, but it has been purchased aggressively by other central banks ever since the Financial Crisis. Since 2014, in particular, central banks have refrained from accumulating U.S. Treasuries, choosing to buy gold instead. That the United States has not purchased gold yet is largely due to its desire (so far) to uphold the dollar's role as the world's reserve currency.

   The Dutch central bank (DNB), on its webpage, explains why it owns gold:

   > Shares, bonds and other securities are not without risk, and prices can go down. But a bar of gold retains its value, even in times of crisis. That is why central banks, including DNB, have traditionally held considerable amounts of gold. Gold is the perfect piggy bank – it's the anchor of trust for the financial system. If the system collapses, the gold stock can serve as a basis to build it up again.

During the coronavirus crisis, gold has performed relatively well. In any other currency besides the U.S. dollar, gold's recent performance has been nothing short of spectacular. As policymakers combat deflation today, we do not know whether gold's price will increase suddenly, through an explicit devaluation akin to what President Roosevelt did in 1933, or gradually, as a result of lower interest rates and increased deficit spending. Regardless of the precise policy path taken, we continue to view gold as a wealth asset unlike any other financial asset.

2. **U.S. Dollars (cash)**

Cash has outperformed all asset classes besides gold during the current coronavirus pandemic. In a deflation, cash is king. Everybody is scrambling to obtain dollars, especially people and companies who are experiencing cash flow or balance sheet problems. U.S. policymakers understand this, which is why Congress is preparing to helicopter drop trillions of dollars to taxpayers and small businesses, and it is also why the Federal Reserve is printing billions of dollars to fund that spending while also purchasing U.S. Treasuries, corporate bonds, municipal bonds, and mortgage-backed securities to keep their debt service costs low.

The CARES Act, passed at the end of March 2020, perfectly matches Ben Bernanke's description of an effective stimulant to prices (and inflation). That it hasn't yet caused inflation is either because it's too early, in that the money hasn't arrived yet and can't be spent, or because it's not enough, in which case far more money will likely be provided soon. When the CARES Act and other acts yet to be passed convert deflation into inflation sooner or later, the inclination of people and companies to hold cash will reverse along with the dollar's ability to maintain its value.

3. **Long-Term U.S. Treasuries**

As we write this letter, 30-year U.S. Treasuries offer a yield-to-maturity of 1.23%. One of the reasons that the yield is so low is that, in March, the Federal Reserve began buying U.S. Treasuries, including long-term U.S. Treasuries, to combat deflation, to finance U.S. deficit spending, and keep U.S. government borrowing costs low. Ben Bernanke suggests exactly this remedy in his deflation speech:

> Lower rates over the maturity spectrum of public (and private) securities should strengthen aggregate demand in the usual ways and thus help to end deflation… Historical experience tends to support the proposition that a sufficiently determined Fed can peg or cap Treasury bond prices and yields at other than the shortest maturities.

With a yield-to-maturity of 1.23%, investors are hardly being compensated for the potential inflation that the U.S. government might be creating with its stimulus programs. If the average inflation rate over the next 30 years is anything above 1.23%, which seems highly likely, U.S. Treasuries would generate a negative inflation-adjusted return for investors.

4. **Corporate Bonds**

During the recent crash, credit spreads increased considerably, and corporations were momentarily unable to issue debt at a reasonable interest rate. This development, while rare, commonly occurs during waves of severe financial dislocation. Unfortunately, too many corporations are in a similar position to the U.S. government in that they have excessive debt on their balance sheets and therefore require low interest rates to avoid defaulting on their financial obligations.

Ben Bernanke offered a solution to this problem in his deflation speech:

> Therefore a second policy option...for the Fed to offer fixed-term loans to banks at low or zero interest, with a wide range of private assets (including, among others, corporate bonds, commercial paper, bank loans, and mortgages) deemed eligible as collateral. For example, the Fed might make 90-day or 180-day zero-interest loans to banks, taking corporate commercial paper of the same maturity as collateral. Pursued aggressively, such a program could significantly reduce liquidity and term premiums on the assets used as collateral. Reductions in these premiums would lower the cost of capital both to banks and the nonbank private sector, over and above the beneficial effect already conferred by lower interest rates on government securities.

