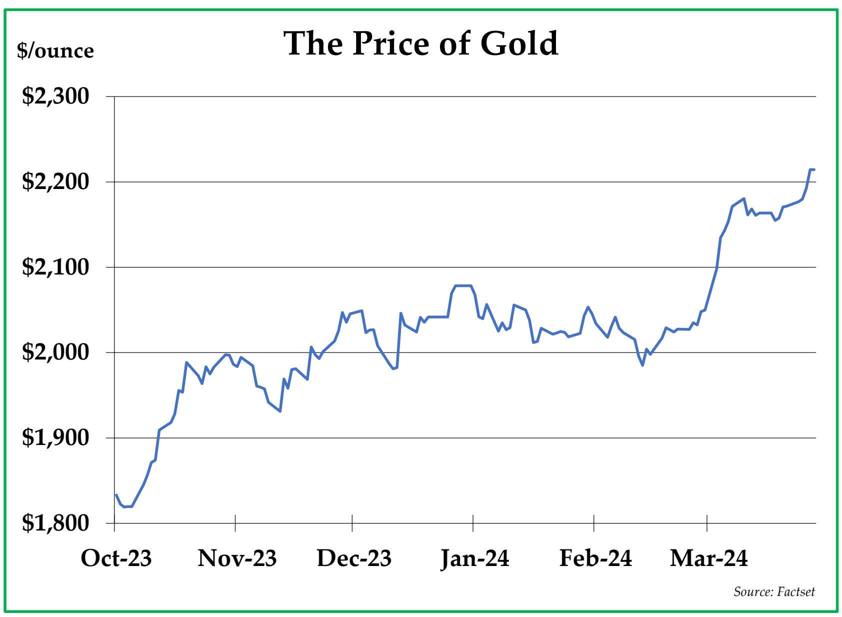
May 2, 2024
Dear Appleseed Shareholder:

*"Although gold and silver are not by nature money,
money is by nature gold and silver."*

— Karl Marx

The author of *The Communist Manifesto* was not just a philosopher and political theorist; he was also an economist. In the 19th century, which is when Karl Marx was thinking and writing about politics, money was indeed gold and silver – or at least explicitly backed by gold and silver. One could walk into a bank and redeem U.S. dollars, British pounds, or any other common currency for physical gold. His profound statement underscores a fundamental truth that lost some relevance after the United States left the gold exchange standard in 1971 but has gained renewed significance in today's economic landscape. Increasingly, investors and central banks have a renewed recognition that gold is a form of money with enduring value.



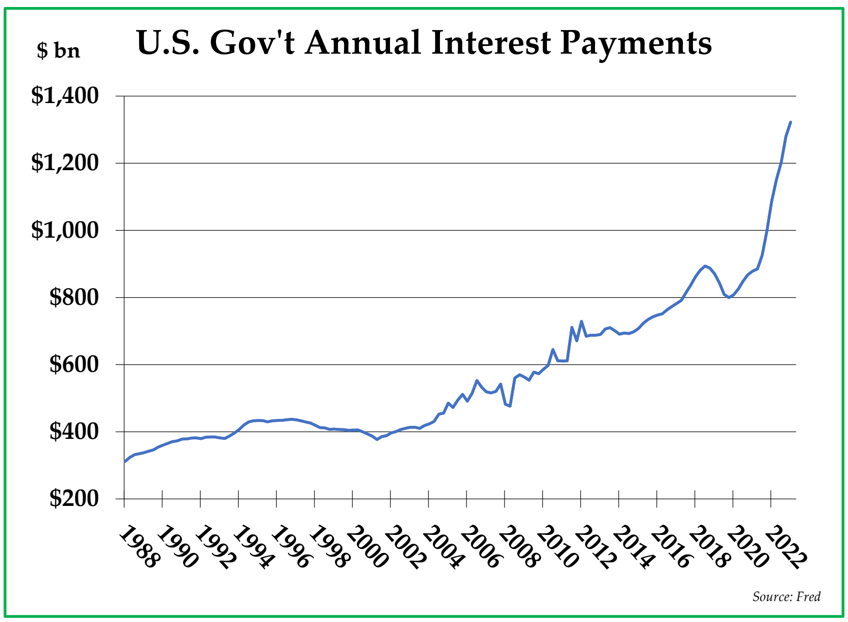
The last time we discussed the topic of gold in any amount of depth was after Q2 2020, at the end of a 12-month period when the gold price had just risen by 27%. At the time, not only did we discuss the investment case for gold, but we pointed out the attractive light environmental footprint of owning physical gold in a vault. We remained long-term bullish on gold then, as we remain long-term bullish now. With that said, the pathway for the price of gold has been choppy, although generally positive, and we expect the future path for gold to rhyme with the past. After our Q2 2020 letter was written, the gold price stagnated for the next 2.5 years before the bull market in gold resumed at the end of 2022.

