April 30, 2021

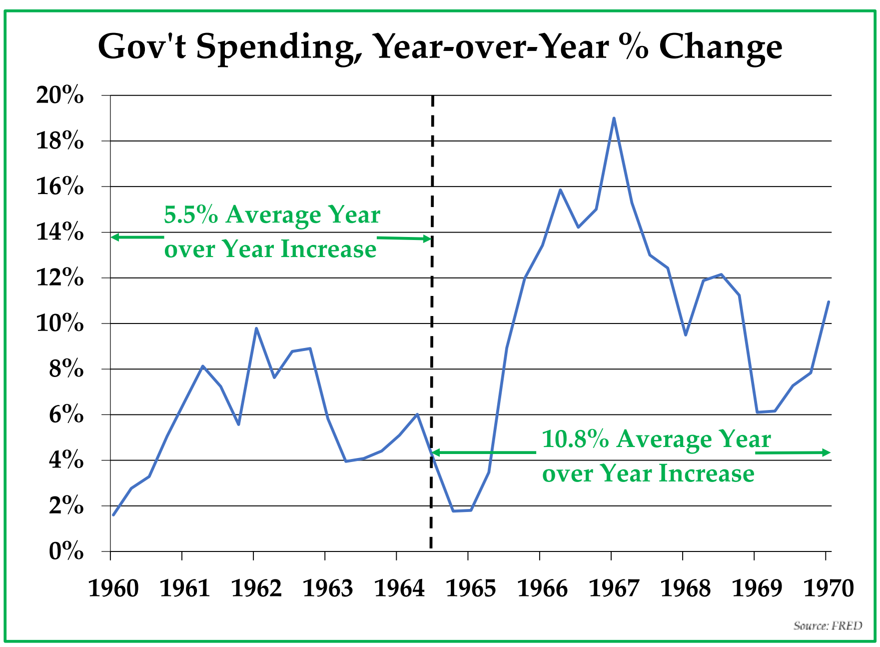
Dear Shareholders,

"Viewed in the abstract, the Federal Reserve System had the power to abort the inflation at its incipient stage fifteen years ago or at any later point, and it has the power to end it today. At any time within that period, it could have restricted the money supply and created sufficient strains in financial and industrial markets to terminate inflation with little delay. It did not do so because the Federal Reserve was itself caught up in the philosophic and political currents that were transforming American life and culture."

— Arthur Burns, former Federal Reserve Chairman,
"The Anguish of Central Banking," 1979

In response to the coronavirus pandemic, the U.S. government embarked on an unprecedented surge of fiscal spending and monetary easing that has continued unabated ever since. One year later, as the economy is opening up, inflation pressures are clearly rising, although it is still unclear whether these pressures will be transitory or not.

While finding appropriate historical analogies is always tricky, the current economic environment, in our view, seems most reminiscent of the mid-1960s. Those years represented an inflection point, much like today, when fiscal spending accelerated and the Federal Reserve financed that spending with low interest rates, assuming that historically low levels of inflation experienced in the early 1960s would continue. To be sure, inflation worsened considerably in the 1970s, but the foundation for accelerating inflation was built during the mid-to-late 1960s.