In order to place a cap on corporate borrowing costs and reduce the risk of widespread corporate defaults, the Federal Reserve began purchasing investment-grade corporate bonds last month for the first time in history. Almost immediately after this announcement, corporate bond prices increased while corporate bonds spreads compressed. We expect the Federal Reserve will continue to cap corporate borrowing costs for the foreseeable future, limiting the interest rate that investors in corporate bonds might receive.

5. **Stocks**

We already shared a passage concerning the 1933 gold devaluation, but there is also an end to Ben Bernanke's story:

> [After the gold devaluation,] the economy grew strongly, and by the way, 1934 was one of the best years of the century for the stock market. If nothing else, the episode illustrates that monetary actions can have powerful effects on the economy, even when the nominal interest rate is at or near zero, as was the case at the time of Roosevelt's devaluation.

We agree with Ben Bernanke in that monetary actions can have powerful effects on the economy. For now, the CARES Act along with monetary stimulus has arrested the decline in the stock market. With that said, volatility and valuations remain very high, and bear markets do not typically end quickly. Historically, bear markets end after a period of revulsion towards the stock market, when all hope is lost and there is a feeling of capitulation. To date, we have experienced panic and forced liquidations, but the abrupt reversal of the stock market along with elevated valuations do not fit the historical pattern of the end of bear markets.

At all times, we believe it is important to maintain a high level of investment standards. We aim to buy strong companies inexpensively and take advantage of mispricings. But there are also good reasons to proceed with prudence and discipline:

- *Quickly deteriorating economic fundamentals:*
  The level of uncertainty is currently extremely high and exceeds that of the 2008/2009 Financial Crisis. While stocks have declined in price, most declines have matched deteriorating fundamentals and intrinsic values, in our view. A share price decline alone does not necessarily mean that a stock is cheap.

- *Overvaluation:*
  U.S. stocks are not as excessively overvalued as they were at the beginning of the pandemic, but they are still quite overvalued. At the end of March 2020, the Cyclically Adjusted P/E (CAPE) ratio as pioneered by the economist, Robert Schiller, was at 23x, still within the most expensive quintile compared to history. In the table below, we present a historical analysis of returns since 1957 over the two-year periods that take place after a 20% drop in the S&P 500 Index. Small-cap outperforms large-cap, while value outperforms growth[i]. While returns are generally positive, stocks generally fared poorly after 2001 because the market drop also started from such an overvalued starting point.

24M Returns Starting 3 Months from a 20% Drop in the S&P 500

Date	Small Growth	Small Value	Large Growth	Large Value
1/31/1970	61%	50%	55%	44%
3/31/1974	53%	75%	22%	73%
3/31/1982	45%	100%	44%	66%
10/31/1987	21%	32%	39%	41%
3/31/2001	-24%	11%	-19%	-31%
9/30/2008	78%	66%	52%	29%
Average	**39%**	**56%**	**32%**	**37%**

Source: Verdad Capital – Ken French Data Library

- *Wide range of intrinsic values:*
  Companies that are having "temporary problems" due to coronavirus-related disruption are not just experiencing revenue softness; in some cases, companies are experiencing 70% or more revenue declines while the global economy remains closed. We are finding ourselves performing a balance sheet analysis that we have never done before when we attempt to answer the question, "How many months can this company survive with zero revenues?" This same phenomenon also creates wide ranges of potential intrinsic values.

We are navigating the current environment as we navigate any situation, with caution and patience. We are being humble about our ability to predict the trajectory of the coronavirus spread or future policy decisions. We are researching companies that we would like to buy at the right price, even if that price hasn't been reached yet. And we continue to have a large allocation to small-cap stocks and to foreign stocks because such stocks are more likely to be undervalued.

We suspect, by the time this bear market ends, we will have plenty of opportunities to buy additional great companies at great prices. And, if inflationary forces start to accelerate, stocks should serve to protect the real value of your invested capital far better than bonds.

6. **Commercial Real Estate**
   The coronavirus shutdown is creating difficult circumstances for some real estate investors. Businesses and consumers across the country are asking for rent waivers and rent deferrals because tenants, in turn, are having their own cash flow problems. For real estate investors with too much leverage, this could become a big problem. WeWork, for example, once valued at $47 billion, seems headed for a debt

default, as do numerous investors who purchased multiple Airbnb rental properties with excessive leverage.

For long-term investors who do not have too much leverage and can survive the current shutdown, commercial real estate could provide some inflation protection, and opportunities to buy distressed properties later this year are likely to arise. Appleseed Fund currently has an investment in Jones Lang LaSalle (**JLL**), but our current exposure to real estate equity is limited.