Rather than rehash the arguments that we put forth in our Q2 2020 letter, most of which remain compelling reasons to own a core position in gold during the 2020s, we are going to discuss what has changed since then that might be causing the price of gold to rise of late. Over the last six months, the price of gold has risen 20% to reach new all-time highs, during a period where the U.S. dollar has strengthened relative to other currencies.[1]

We have been asking ourselves, given the strength of the U.S. dollar, why would the price of gold be rising? In summary, we would answer that the price of gold has increased due to increasing monetary debasement (reducing the value of a currency), private demand in China and in other emerging market countries, and central bank policy-related demand. Importantly, we see no near-term catalyst to reverse these bullish trends.

Monetary Debasement

Since June 2020, as we expected, monetary debasement of the U.S. dollar has not just continued; it has accelerated. The money supply, as measured by M2, increased from $18.1 trillion to $20.9 trillion as of 3/31/24. Meanwhile, the Consumer Price Index (CPI) has increased by 21% cumulatively, which means the price of a basket of goods in the United States is now 21% higher today than it was in June 2020. Moreover, it appears that monetary debasement is set to accelerate, with the United States continuing to post very large Federal deficits and the Federal Reserve signaling that they may reduce interest rates, despite the fact that inflation remains well above its 2% long-term goal.



Moreover, with debt increasing and interest rates increasing since June 2020, interest payments on U.S. Government debt are skyrocketing. Current spending on debt service is now above $1.2 trillion and exceeds the annual spending of the Department of Defense. In addition, interest expenses are accelerating as old debt matures and is refinanced with new debt at higher interest rates. In our view, we are getting closer to the point where the Federal Reserve may have to start funding the U.S. Government's growing deficits by buying U.S. Treasuries and capping interest rates at a low level, a process also known as yield curve control or debt monetization.

Emerging Market Investor Demand

[1] The chart on page 1 includes the six-month period that includes Q4 2023 and Q1 2024. As we are publishing this letter in April 2024, the price of gold has appreciated further to $2,412/ounce as of April 16, 2024.

While investors across emerging markets in Asia are participating in the growing demand for gold, Chinese investors in particular have emerged in driving substantial demand for gold. With a weak domestic real estate market and a falling stock market, Chinese investors are looking for more stable stores of value for their growing wealth. Because of capital controls, Chinese investors have limited investment options, and it appears that gold may be receiving capital flows that may have previously gone into stocks or real estate.

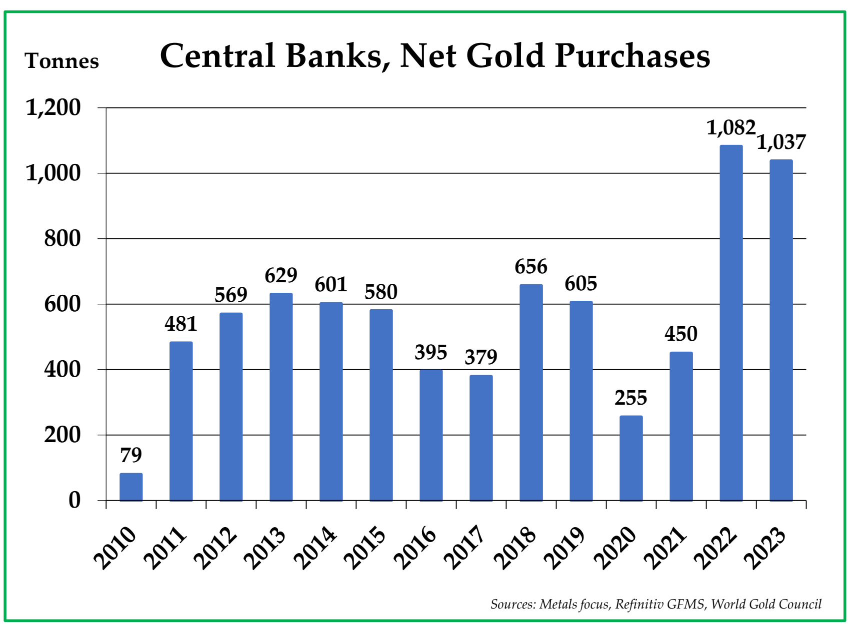
Interestingly, U.S. investors appear to be *selling* gold, reflected by the recent declines in the assets under management of U.S. gold ETFs, even in the face of a rising gold price. As gold keeps reaching new highs, gold headlines are sparse, and the excitement level about the rising gold price is muted among investors. Should U.S. investors choose to move more of their capital into gold, that would be another tailwind for the gold price. However, for now, waning U.S. investor demand represents a headwind for higher gold prices.