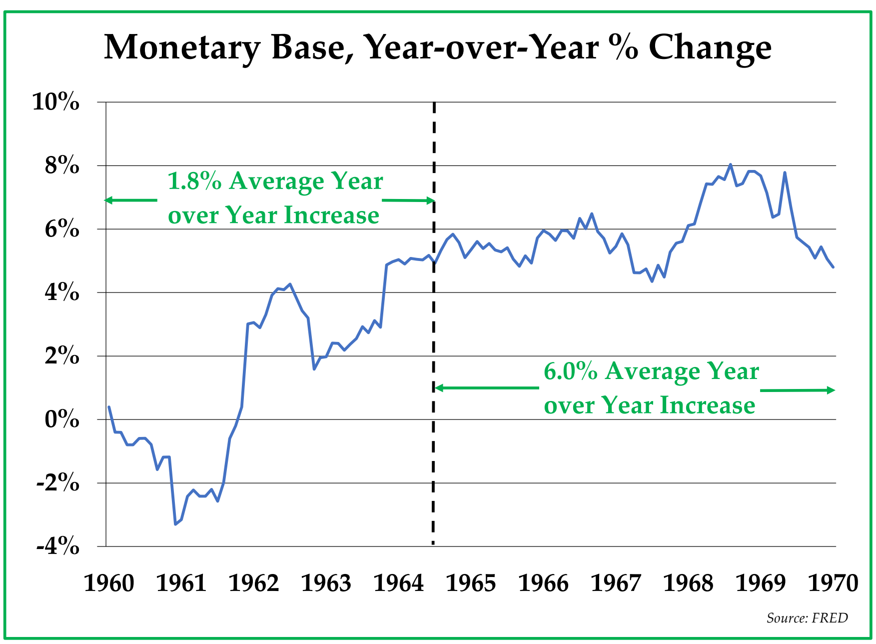


Upon his swearing-in, President Lyndon Johnson pursued an agenda that included an ambitious level of fiscal spending, following a significant tax cut that was passed in 1964. U.S. commitments in fighting the Vietnam War escalated even while domestic spending increased under the auspices of various Great Society programs that were intended to reduce minority unemployment and income inequality. Economists often refer to the era of the late

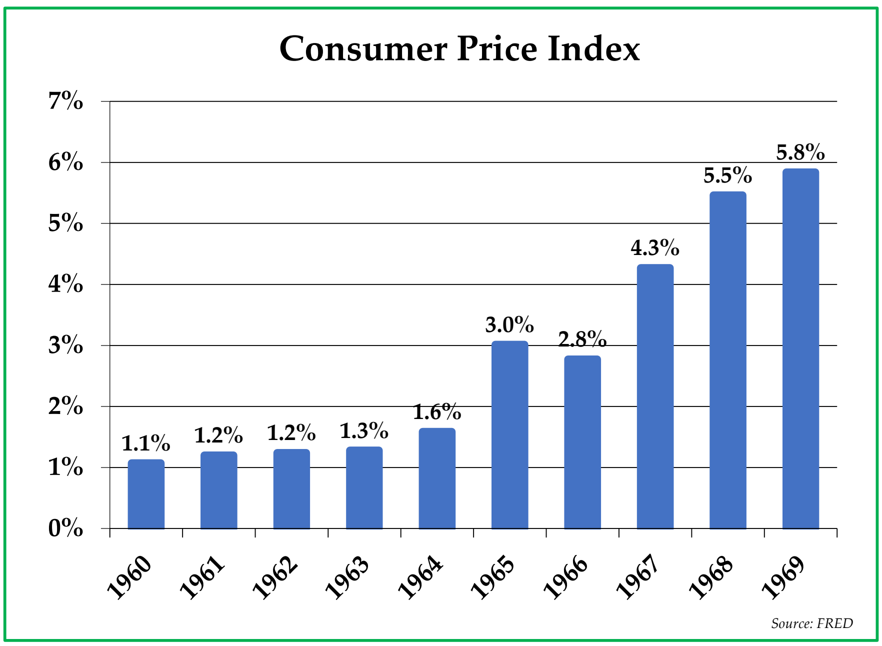
1960s as the "Guns *and* Butter" era, as that administration chose to pursue several ambitious goals at once, all of which required significant and sustained increases in fiscal spending along with an expanding budget deficit. The average year-over-year growth rate of government spending increased from 5.5% per annum from 1960 through 1964 to 10.8% per annum from 1965 through 1969 (see chart on the previous page).

Reminiscent of President Johnson's 1964 tax cuts, President Donald Trump signed a large tax cut in 2017, even while the economy was growing at a reasonable rate and unemployment was low. President Trump also oversaw the largest fiscal expansion in U.S. history in 2020, as the Federal deficit reached an estimated $4 trillion, representing an estimated year-over-year increase in fiscal spending of 43%. With a new administration in place, President Joe Biden has communicated his intention to simultaneously pursue multiple sweeping goals. These goals include but are not limited to providing support for individuals and groups who have been economically harmed by the pandemic, combating climate change, making infrastructure investments, and providing Social Security and Medicare benefits to a growing population of retirees. Given the Biden administration's ambitious plans, it is not unreasonable to assume that the budget deficit could remain around $3-4 trillion per year between 2021 and 2025, representing a fiscal expansion similar in magnitude to the one undertaken in the late 1960s.

Early on in the Johnson administration, President Johnson met the Federal Reserve Chairman at the time, William McChesney Martin, and famously tried to intimidate him into keeping interest rates low and monetary policy accommodative. After the Federal Reserve raised interest rates in 1965, Johnson said to the Chairman, "Martin, my boys are dying in Vietnam, and you won't print the money I need." Although Martin was a strong proponent of an independent Federal Reserve and an anti-inflation hawk early in his career, he complied with President Johnson's demands. Ultimately, Chairman Martin decided to provide monetary accommodation to fund the U.S. government's spending plans, despite the inflation risk. The average year-over-year growth rate in the monetary base, which was 1.8% between 1960 and 1964, tripled to 6.0% between 1965 and 1969 (see chart to the right). Chairman Martin confessed his regret in acquiescing to President Johnson's demands years later, saying, "to my everlasting shame, I finally gave in to him." He stepped down from his position in 1970, but only after he had let the inflation genie out of the bottle.