7. **Commodities**
   Unlike gold, most commodities have declined significantly in price over the past 60 days due mainly to an enormous and rapid decline in aggregate demand. Oil, in particular, has captured much attention, as Russia and Saudi Arabia are attempting to capture additional market share (perhaps by severely injuring highly leveraged U.S. shale producers) rather than reduce supply. At the same time, demand for oil has fallen off a cliff. Marginal commodity producers are declaring bankruptcy, while almost all commodity producers are curtailing capital expenditures significantly.

The financial system is currently having such difficulties not because of the coronavirus per se, in our view, but because the Federal Reserve and other central banks kept interest rates too low for too long over the last two decades, allowing governments, corporations, and consumers to build up unsustainable debts. At the end of 2019, global debt exceeded $255 trillion, representing 322% of global GDP, which was forty percentage points higher than at the onset of the 2008 financial crisis. According to the Institute of International Finance, if net government borrowing doubles from 2019 levels, which is likely to happen, and there is a 3% nominal decline in global GDP, global debt will increase from 322% of GDP to 342% in 2020.

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Appleseed Performance and Portfolio Changes
During the first three months of 2020, Appleseed Fund Investor shares generated a -33.48% total return, behind the -21.05% return of the MSCI World Index and outperforming the -35.66% for the Russell 2000 Value Index. Our relative underperformance this quarter was driven mainly by broader market trends; momentum and growth stocks greatly outperformed value stocks during Q1, while large-cap stocks significantly outperformed small-cap stocks.

Appleseed's top performance detractors during the quarter included Spirit Airlines (**SAVE**), Air Lease (**AL**), and Mosaic Company (**MOS**). Spirit Airlines and Air Lease declined sharply during the quarter due to the negative revenues and earnings impact that the coronavirus will have. Intrinsic values for both companies have declined during the past ninety days, but the prices of their shares have declined by much more. We believe both companies will survive the current storm and come back stronger when the economy reopens. Neither company destroyed value by buying back shares to enrich management, and both companies are taking prudent actions to improve their liquidity positions.

Mosaic Company shares declined due to a decline in agricultural commodity prices and an increase in corporate bond spreads. When the current wave of deflation turns into inflation, we expect Mosaic Company will benefit from increased earnings and, eventually, an increased share price.

The top equity contributors to Appleseed Fund's performance this quarter only became contributors because we sold before the crash, which is what we did with ASM Pacific Technology Ltd. (**522-HK**), or we bought after the crash, which is what we did with Alphabet (**GOOGL**) and Evercore (**EVR**). During the quarter, we initiated long equity positions in Evercore, Urovant (**UROV**), Ituran (**ITRN**), Alphabet, and TPI Composites (**TPIC**).

Based in Scottsdale, AZ, TPIC produces composite blades for wind energy turbines with 14% global market share. TPIC is the only global contract manufacturer of large-scale industrial composite components outside of China. Customers use TPIC for technological know-how, increased cost efficiency as compared to internal production, the flexibility of outsourced production, and the ability to produce for end customers across the globe.

TPI Composite's top-line revenues have compounded at a 35% clip for the past five years, and EBITDA has grown at a 41% CAGR over the same period. The Company experienced a tough year in 2019, which was a year in which revenues spiked but profitability declined due to three issues.

1. Manufacturing transitions impacted their ability to translate that growth in profits; customers were aggressively increasing the length of the blades at a faster pace to reduce their cost of energy further.
2. Senvion, who was a 4% customer for TPIC, went bankrupt; TPIC was able to sell the blades to the end customer at a small impact to profitability.
3. TPIC's employees in Matamoros, Mexico, went on strike, along with every factory worker in every industry in Matamoros. Production stopped for nearly three weeks, which impacted profitability in Q1.

Wind power's cost of energy has become competitive with traditional fossil fuels without assistance from government subsidies. However, recent drops in energy prices make fossil fuel more competitive with wind energy, but that trend is unlikely to remain in place over the long-term. Less traditional production activity will cause oil and natural gas prices to rise eventually. Plus, given all the liquidity provided by the Federal Reserve and deficit spending on the part of the Federal government, in our view, the dollar is likely to weaken, resulting in higher energy prices.

