Linde Hansen Contrarian Value Strategy Commentary

3Q 2018

Linde, Hansen & Co.

Market Review

The US Stock market moved forward in an uneven manner during the third quarter of 2018, but trends were clearly delineated by the end of the three-month period: large caps beat smaller caps and growth beat value by at least 400 basis points across all capitalization segments. Momentum remains in vogue, much to the dismay of value investors.

The median return for the 2,271 stocks which passed our initial screen on June 30, 2018 was 2.89% for the quarter. The average return on an equal-weighted basis was 3.73%. Approximately 60% of the stocks advanced during the quarter.

Tech stocks, especially software related, were quite strong during the quarter. Communication stocks also advanced smartly, driven by surges in several wireless companies.

Miners of metals (gold) and producers of aluminum and construction materials lagged the market. Big ticket consumer companies such as homebuilders and auto-makers were also down as concern grew that higher interest rates would dampen demand.

Portfolio Review

The Linde Hansen Contrarian Value Fund, Class A and I shares were up 3.01% and 3.12% respectively during the quarter, slightly below the Russell Mid Cap Value Index (which was up 3.29%), despite carrying a large cash position during the quarter. The larger-cap, more growth-oriented S&P 500, was up 7.71%.

Endo Pharmaceuticals advanced sharply as another strong quarter provided further evidence that generic drug pricing is firming leading to an improved outlook for future earnings. CenturyLink was another strong performer during the quarter as a solid earnings report bolstered belief its dividend will be sustained.

On the negative side of the ledger, our investments in natural gas stocks EQT Corp and Gulfport Energy were beaten down by falling expectations for the price of natural gas. Granite Construction also fell precipitously as revenues and backlog build did not meet analyst estimates. Backlog build is notoriously lumpy in the construction industry and we do not believe this lull has meaningfully impacted our investment thesis.

The fund carried a higher-than-normal cash position during the quarter of over 25%. The elimination/trimming of positions was not fully offset by the inclusion/addition to names in the portfolio. The high cash balance was a drag on performance during the quarter.

Current View

Momentum trading strategies have dominated the market for close to two years now. The markets have been exhibiting an appetite for risk and an insatiable desire for growth. This has been fueled by low interest rates and a flattening yield curve which has in essence reduced the universe of attractive investments.

Financial instruments such as stocks and bonds are valued based upon the present value of their future expected cash flows. For nascent growth companies like Tesla, the expected cash flows don't materialize until far in the future. For profitable but rapidly growing companies like Netflix, the expected future cash flows dwarf current earnings. In both cases big growth is expected and the lower the interest rate used to discount back those future cash flows, the higher the stock price today.

So it should be no surprise that the stock prices of some of these high fliers have stumbled recently as interest rates have ticked up. In September the Federal Reserve Board raised the Federal Funds target rate once again and indicated more hikes are in the offing. More recently, rates for longer maturities have begun to increase at a faster rate than short rates. The yield curve has begun to steepen again and a rising ten-year government rate is likely to be bad for high multiple growth stocks.

Whether rising interest rates will ignite a flow of money back into value stocks is hard to tell, but it's not an irrational thought. As more dollars today than ever before seem to be managed by strategies which rotate between "styles", "factors", "capitalization", "asset types", etc., when these asset allocators rotate away from growth and momentum it's possible they rebalance to areas that have lagged, such as value.

If it does, we believe our portfolio will disproportionally benefit relative to our benchmark as our sector weightings vary greatly from those of the Russell Midcap Value. The index has about 11% in utilities and 14% in real estate investment trusts, consisting of stocks of slow growing but high yielding companies that pay out a large percentage of their cash flow in dividends. While higher interest rates will hurt aggressive growth stocks, it's likely to hit these "yield substitutes" as well. Our exposure to these "interest rate sensitive" sectors is minimal, so it will be other sectors that are less impacted by rising interest rates that will drive our performance.

We believe long term success comes from disciplined investing. Having the patience to stick to a sound strategy is the best way to build wealth over time, in our opinion. We will remain disciplined.

Linde Hansen Contrarian Value Fund Performance as of 9/30/2018				
	Three Months	One Year	Five Years	Since Inception (February 8, 2012)
Linde Hansen Contrarian Value Fund Class A (LHVAX)	3.01%	4.13%	4.05%	7.04%
Linde Hansen Contrarian Value Fund Class A - With Sales Charge	-1.03%	-1.03%	2.94%	6.18%
Linde Hansen Contrarian Value Fund Class I (LHVIX)	3.12%	4.45%	4.32%	7.32%
Russell Midcap Value Index Total Return	3.30%	8.81%	10.72%	12.87%

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%. 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.

Total annual operating expenses for the Fund is 1.81% (Class A) and 1.56% (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

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.

Important Risk Information:

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 9/30/2018. 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.

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For more information please contact your Financial Advisor or;	
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