Similar to what occurred in the 1960s, the current Federal Reserve's independence has weakened considerably during the past year due to the current war on the coronavirus and the need to finance multi-trillion dollar annual fiscal deficits. In our view, the choice of former Federal Reserve Chair Janet Yellen as Treasury Secretary is symbolic of the marriage that seems to have occurred between the Federal Reserve and the U.S. Treasury department. Relatedly, the Federal Reserve is determined to protect the nominal value of financial assets and especially the value of U.S. Treasuries. Not doing so would likely have catastrophic consequences on the housing market, the stock market, and U.S. tax receipts, all of which are increasingly reliant on low interest rates. Even while the Consumer Price Index is likely to exceed 3% during Q2 2021 for the first time in years, current Federal Reserve Chairman Jerome Powell has communicated his view that the current inflationary pressures are transitory, assuming, like Chairman Martin, that inflation remains well-contained. While Chairman Powell may well turn out to be correct, we suspect that $4 trillion dollars per year in fiscal deficit spending facilitated by a 0% Federal Funds rate and a skyrocketing money supply is likely to be a recipe for inflationary acceleration.



The spending during the Guns and Butter era created inevitable inflationary pressures that continued through the 1960s. During the early 1960s, inflation was well-contained, with the Consumer Price Index fluctuating in a relatively tight range of 1.1% to 1.6%. With increasing fiscal commitments and money supply in the late 1960s, however, inflation accelerated. In 1966, the Consumer Price Index increased by 3.0%, and by 1969, the Consumer Price Index increased by as much as 5.8%. Similarly, in the past five years, inflation has been low and contained, comparable to the inflation rate of the early 1960s. The average year-over-year increase in the Consumer Price Index was just 1.8% from 2016 through 2020. We will not know the early 2020s inflation rate until the future unfolds, but we would not be surprised to see an acceleration that rhymes with the late 1960s.

Important similarities exist between the late 1960s and the current era, but there are also important differences. The dollar is no longer pegged to the gold price, and the trade deficit has expanded significantly. Because U.S. government debt is currently so large relative to GDP, the Federal Reserve's options are limited by the necessity of keeping debt service costs reasonable, regardless of the Fed's inflation outlook. China has developed into a geopolitical and economic foe of the United States, and cheap imports from China have had a deflationary impact on the United States over the past twenty years. Finally, while the Biden administration is planning enormous fiscal spending increases, significant income tax increases would dampen their inflationary impact. Put more simply, we see a lot of similarities to the 1960s, but the situation is complex and dynamic with many moving parts.

The 1970s are well known for being a period when inflation accelerated further even compared to the late 1960s. At some point, it may well be worth comparing the 1970s to the current era, but we believe it to be premature at this juncture. Before inflation reaches the 10% inflation rates of the 1970s, it must first reach the 5% inflation rates of the late 1960s, and for this reason we think the 1960s are a more applicable comparison for the next couple of years.

Investment Implications

Having discussed the macroeconomic backdrop of the 1960s, let us now examine what happened to the primary asset classes during the five year period beginning on January 1, 1965:

- *Stocks*:
  Adjusted for inflation, the S&P 500 Index generated a total return of 0.3% per year. Earnings increased by 0.6% per year adjusted for inflation. However, as is often the case when inflation increases, the P/E ratio of the S&P 500 Index contracted, from 18.8x to 15.8x, and the dividend yield increased from 2.9% to 3.5% between the beginning of 1965 and the beginning of 1970.

  Today, the S&P 500 Index is currently trading with a P/E ratio of 33.7x and a dividend yield of 1.5%. Increasing inflation generally results in a contraction of P/E ratios and an expanding dividend yield. In our view, the risk exists that accelerating inflation today could result in a significant downward re-rating of U.S. stock prices.

- *Bonds*:
  In 1965, the yield-to-maturity on 10-year Treasury bonds was 4.2%; by the time the decade ended, the yield-to-maturity on that same bond, with five years remaining until maturity, was 8.2%. We estimate the total return of that Treasury bond from 1965-1969 to have been -33.1%, or -7.7% per annum, adjusted for inflation. Bonds woefully underperformed other asset classes during the late 1960s, as one might expect in any environment where bond yields are rising to compensate investors for increasing inflation expectations.

