December 5, 2022

Dear Appleseed Fund Shareholder,

"When you remember we are all mad, the mysteries disappear and life stands explained."

— Mark Twain

In August 2020, 10-year U.S. Treasury bond yields reached an all-time low of 0.5% while $17 trillion dollars of sovereign bonds in Europe and Japan were paying *negative* yields to investors. Using the word "madness" to describe the interest rate environment in 2020 would have been entirely appropriate; the interest rate trough reached that month may well have represented the lowest interest rates in 5,000 years of monetary history.

Looking at interest rates today, quite a different picture emerges. The Federal Reserve has been tightening monetary policy by hiking short-term interest rates aggressively to alleviate inflationary pressures in the economy. At the same time, the Federal Reserve has also been boosting long-term interest rates this year by ceasing its Quantitative Easing program, whereby the Federal Reserve was previously purchasing long-term Treasury bonds to cap interest rates. As a result of these tightening measures, Treasury bond yields have been normalizing quickly. As we write this letter, the 2-year Treasury bond yield has increased to 4.5%, while the 10-year Treasury bond yield has increased to 4%.[1] These interest rates stand well below the current inflation rate, but quite a bit more than the 0.5% interest rate that 10-year Treasury bonds were paying in August 2020. Moreover, without a reversal in policy, it appears that interest rates have further room to rise.

Outside the United States, interest rates generally have been increasing this year, for many of the same reasons, and global financial markets have reacted accordingly. The global stock market is now in a bear market and, remarkably, the U.S. Treasury bond market is in the midst of its deepest correction of the past 100 years. Global economic growth

[1] All interest rate figures and currency performance figures in this letter are sourced from Factset.

has slowed to recessionary (or near recessionary) levels as consumers pull back on purchases of housing and automobiles, while companies have placed restraints on their capital expenditures. Just as 2008 and 2020 have become important years of market history, so too will 2022.

Equity and bond markets aside, the currency markets have also experienced historically extreme exchange rate gyrations thus far in 2022. Several emerging market countries are in the midst of full-blown currency crises. For example, the Sri Lankan Rupee is down 78%, the Argentinian Peso is down 43%, and the Turkish Lira is down 28% through 9/30/22. While these currency moves are extreme, they have happened before (and will happen again) in emerging market countries. What makes this time different is that they are also happening in developed economies. From the beginning of the year through 9/30/22, the Japanese Yen is down 25%, the United Kingdom Pound is down 21%, and the Euro has declined 16%. All of these currencies, emerging and developed, have weakened considerably against the U.S. Dollar.

Some analysts have called the dollar's remarkable strength this year a "wrecking ball." Indeed, a strong dollar is not a good thing for financial markets (just look at declines in the stock and bond markets) or for the global economy (currently heading into a global recession). Arresting the depreciation of currencies around the world is necessary to alleviate extreme inflationary pressures outside the United States and allow real growth to recover from the currently dismal levels. The root causes of these extreme currency movements vary by country, but the primary drivers include interest rate differentials, a worldwide energy crisis exacerbated by the war in Ukraine, and margin calls on dollar-denominated debts.

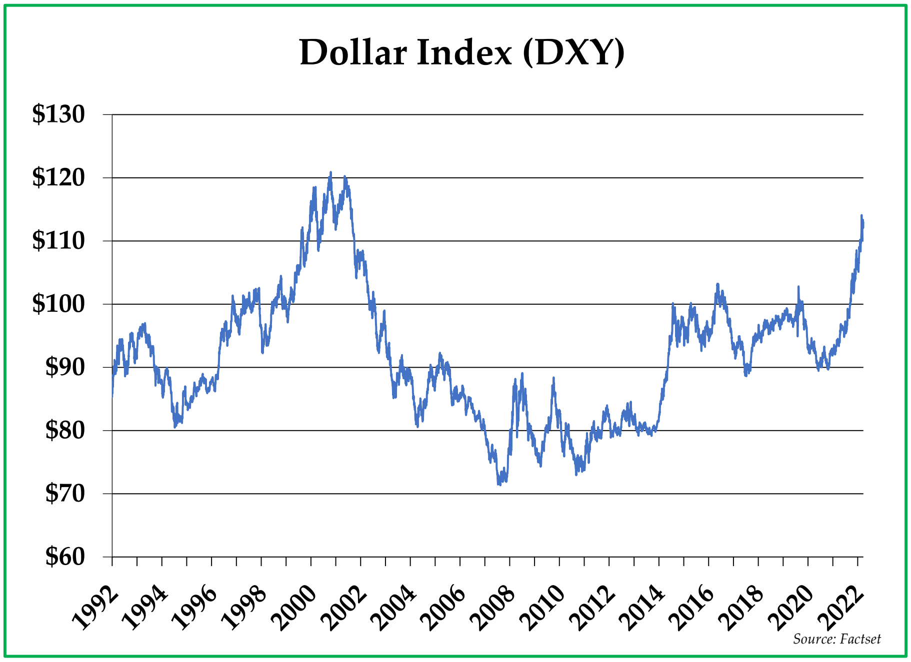
1. **Interest Rate Differentials**
   Interest rate differentials can cause significant movements in exchange rates. In a world with free capital flows, if Country A pays an interest rate of 5% and Country B pays an interest rate of 2%, all things being equal, investors are going to sell their bonds in Country B and buy the bonds of Country A to earn more interest, thereby causing Country B's currency to depreciate and Country A's currency to appreciate relative to each other. As a result, when the United States raises interest rates aggressively, it causes the dollar to appreciate unless other countries follow suit with aggressive interest hikes of their own.

