Linde Hansen Contrarian Value Strategy Commentary

1Q 2018

Linde, Hansen & Co.

Market Review

The streak snapped during the first quarter of 2018: after sixteen consecutive monthly gains, the S&P 500 posted its first decline in February. Rising short term interest rates, trade war rhetoric and the negative implications such things have for economic growth put a damper on the party and led to quarterly losses.

The median return for the 2,260 stocks which passed our initial screen on December 31, 2017 was (2.07%) for the quarter. The average return on an equal-weighted basis was (1.13%). Approximately 43% of the stocks advanced during the quarter.

The trends of 2017 were still visible, however. Technology stocks were clear leaders in the quarter, posting strong mid-single digit gains. Biotech stocks were also strong as were the shares of banks and brokers that may benefit from the rise in rates.

Energy stocks - particularly oilfield service stocks - fell appreciably during the quarter, continuing the poor performance from 2017. Consumer Durable stocks were hit as rising interest rates cast a pall over the prospects for sellers of big ticket items like cars, houses and home furnishings.

Portfolio Review

The Linde Hansen Contrarian Value Fund, Class A share was down 2.11% during the fourth quarter, besting the Russell Mid Cap Value Index (-2.50%) but not the return of the S&P 500 (-0.76%).

XL Group, an insurance company, was the strongest performer in the portfolio, advancing 58% after agreeing to merge with AXA SA.

Our technology stocks also showed strength. Nokia, a telecommunications equipment maker, and Cypress Semiconductor Corp. both advanced sharply.

On the negative side of the ledger, the portfolio was hit by the negative performance of our natural gas stocks, EQT Corp and Gulfport Energy Corp. The stocks of these companies seem to be overwhelmed by a bearish consensus viewpoint toward the future price of natural gas despite advancements in the operations of the underlying companies.

We manage positions in the portfolio with an eye toward advancement of their fundamentals relative to our expectations and valuation. We took advantage of stock market strength in January to reduce position size of some of our winners and to eliminate some losers. Our cash position has risen to over 25% of the portfolio as a result.

Current View

The battle between momentum and value continues to rage. The Russell value indices were all negative during the first quarter while all the growth indices were positive. Technology leads and the FAANG stocks still dominate headlines. First quarter earnings have on average been robust, tax rates have been lowered and the unemployment remains low. Returns have been positive for most stocks so far in April. Things are good.

But there has been a degree of uneasiness in the market. We have begun to see again the flip-flop back and forth between “risk-on” and “risk-off,” with tech and momentum surging when “risk is on” and high yielding utilities and real estate investment advancing when “risk is off.” Volatility has returned, making us wonder if the market is experiencing a natural pause in this long-running bull market, or are expectations of further rate increases by the Federal Reserve Board evolving into a self-fulfilling dampening of economic growth.

We have struggled to find new candidates for inclusion in the portfolio as profit margins for many companies are at historic highs and valuations, rightfully so, are well above average. The stocks that have been leading are those where investors believe a good thing is going to get even better.

Caterpillar Inc. is a good case in point. Its operating margin has broken new ground, exceeding the prior peak by 300 basis points. Expectations have become quite high as evidenced by its historically low short interest and two thirds of analysts covering the stock rating it buy. While discussing first quarter earnings, the mere mention that margins had peaked for the year rocked the stock: it fell 12% intraday, reflecting sensitivity to any change in trend.

Accordingly, we are leery of stretching for the moon. Rather, we think there is better opportunity in lower-expectation situations that have the potential to benefit from both profitability improvement and valuation expansion. The easiest way to clear the hurdle is to set the bar low. In our opinion, the bar is set too high for many companies and industries right now which will make it hard to make money in these stocks going forward.

We believe long term success comes from disciplined investing. And while we find the current market environment difficult given our contrarian value discipline, we remain dedicated to our investment process. We invest stock-by-stock: when we find a situation where the stock is attractively valued and there are strong catalysts to drive the return on invested capital higher, we will add it to the portfolio.