Central Bank Purchases

Central banks worldwide have significantly increased their gold purchases, marking a notable shift in reserve asset allocations. For the second consecutive year, central banks purchased more than 1,000 metric tons (tonnes) of gold, which is far higher than normal and more than triple the amount of gold that is mined out of the ground each year. The rationale behind this surge in central bank buying is multifaceted.

First, central banks view gold as a hedge against currency risks and a means to diversify their foreign currency reserves. Gold's intrinsic value and historical role as a store of wealth make it an attractive asset for central banks seeking stability amid economic uncertainty.

Second, the evolving geopolitical landscape has influenced central bank behavior regarding gold acquisitions. The imposition of sanctions and geopolitical tensions by the United States and Europe, such as those applied to Russia after the Ukraine invasion, have raised concerns about the confiscation risk of owning traditional reserve currencies and sovereign debt. As a result, central banks have bolstered their gold reserves significantly ever since the sanctions against Russia were announced.



Third, the evolution of alternative monetary systems, notably exemplified by initiatives driven by the BRICS countries (Brazil, Russia, India, China, and South Africa), has reshaped perceptions of gold as a settlement reserve asset. A growing consortium of countries have embarked on a path to establish a parallel monetary framework that reduces dependency on traditional reserve currencies. Instead of conducting trade in U.S. dollars, Euros, or Japanese Yen, these countries are trading with each other in their respective local currencies, with gold serving as a neutral settlement asset to address any imbalances. This approach promotes financial autonomy and resilience, reducing vulnerabilities associated with reliance on the U.S. dollar. Central to this alternative system is the recognition of gold as a stable and universally accepted medium of exchange, particularly in cross-border transactions.

Shift in Physical Gold Flow

Due to many of the trends described already, the dynamics of physical gold flow have undergone a noticeable transformation, reflecting changing market sentiments and geopolitical shifts. Traditional gold hubs in the West, such as London and Switzerland, have experienced a decline in gold inventories and trading activity. This shift is attributed to several factors, including subdued investor interest in Western markets, declining ETF inventories, and waning COMEX open interest.

As a result, physical gold appears to be flowing from West to East, with emerging economies in Asia, particularly China, emerging as a key driver of gold demand. The rise of private investors in these regions, coupled with a cultural affinity for gold as a store of wealth, has also contributed to the eastward migration of gold flows. The net result of this shift in physical flows is that the price is increasingly being determined in Asia rather than in the West.

To conclude, we believe the surge in gold prices over the past six months reflects monetary debasement, emerging market investor demand and especially Chinese investor demand, central bank purchases, and important shifts in physical gold flow. Just looking at central bank demand for gold by itself being more than triple the annual mining supply, it would be hard to understand the gold price not rising as it has lately.

As geopolitical uncertainties persist and traditional financial paradigms evolve, we think gold is likely to increase in relevance from here as a strategic asset that transcends borders and economic cycles, with a higher commensurate with its increased relevance and, conversely, with the U.S. dollar's depreciating value.

We have said this before, but we would reiterate that we think gold is poised to outperform the S&P 500 Index over the next decade, as it has over the past several years. As a result, the Fund is bullishly positioned in gold and is likely to remain so until the strong fundamentals that are driving higher gold prices change.

Performance and Portfolio Changes

Over the 6 months ended 3/31/24, Appleseed Fund Institutional Class has generated an absolute return of 17.36%, slightly underperforming the Morningstar Global Small/Midcap Index, which generated a total return of 18.46%. Throughout most of the past year, Appleseed Fund was positioned for an inflationary, slow growth economy. With inflation levels falling, causing a ripping stock market since the end of 2022, Appleseed Fund's cautious positioning held back investment returns. Plus, with the Magnificent Seven representing a huge portion of global stock returns, Appleseed's lack of exposure to these large cap tech stocks limited returns.