2. **Energy Crisis**
   As the price of energy increases, it can have a significant effect on a country's trade balance and currency exchange rate. In general, when oil prices strengthen, so too do the currencies of energy exporters, whose exports are increasing, while the currencies of energy importers tend to depreciate because of increasing import values. For example, the Russian Ruble has been the strongest currency in the world during the first nine months of 2022, appreciating 19.1% versus the U.S. dollar, while the Sri Lankan Rupee has lost almost 80% of its value versus the U.S. dollar. Russia is a significant energy exporter, while Sri Lanka experienced a currency crisis when it ran out of dollars to import shiploads of fuel, cooking gas, and food, all of which considerably increased in price this year.

3. **Dollar-Denominated Debt**
   Because the dollar is the world's reserve currency, many foreign countries issue bonds that are denominated in U.S. dollars. Two extreme examples are Argentina, where more than 50% of its debts are denominated in dollars, and Columbia, where more than 30% of its debts are denominated in dollars. When the dollar rises, countries that owe debts in dollars are forced to spend local currency to buy dollars to pay back their debts. The Argentinian Peso and the Colombian Peso have depreciated by 30% and 12% versus the dollar, respectively, during the first nine months of 2022.

The DXY index, a measure of the dollar exchange rate against other developed market currencies, has soared by 16.8% year-to-date, reaching a level not seen since 2002 (see chart on the following page). The narrative behind this remarkable dollar strength is that the U.S. dollar, while far from perfect, is the "cleanest dirty shirt" in a drawer full of even dirtier shirts. Put differently, the dollar does not deserve to be strong, but it does deserve to be stronger than other currencies which are even worse. There is some truth to this narrative, but we want to explore why the relative relationships have changed to such a great extent this year.

- **The Euro: -16.0% vs. the U.S. Dollar YTD**
  Germany, the industrial powerhouse of Europe, had previously maintained its competitiveness as a goods exporter due in part to its ability to obtain cheap energy from Russia. In 2021, Russia accounted for 55% of Germany's natural gas imports. In 2022, Russian natural gas exports to Germany have declined precipitously due to mechanical pipeline problems, economic sanctions, and, more recently, the sabotage of two underwater gas pipelines. To replace this previously cheap source of energy, Germany has been purchasing liquified natural gas (LNG) from other countries at much higher prices, turning on its coal plants, and pushing off the closure of several nuclear reactors. Due to the greatly increased cost of energy, German manufacturing plants are shutting down and/or declaring bankruptcy. The Euro area is now generating a trade deficit rather than a trade surplus for the first time in many years due to the sharp rise in the cost of imported energy and the reduced competitiveness of German exports.



  The Euro's weakness is also attributable to low-interest rates. Interest rates in the Euro area have increased this year, but they are currently still 1% to 2% lower than interest rates in the United States. The Euro area cannot allow interest rates to rise too much because of the severe indebtedness of countries in southern Europe such as Italy, Spain, Greece, and Portugal. As a result, the European Central Bank (ECB) continues to buy government bonds to keep interest rates low, despite an environment of generationally high inflation rates.

- **The Yen: -25.7% vs. the U.S. Dollar YTD**
  Japan is not as dependent on Russian natural gas as the Euro area. As LNG prices have risen, Japan has decided to accelerate the resumption of operations at the nuclear plants that were shut down because of the March 2011 earthquake and tsunami that subsequently destroyed the Fukushima nuclear plant. Like Europe, Japan depends on energy imports, but it is not yet experiencing an energy crisis to the extent that Europe is.