  The yield-to-maturity on 10-year Treasury bonds is currently 1.7%, which means that the downside risk of a rise in bond yields is greater today than it was in 1965.

- *House prices*:
  Housing performed better than bonds in the late 1960s but still did not keep up with inflation. House prices increased by 3.3% per year, but house prices declined by a slight -0.6% per year adjusted for inflation. Houses tend to keep up with inflation due to increases in wages, land costs, and construction costs, all of which occurred during the late 1960s.

  In recent months, we have seen land prices, construction costs, and wages rising. All of these trends are contributing to house prices which should approximately keep pace with inflation, as they did in the late 1960s.

- *Gold*:
  During the Johnson administration, the dollar was pegged to gold at $35/ounce, and it was not yet legal for Americans to own physical gold during that period. However, demand for gold from Europe increased significantly; during the 1960s, U.S. gold reserves dropped by 38%, from 15,800 tonnes to 9,800 tonnes as undervalued U.S. gold was shipped to Europe. After the dollar/gold peg was removed in 1971, gold's investment return was spectacular during the following decade as investors sought to sell dollars to invest in gold as a store of value.

  While not an investment option in the late 1960s, gold is an attractive asset class for investors in the current era and should serve as an excellent long-term store of value should inflation continue to accelerate.

Looking back at how these asset classes performed in the late 1960s, the results seemed to coincide with the era's inflationary circumstances. Housing and stocks were the relative winners, generating returns that kept up with, but did not exceed, inflation. The clear loser of the late 1960s Guns and Butter era was the bond market, which suffered from increasing bond yields and gradual erosion of purchasing power. We are also wary of low-yielding bonds today and have a minimal bond allocation as a result.

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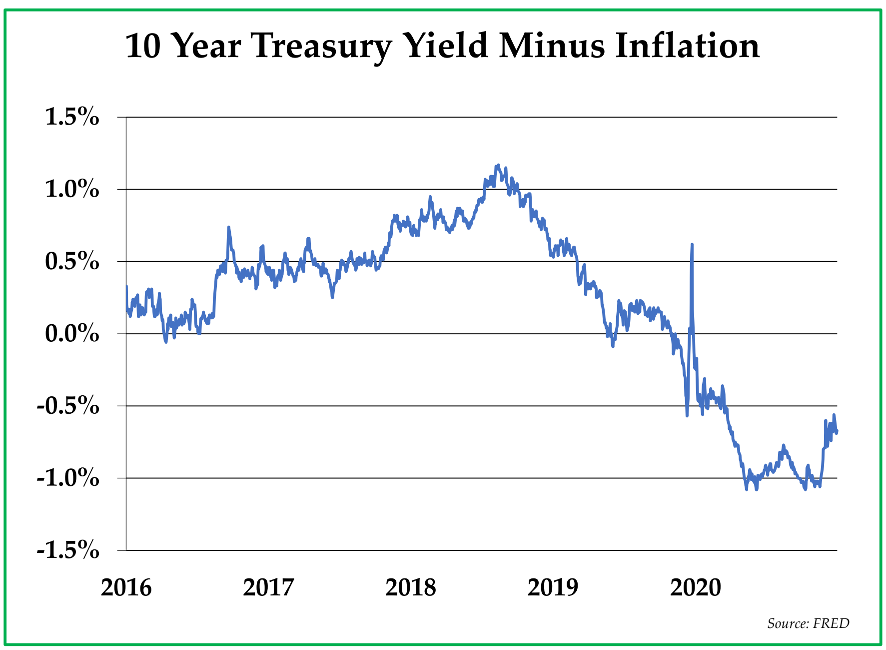
Commentary on Gold Prices
We also want to comment on the weak gold price over the past six months. Our view is that the current weakness in the gold price represents a healthy correction and consolidation amid a secular bull market that is still in its early stages.



As we have discussed in past letters, the gold price tends to rise when real (inflation-adjusted) Treasury yields decline. Inflation has been increasing, to be sure, with commodity prices rising at a rapid rate ever since the Pfizer vaccine results were announced on November 1, 2020. However, commodity price increases are slow to be measured through the Consumer Price Index, which is a lagging economic indicator. Simultaneously, 10 year Treasury bond yields have increased in recent months from 0.5% to 1.7%. Because Treasury bond yields have been rising faster than the Consumer Price Index, real, inflation-adjusted, Treasury bond yields have been rising too (see chart on the previous page).