Beyond cost competitiveness, most nations are recognizing the impact of global warming and are likely to continue to search for ways to alleviate their dependence on greenhouse gas-emitting energy sources. That inures to continued increased demand for wind energy. Ex-China, the wind energy market is forecasted to grow over 8%/year, with outsourcing trends magnifying this tailwind for suppliers.

As a provider of energy infrastructure, TPIC is an essential producer in the United States and should be able to continue producing wind blades. Its operations in India, Mexico, and Turkey are likely to stay open for the same reasons. Notably, with production facilities in China, TPIC has already gone through the process of what is necessary to operate safely to minimize the risk of coronavirus spreading. It also has gone through the process of reopening closed plants in China and has ramped up production. The impact of the coronavirus on Chinese operations appear to be minimal.

TPIC recently had an analyst day in which it stated that it strives to reach annual wind revenue of $2 billion and EBITDA margins of 12%, along with ROICs of 35%+. That translates to EPS of $3.64, which is not bad for a stock trading at $14.

During the most recent quarter, we sold Appleseed Fund's position in Criteo (**CRTO**), Sina (**SINA**), Coherent (**COHR**), and ASM Pacific. We sold our position in Criteo after Alphabet announced that it planned to phase out cookies from its Chrome browser. This policy change impacted Criteo's intrinsic value significantly, and we chose to sell Appleseed Fund's shares before the price reflected it. We sold our Sina Corporation to buy shares of its subsidiary, Weibo, which is where most of Sina's intrinsic value resides. Finally, we sold our positions in ASM Pacific and Coherent because their share prices exceeded our estimates of intrinsic value. We generated a satisfactory return with both of these investments.

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We appreciate having the opportunity to manage your long-term investment with Appleseed Fund. It is deeply meaningful for us to have the privilege to invest on your behalf; we take our responsibilities as a steward of your capital very seriously.

Sincerely,

Joshua Strauss, CFA

William Pekin, CFA

Adam Strauss, CFA

Shaun Roach, CFA

ANNUALIZED RETURNS- as of 3/31/2020					
	1 Year	3 Years	5 Years	10 Years	Since Inception
Investor Class (APPLX)	-26.91%	-6.32%	-3.20%	1.38%	3.23%
Institutional Class (APPIX)	-26.84%	-6.18%	-3.02%	*1.57%*	*3.37%*
MSCI World Index	-10.39%	1.92%	3.25%	6.57%	3.86%

Fund Inception Date: 12/8/2006.

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. Italics indicates extended performance, as APPIX did not exist until 1/31/11. APPIX extended performance is an estimate based on the performance of APPLX, adjusted for the difference in fees.

As of 03/31/2020, the Fund's Top Ten Holdings can be found at: www.appleseedfund.com.

The gross expense ratio of the Fund's investor class is 1.47%, and the institutional class is 1.22%; the net expense ratio after contractual fee waivers through January 31, 2021 is 1.25% and 1.06%. The Fund's ninety day redemption fee is 2.00%.

The S&P 500 Index is a widely recognized, unmanaged group of stocks that is representative of a broad market. The index provides returns in U.S. dollars, assumes reinvestment of all distributions, and does not reflect the deduction of taxes and fees. The MSCI World Index is a widely followed, unmanaged group of stocks from 23 international markets and is not available for purchase. The Russell 2000 Value Index is a widely recognized unmanaged index that measures the performance of the small-cap value segment of the US equity universe. 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. The Consumer Price Index (CPI) is an unmanaged index representing the rate of the inflation of U.S. consumer prices as determined by the U.S. Department of Labor Statistics.

The Cyclically Adjusted P/E Ratio (CAPE) is a valutation measure usually applied to the S&P 500 equity market. It is price divided by the average of ten years of earnings, adjusted for inflation. EBITDA (earnings before interest, taxes, depreciation and amortization) is a measure of company profitability. CAGR (compound annual growth rate) is the rate of return that would be required for an investment to grow from its beginning balance to its ending balance. ROIC (return on invested capital) is a profitability ratio that aims to measure the percentage return that a company earns on invested capital. EPS (earnings per share) is the monetary value of earnings per outstanding share of common stock for a company.

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 or other financial standards. Risks of foreign investing are generally intensified for investments in emerging markets. Value investing involves the risk that an investment made in undervalued securities may not appreciate in value as anticipated or remain undervalued for long periods of time.

Small and Mid-Cap investing involve greater risk not associated with investing in more established companies, such as greater price volatility, business risk, less liquidity and increased competitive threat.

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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[i] https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html