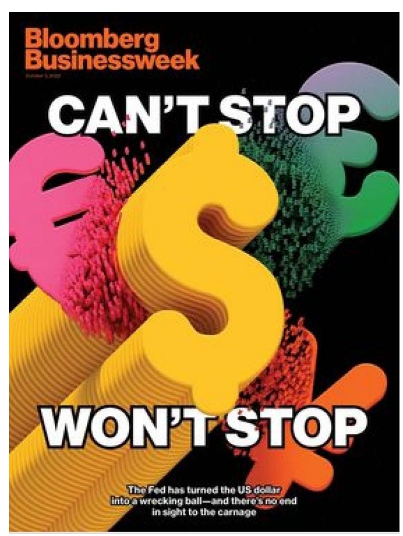
  Nevertheless, the yen has also been depreciating significantly relative to the dollar due primarily to interest rate differentials. In Japan, deflation has been a problem for many years, and it appears that the Bank of Japan, seemingly unconcerned about inflation, is purposefully trying to engineer a weaker yen. The Bank of Japan is doing this by printing money to purchase Japanese Government Bonds (JGBs), thereby diluting the currency while keeping interest rates as low as possible. As a result, short-term interest rates remain negative in Japan and the 10-year JGB pays an interest rate yield of just 0.25%. The dollar, with much more attractive interest rates for investors, has been appreciating naturally versus the yen. Based on statements made by Bank of Japan Governor Haruhiko Kuroda, he perceives yen weakness to be a positive in that Japanese exports should become more competitive going forward. As trade relations between China and the United States deteriorate, Japan is trying to position itself as a viable replacement for China as a goods exporter, and its currency weakness is therefore part of a larger strategy to do exactly that.

- **The British Pound: -21.3% vs. the U.S. Dollar YTD**
  Like Japan, the United Kingdom is a populous island nation, except without a meaningful export industry. The United Kingdom has run a trade deficit and a budget deficit for many years, both of which have been financed with capital inflows from countries like China, Russia, and Saudi Arabia whose investors have been purchasing London real estate. Like Europe, the United Kingdom has a significant energy deficit, and it has been trying to subsidize the energy costs of households and businesses with additional budget spending. Unlike both Japan and the Euro area, interest rates on U.K. government bonds are comparable to interest rates in the United States.

  The British Pound has depreciated versus the dollar for multiple reasons. First, the U.K. has been confiscating the assets of Russian billionaires, which is disconcerting for Russian investors and for rich investors from other countries that might not be 100% aligned with U.K. foreign policy. Second, the U.K. recently proposed an aggressive fiscal plan with no clear idea of how its deficits will be financed. Third, in recent weeks, the Bank of England has resumed printing money to cap interest rates to keep its pension plans solvent after they speculated incorrectly on the direction of interest rates. Finally, the U.K. has almost no foreign currency reserves with which it might defend its currency from depreciating.

In summary, the overall picture for currencies of the developed world is quite a gloomy one at the present moment, and the U.S. dollar has been appreciating because it is indeed in somewhat better shape on a relative basis. After all, the U.S. dollar still enjoys reserve currency status, and the United States can also supply most of its own food and energy needs. These benefits have not prevented the dollar from depreciating against energy and food prices this year, but it has prevented the dollar from depreciating against most foreign currencies. These advantages are longstanding advantages, but they have become much more important this year.

If the Federal Reserve continues to hike interest rates and the dollar continues to appreciate, most financial assets will continue to decline in price. This year, cash has beaten almost every asset class around the world. More and more investors are betting that the dollar's strength will continue, extrapolating the current trend far into the future. Popular business magazine covers, which have historically proven to be a wonderful contrarian signal, suggest to us that the current bull market in the dollar might be closer to the end than the beginning.



This leads to the question of what might cause the dollar to stop appreciating versus other currencies. As always, we have no crystal ball with which to predict the future, but we would be looking for one or more of the following to happen in order for the dollar to depreciate against other currencies:

- The Federal Reserve ends its Quantitative Tightening (QT) program and begins a new round of money-printing to cap interest rates to allow the U.S. Treasury market to function more properly.

- Europe, Japan, and/or Great Britain develop a separate peace agreement with Russia that involves purchasing energy from Russia in local currencies.

- The Federal Reserve announces that it will pause hiking interest rates in response to softening employment data, a lower oil price, or a stock market decline deep enough to reduce wage inflation.

- The United States meets with other developed countries and agrees upon a currency accord that allows for the dollar to depreciate.

We would suggest that a reversal is likely a matter of weeks and months from now rather than years. The strength of the dollar is driven by quickly rising interest rates on U.S. Treasuries, which now exceeds 4%. Last year, the U.S. Government paid approximately $400 billion in interest costs on its debt. If interest rates stay at current levels, then given rising Federal Debt levels, projected annual interest costs could easily exceed $1 trillion. The combination of a stronger dollar, rising interest rates, and an energy crisis are pushing the world into a recession which will soon put enormous pressure on the U.S. budget deficit, as tax receipts historically decline during a recession. Due to the excessive indebtedness of the U.S. government, declining tax revenues combined with 4% interest rates would be an untenable situation which the U.S. government could not tolerate for very long.