	Linde Hansen Contrarian Value Fund Performance as of 3/31/2018			
	Three Months	One Year	Five Years	Since Inception (February 8, 2012)
Linde Hansen Contrarian Value Fund Class A (LHVAX)	-2.11%	-1.75%	5.00%	6.51%
Linde Hansen Contrarian Value Fund Class A - With Sales Charge	-7.23%	-6.91%	3.88%	5.58%
Linde Hansen Contrarian Value Fund Class I (LHVIX)	-2.08%	-1.59%	5.25%	6.77%
Russell Midcap Value Index Total Return	-2.50%	6.50%	11.11%	12.95%

Performance data quoted here represents past performance. Current performance may be lower or higher than the performance data quoted above. Investment return and principal value will fluctuate, so that shares, when redeemed, may be worth more or less than their original cost. Past performance is no guarantee of future results. The maximum sales charge for class A Shares is 5.25%. Total annual operating expenses for the Fund is 1.81% (Class A) and 1.51% (Class I) respectively. The Fund's investment adviser has contractually agreed to reduce its fees and/or absorb expenses of the fund, at least until March 31, 2019 to ensure that the net annual fund operating expenses will not exceed 1.40%, and 1.15% for (Class A), and (Class I) shares, respectively, subject to possible recoupment from the Fund in future years. Please review the Fund's prospectus for more detail on the expense waiver. Results shown reflect the waiver, without which the results could have been lower. A Fund's performance, especially for very short periods of time, should not be the sole factor in making your investment decisions. For performance information current to the most recent month-end, please call toll-free 1-855-754-7933.

Russell Mid-Cap Value Index- measures the performance of the mid-cap value segment of the U.S. equity universe. It includes those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values. Investors are not able to invest directly in the index referenced in this illustration and unmanaged index returns do not reflect any fees, expenses or sales charges. The referenced index is shown for general market comparisons and is not meant to represent the Fund.

The S&P 500 Index – An unmanaged composite of 500 large capitalization companies. This index is widely used by professional investors as a performance benchmark for large-cap stocks.

Return on invested capital (*ROIC*) - A calculation used to assess a company's efficiency at allocating the capital under its control to profitable investments. The measure gives a sense of how well a company is using its money to generate returns.

FAANG Stocks: an acronym for five popular technology stocks: Facebook (FB), Apple (AAPL), Amazon (AMNZ), Netflix (NFLX), and Alphabet (GOOG).

Investors cannot directly invest in an index and unmanaged index returns do not reflect any fees, expenses or sales charges.

Fund holdings are represented as a percent of LHVAX at NAV as of 3/31/2018. Portfolio Holdings are subject to change and should not be considered investment advice. Mutual Funds involve risk including the possible loss of principal. There is no assurance that the fund will meet its investment objectives, you may lose money by investing in the Fund.

Investing in undervalued securities involves the risk that such securities may never reach their expected market value, either because the market fails to recognize a security's intrinsic worth or the expected value was misjudged. A value investment style may go in and out of favor causing the Fund to underperform other investment styles. The Fund is 'non-diversified', and thus invests its assets in a smaller number of companies than many other funds and as a result a change in the value of a single security may have significant effects on the Fund's value. Investments in foreign securities carry special risks, including foreign political instability, greater volatility, less liquidity, financial reporting inconsistencies, and adverse economic developments, all of which may reduce the value of foreign securities. Many of these risks can be even greater when investing in countries with developing economies and securities markets. Smaller capitalization companies may have a narrower geographic and product/service focus and be less well known to the investment community, resulting in more volatile share prices and liquidity. Larger capitalization companies pose the risk that larger, more established companies may be unable to respond quickly to new competitive challenges such as changes in consumer tastes or innovative smaller competitors. Mid-Capitalization companies may be more vulnerable to adverse business or economic events than larger, more established companies. Mid-sized companies may pose risks including liquidity, market and financial resources and may depend upon a relatively small management group. Investments in companies involved in special situations, such as reorganizations or restructurings, may involve greater risks when compared to the Fund's other strategies. Failure to anticipate changes affecting these types of investments may result in permanent loss of capital. **6436-NLD-5/3/2018**

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