When real Treasury yields decline, it tends to be a tailwind for gold prices, and that is what happened from November 2018 through August 2020. When real Treasury yields increase, it tends to be a headwind for gold prices, and that is what has been happening since August 2020. Looking forward, we expect the Consumer Price Index to continue to rise, albeit not in a straight line, for many of the reasons outlined in this letter, while Treasury bond yields are likely to be capped by the Federal Reserve well before 10-year interest rates reach 2.5%.

Moreover, the international monetary system is in an increasingly tenuous position; we expect future crises such as the one that occurred in spring 2020, and gold will demonstrate its resilience during those crises. We remain bullish on gold and expect it to be one of the winners of the current Guns and Butter era.

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Appleseed Performance and Portfolio Changes

During the first three months of 2021, Appleseed Fund Investor shares generated a 14.49% total return, versus the 4.92% return of the MSCI World Index. During the last twelve months ending 03/31/2021, representing the Fund's fiscal year, Appleseed Fund Investor shares generated a 85.03% total return, versus the 54.03% return of the MSCI World Index. Appleseed Fund Investor shares have generated a 7.52% annual return since its inception in 2006, exceeding the return of the MSCI World Index by 0.80% per annum. Our relative outperformance this quarter was driven by broader market trends and security selection; it is notable that value stocks greatly outperformed the stock market during Q1 2021.

Our most significant contributors to the Fund's equity performance during the quarter were **Coherent (COHR)**, **Mosaic Company (MOS)**, and **Sprouts Famers Markets (SFM)**. During the quarter, Coherent announced that it was being acquired, after which several other bidders emerged. Between the takeover announcement and the bidding war among Coherent suitors, the shares rallied strongly during the quarter. As for Mosaic, its share price has risen in sympathy with increasing grain prices, which should stimulate additional farmer investment into improving crop yields. Sprouts has benefited from the market slowly recognizing that the company's growth last year was only driven in part by lockdowns; the company should enjoy strong growth through market share gains for years to come. Sprouts' unique value proposition as a particularly attractive store in which shoppers can find a wide assortment of organic and natural produce should benefit shareholders and consumers alike.

Appleseed's most significant detractors to the Fund's equity performance during the quarter were **Heron Therapeutics (HRTX)**, **Continental AG (Germany - CON)**, and **89bio (ETNB)**. Heron and 89bio are biotech companies whose share prices struggled in sympathy with the larger biotech industry during the first quarter. Both companies have promising drugs which should generate attractive returns for Appleseed Fund. Continental AG, a European auto supplier and tire producer, saw its share price pressured due to the semiconductor shortage that is impacting the broader automotive industry.

During the quarter, we exited from two fully valued equity positions, **Annaly Capital Management (NLY)** and **Silicom (SILC)** and we initiated new equity positions in **Facebook (FB)**, 89bio, Designer Brands, and **Anthem Inc (ANTM)**.

Our net allocation to equities at the end of March was 82.8%. We also hold a 7.1% position in bonds and cash, a 1.5% position in cryptocurrency trusts, and a 8.5% position in gold trusts.

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We hope you are well and are having the opportunity to enjoy the warmer spring weather. We remain grateful as ever for the trust that you have placed in Appleseed Fund and for the opportunity to be managing a portion of your capital.

Should you have any questions about this letter or anything else, please do not hesitate to reach out to Colin Rennich at colin@appleseedcapital.com or at 312.896.9660.

Sincerely,

Joshua Strauss, CFA
William Pekin, CFA
Adam Strauss, CFA
Shaun Roach, CFA

ANNUALIZED RETURNS- as of 3/31/2021					
	1 Year	3 Years	5 Years	10 Years	Since Inception
Investor Class (APPLX)	85.03	11.94	10.55	7.12	7.52
Institutional Class (APPIX)	85.60	12.17	10.75	*7.34*	*7.69*
Morningstar Gbl SMID Cap Index	70.97	10.44	12.32	8.91	7.28
MSCI World Index	54.03	12.81	13.36	9.88	6.76

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 03/31/2021, the Fund's Top Ten Holdings can be found at: www.appleseedfund.com

Current and future portfolio holdings are subject to risk. Current holdings are subject to change.

The gross expense ratio of the Fund's investor class is 1.50%, and the institutional class is 1.25%; the net expense ratio after contractual fee waivers through January 31, 2022 is 1.19% and 1.00%. 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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