# Edgar Lomax Value Fund

## Market Commentary
(through 06/30/18)

We are pleased to provide an update regarding the performance of the Edgar Lomax Value Fund through June 30, 2018. The Edgar Lomax Company is the Fund's investment advisor. We are considered a traditional large-cap value manager, and seek to achieve above-average long-term results by participating fully in rising markets while limiting "bear market" losses.

While investors in general continued to snap up ever-more-expensive, higher-risk issues—namely large "growth" stocks—**2018's second calendar quarter saw the Fund's portfolio solidly outperform the S&P 500's "value" subindex**. Specifically, the S&P 500 Growth Index rose 5.25% while the S&P 500 Value rose 1.40% (and the S&P 500 fell between them with a return of 3.43%). In this environment, the Fund's large "value" holdings gained 2.03%, **keeping its average annual total return through June 30, 2018 ahead of the value index over all three of the following periods:**

| | Fund | S&P 500 Value | S&P 500 | Lipper Large Cap Value Average |
|---|---|---|---|---|
| **1-year** | **11.39%** | **7.58%** | **14.37%** | **8.33%** |
| **5-year** | **11.30%** | **10.45%** | **13.42%** | **9.88%** |
| **10-year** | **9.15%** | **8.44%** | **10.17%** | **7.94%** |

*Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment 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 (866) 205-0524 or visiting* www.edgarlomax.com*. Before deducting fees that the Advisor contractually waived or expenses of the Fund that the Advisor absorbed, the gross expense ratio is 1.02%*; however, after such waivers or absorptions, the Fund's maximum net expense ratio is 0.70%. Including the voluntary performance-based waiver arrangement, actual Total Annual Fund Operating Expenses (the net expenses that investors paid) were 0.50% for the fiscal year ended October 31, 2017.*

Growth stocks, particularly "tech" names, have dominated both the markets and the headlines this year. In fact, *The Wall Street Journal* reported in its July 2 edition that seven large technology names (Alphabet, Amazon, Apple, Facebook, Microsoft, Netflix and Nvidia) had accounted for "the entire gain in the S&P 500" through 2018's first half. Amazon alone is credited with just over one third of the index's year-to-date rise. This herd-like embrace of risk has spilled over to the value index as well, where what are generally the best bargains on an earnings basis actually declined during the quarter. Specifically, the lower half of the S&P 500 Value Index on a price-to-earnings ratio (or P/E) basis fell -0.50% while the higher P/E half rose 3.30%.

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* Figures are from the Fund's prospectus dated February 28, 2018. The Advisor has contractually agreed to waive its fees and/or absorb expenses of the Fund to ensure that Net Annual Fund Operating Expenses do not exceed 0.70% (excluding acquired funds fees and expenses, interest, taxes and extraordinary expenses) through at least February 27, 2019. In addition, the Advisor has voluntarily agreed to waive a portion of its investment advisory fee contingent upon the Fund's performance versus the S&P 500 Value Index. While the Advisor may discontinue its voluntary waiver any time after February 27, 2019, it has no current intention of doing so.

Buying the highest flying stocks seems ill advised, particularly in the face of an uncertain economic landscape: for example, our Federal Reserve is well into its planned program of interest-rate hikes, economic growth rates outside the U.S. have been coming in below expectations, and the trade/tariff picture remains murky at best. As a result of the above-described stock market action, though, we believe the Fund's potential for strong relative performance over the next several years has actually risen. For example, the Fund's P/E now stands at 18.6 versus S&P 500 and S&P Value respective P/Es of 23.6 and 19.5.

We will conclude by discussing the Fund's holdings, specifically those that had a substantial impact on the Fund's overall performance during the second quarter. Two of our economic sectors separated themselves from the pack by logging substantial gains: Consumer Discretionary rose 10.1% and Energy advanced 13.2%. All of our individual Consumer Discretionary holdings had positive performance during the quarter, but it was our largest holding in the group (Target, up 10.6%) that had the greatest impact on performance. The company is benefitting on several fronts: a generally strong recent holiday shopping season, consumers that remain eager to shop in the current strong economy and what we believe are a number of solid management decisions to boost sales and control expenses. On top of all that, the shares still appear undervalued to us—with a P/E of just 14. It was a similar story among our Energy holdings where all of them rose during the quarter. Chevron, our largest holding in the sector, gained 11.9%. The company has been boosted by rising oil prices, but has also drawn investor interest by aggressively paring its less profitable assets while expanding production.

Meanwhile, a trend that carried over from last quarter is the decline in Consumer Staples stocks (our holdings in the group fell -1.1%). Not surprisingly, a repeat decliner was Walgreens Boots Alliance (down -7.7%); please refer to last quarter's commentary regarding potential pressure on profits from the alliance among Amazon, Berkshire Hathaway and JPMorgan. In addition, Amazon just announced the acquisition of PillPack, a direct threat to Walgreens' prescription business. It is important to remember that Walgreens remains a hugely profitable and well-financed company. It also isn't the first time a competitor wanted a piece of its business. We think the "sell off" may be overdone and the shares now trade at a relatively low P/E of just 15.

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*Must be preceded or accompanied by a prospectus.*

**Mutual fund investing involves risk; principal loss is possible. "Value" investing as a strategy may be out of favor in the market for an extended period. Value stocks can perform differently from the market as a whole and from other types of stocks. Growth stocks typically are more volatile than value stocks; however, value stocks have a lower expected growth rate in earnings and sales.**

Investment performance reflects expense waivers in effect. In the absence of such waivers, total return would be reduced.

The opinions expressed are those of the investment advisor, are subject to change, and forecasts made cannot be guaranteed. Fund holdings and sector allocations are subject to change and should not be considered recommendations to buy or sell any security. As of June 30, 2018, the Fund held no securities of Alphabet, Amazon, Facebook, Microsoft, Netflix or Nvidia. However, it did hold the following: 0.89% in Apple, 10.26% in the Consumer Discretionary sector, 8.59% in the Energy sector, 5.59% in Target, 3.29% in Chevron and 3.40% in Walgreens Boots Alliance.

The price-to-earnings ratio is calculated by dividing the current price of a stock by the company's trailing 12 months' earnings per share.

The S&P 500 Growth Index is a capitalization-weighted index of stocks in the S&P 500 Index which exhibit strong growth characteristics. The S&P 500 Value Index is a capitalization-weighted index of stocks in the S&P 500 Index which exhibit strong value characteristics. The S&P 500 Index is an unmanaged capitalization-weighted index of 500 stocks designed to represent the broad domestic economy. Lipper Averages are compiled by Lipper, Inc., an independent mutual fund research and rating service. Each Lipper average represents a universe of funds with similar investment objectives. You cannot invest directly in an index.

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