Appleseed Fund added three new names to the portfolio in the past six months: Humana Inc. (**HUM**), AGNC Investment Corp. (**AGNC**), and Cameco Corporation (**CCJ**). Humana is one of several U.S. large managed care organizations and is primarily focused on government health insurance. Humana's share price has fallen over 40.0% from post-COVID highs due to the recent emergence of elevated medical loss ratios. In our view, Humana's stock has been severely punished and the stock was quite attractive at the time when Appleseed Fund took a position.

AGNC is an internally managed REIT focused on the agency RMBS sector. As the best of breed RMBS REIT, AGNC trades at a discount to tangible book value and offers a mid-teens dividend yield. With MBS spreads at a 3+ standard deviation from the mean, investors in AGNC will benefit from a normalization of mortgage credit spreads. While we wait for agency mortgage spreads to normalize, Appleseed Fund clips a ~1.3% dividend each month.

In terms of portfolio sales, Appleseed Fund liquidated its holdings in Evercore (**EVR**) and Genco Shipping & Holding (**GNK**). Both securities reached our estimates for intrinsic value, and we took the capital and invested it elsewhere. Within the equity portion of the portfolio, the biggest contributors to the Appleseed Fund's performance over the past 12 months were Dollar General (**DG**), Sprouts Farmers Markets (**SFM**), AerCap (**AER**), Wesco International (**WCC**) and Ardelyx (**ARDX**). The most significant detractors from performance over the past 12 months have been Mosaic (**MOS**), VF Corporation (**VFC**), Humana (**HUM**), Roche (**RHHBY**), and Herbalife (**HLF**).

Currently, Appleseed Fund is positioned defensively in light of our bearish outlook on the economy. With regards to equities, we are favoring companies in the consumer staples, healthcare, and agriculture sectors as well as inexpensive, out-of-favor value stocks. We do not believe that inflation is under control, as most of the long-term drivers of inflation are secular, not cyclical, and remain in place. As an example, the Federal Reserve may make incremental progress on reported inflation, but falling U.S. Treasury receipts without a decline in unemployment is a highly problematic signal. The U.S. fiscal situation needs the U.S. dollar down and inflation back up to avoid significant fiscal problems in the near-term. Beyond equities, Appleseed Fund is overweight U.S. Treasuries and physical gold trusts. Appleseed Fund owns U.S. Treasuries because, as previously mentioned, short-term U.S. Treasuries have become attractive for the first time in many years.

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We thank Appleseed Fund shareholders for their continued support of us in the management of their investable assets.

Sincerely,

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

Appleseed Fund Portfolio Managers

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ANNUALIZED RETURNS- as of 03/31/2024

	1 Year	3 Years	5 Years	10 Years	Since Inception
Investor Class (APPLX)	12.49	-1.01	5.58	4.20	5.99
Institutional Class (APPIX)	12.63	-0.87	5.75	4.39	6.20
Morningstar Gbl SMID Cap Index	17.90	3.22	8.32	7.06	6.56

Top 10 Holdings – as of 03/31/2024	*Portfolio Weighting %*
Sprott Physical Gold Trust	*9.48*
Dollar General Corp	*4.92*
Boardwalk Real Estate Investment Trust	*4.74*
CF Industries Holdings Inc.	*4.33*
The Mosaic Co.	*3.78*
WESCO International Inc.	*3.52*
AerCap Holdings NV	*3.34*
Bollore SE	*3.20*
Humana Inc.	*3.09*
Ituran Location and Control Ltd	*3.07*

Fund Inception date: 12/08/2006

The gross expense ratio of the Fund's investor class, as found in the Fund's prospectus dated January 28 2024 is 1.69%, and the institutional class is 1.38%; the net expense ratio after contractual fee waivers through January 31, 2025 is 1.22% and 1.03%. The Fund's ninety day redemption fee is 2.00%.

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.

The performance data quoted represents past performance. Current performance may be lower or higher than the performance data quoted above. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that investor's shares, when redeemed, may be worth more or less than their original cost. For performance information current to the most recent month-end, please call toll-free 1-800-470-1029.

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.

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