Investment Implications
When an eventual pivot happens, we believe that it will be an excellent time to own precious metals such as gold, food producers, commodity producers, and emerging market stocks. Until that time, we are staying somewhat defensive, with a larger-than-normal position in cash and short-term Treasury bonds and puts on various market indices. We have also begun accumulating a modest position in Treasury Inflation Protected Securities (TIPS) bonds, which now offer investors positive real interest rates.

Performance and Portfolio Changes

Over the past twelve months, Appleseed Fund Investor Class has generated an absolute return of -18.15%, outperforming the Morningstar Global Small Mid Cap Index, which generated a total return of -22.91%. Appleseed Fund's performance declined with the general market, but the Fund's relative performance was helped by its positions in fertilizer companies, value stocks, Fannie Mae preferred stocks, and gold.

Within our equity portfolio, the biggest positive contributors to the Fund's performance over the past year were **Bed, Bath, & Beyond (BBBY)**, **CF Industries (CF)**, and **Mosaic (MOS)**. We bought Bed, Bath and Beyond and owned it for just a few weeks before the share price doubled. We sold our shares and, fortunately, did not buy them back when the share price dropped again a few weeks later. CF Industries and Mosaic, leading North American fertilizer producers, benefited from greatly improved profitability as fertilizer prices skyrocketed after Russia invaded Ukraine.

The most significant detractors from performance over the past year have been **Lumentum Holdings (LITE), Sberbank (SBRCY)**, and **Moscow Exchange (MOEX-Moscow).** Lumentum shares were pressured along with many other tech stocks during the past year, while our two Russian holdings were either sold for a loss or written down in the aftermath of Russia's decision to invade Ukraine.

During the recent quarter, we sold Appleseed's position in **Charter Communication (CHTR)**, **Meta Platforms Inc. (META)**, and **SK Square (402340 – Korea)**. We initiated new Appleseed positions in **Micron Technologies (MU),** a leading semiconductor company, and **MRC Global (MRC),** an industrial distributor.

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We thank all of our shareholders for their continued allocation to Appleseed Fund. We are grateful to have the privilege of managing the Fund.

If you have any questions, please do not hesitate to reach out to us at contact@appleseedfund.com.

Sincerely,

Billy Pekin, CFA
Adam Strauss, CFA
Josh Strauss, CFA
Shaun Roach, CFA

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

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

The following holding percentages are for each equity mentioned in the presentation as of 09/30/2022; By Ticker Symbol; PHYS 11.00%, BOWFF 4.36%, ADDYY 4.16%, CF 4.16%, SSNLF 4.06%, BOIVF 3.97%, AER 3.87%, DLTR 3.87%, MOS 3.57%, HLF 3.27%.

ANNUALIZED RETURNS- as of 9/30/2022

	1 Year	3 Years	5 Years	10 Years	Since Inception
Investor Class (APPLX)	-18.15	4.08	3.67	4.64	5.43
Institutional Class (APPIX)	-17.99	4.28	3.85	4.86	*5.59*
Morningstar Gbl SMID Cap Index	-22.91	2.41	2.76	6.97	5.12

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.

As of 9/30/2022, the Funds Top Ten Holdings can be found at www.appleseedfund.com

The gross expense ratio of the Fund's investor class is 1.52%, and the institutional class is 1.27%; the net expense *ratio after contractual fee waivers through January 31, 2023 is 1.22% and 1.03%. The Fund's ninety-day redemption fee is 2.00%.*

The Morningstar Global Markets SMID Cap Index is an unmanaged group of stocks from the global market with small and medium-sized capitalizations and is not available for purchase. The index provides returns in U.S. dollars,

assumes reinvestment of all distributions, and does not reflect the deduction of taxes and fees. Indices provide total returns in U.S. dollars with net dividends reinvested. 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.

Diversification does not ensure a profit or guarantee against loss.

The universe of acceptable investments for the Fund may be limited as compared to other funds due to the Fund's ESG investment screening. Because the Fund does not invest in companies that do not meet its ESG criteria, and the Fund may sell portfolio companies that subsequently violate its screens, the Fund may be riskier than other mutual funds that invest in a broader array of securities. Although the Pekin Hardy believes that the Fund can achieve its investment objective within the parameters of ESG investing, elimination of certain securities as investments may have an adverse effect on the Fund's performance.

Investments in commodities such as gold may be affected by overall market movements, changes in the 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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