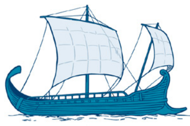

PHAEACIAN PARTNERS

Accent International Value Fund
Q3 2021 Commentary

Dear Fellow Shareholders,

In our commentary for the third quarter of 2021, we will update you on the Fund's performance, highlight market developments during the period, discuss the key contributors to performance as well as meaningful portfolio activity, and provide you with some perspective on the investment outlook.

Performance update

In the third quarter of 2021, the Fund returned -2.68% net of fees and expenses (all figures in dollar terms, unless stated otherwise). This compares to -2.99% over the same period for the MSCI All Country World ex-US Net TR Index ("Index"). Since the beginning of the year, the Fund returned 5.11% versus 5.90% for the Index over the same period. Most importantly, since its inception on December 1, 2011, the Fund has produced an annualized return of 9.43%[1], outperforming the Index which has an annualized return of 6.99% over a similar period[2].

Cash and equivalent holdings stood at 16% at the end of the quarter. Since the Fund's inception, cash exposure has fluctuated depending on the availability of suitable investment opportunities. This means the annualized return of the Fund's equity holdings since inception has been about 15%, well above the Index over a similar period[3].

As of September 30, the Fund was primarily geared toward Europe, with 14% exposure to the UK and Ireland (all figures in percentage of total assets, unless stated otherwise), and 47% to continental Europe. The remaining exposure was 13% to Asia Pacific and 10% to the Americas. In terms of sector, the Fund's main exposure was to information technology and communication services (27%), industrials (23%) and consumer goods (19%). Financials and healthcare each accounted for 5% and materials for 6%.

5 Year Historical Annual Performance[4]

	2020	2019	2018	2017	2016
Fund	19.64%	24.05%	-10.81%	27.12%	9.05%
Index	10.65%	21.51%	-14.20%	27.19%	4.50%

Performance[4]

	Q3 2021	YTD	1yr	3yr	5yr	Since Inception (12/01/2011)
Fund	-2.68%	5.11%	19.60%	13.29%	12.38%	9.43%
Index	-2.99%	5.90%	23.92%	8.00%	8.94%	6.99%

Source: Northern Trust, as at September 30, 2021.

1. Source: Northern Trust. Based on the annualized rate of the Fund from Dec. 1, 2011 to September 30, 2021.

2. The Index's annualized return of 6.99% is for the period from Nov. 30, 2011 to September 30, 2021. From Dec. 1, 2011 to September 30, 2021, the Index has produced an annualized return of 6.99% vs. 9.43% for the Fund.

3. The performance of the equity portfolio holdings segment of the Fund is presented gross of investment management fees, transactions costs, and Fund operating expenses, which if included, would reduce the returns presented. Performance of the equity portfolio holdings excludes the impact of cash and cash equivalents and investments in government debt. An investor in the Fund cannot achieve these returns and can only purchase and redeem shares at net asset value. The long equity performance information shown is for illustrative purposes only and may not reflect the impact of material economic or market factors. No representation is being made that any account, product or strategy will, or is likely to achieve profits, losses, or results similar to those shown.

4. Source: Northern Trust, September 30, 2021

Periods over one year are annualized. The fund performance data quoted here represents past performance, which is not indicative of future results. 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 of less than their original cost. Current month-end performance data may be obtained by calling toll-free, (800) 258-9668. Gross expense ratio is 1.24%. Phaeacian Accent International Value Fund commenced operations on 19 October, 2020, following the receipt of the assets and liabilities of the FPA International Value Fund ("the Predecessor Fund") through a reorganization into the Phaeacian Accent International Value Fund (the "Fund"). FPA was the investment adviser from inception through October 16, 2020, and reflects fees, charges and expenses of that vehicle for the time periods shown.

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Market Developments

In the first quarter of 2020, the breakout of the COVID-19 pandemic caused the Index to contract by more than 30% in a few weeks. However, the combination of unprecedented government spending and further monetary easing, later combined with broad-based, aggressive vaccination campaigns and associated hopes for a rapid return to normal business conditions led to a sharp recovery in international equity prices. This quarter was the first interruption in over a year of this continued positive momentum. The pause seemed to echo the concerns we have previously expressed that such optimism was premature and excessive.

Several factors appear to have contributed to a more nuanced view of the environment, many of which we highlighted as likely developments in recent commentaries. The fight against the virus is not over. Vaccines have been shown to remain highly effective against the virus for no longer than a few months and potentially less potent against new strains such as the Delta variant which caused another wave of infections, leading to new restrictive measures in some markets. A return to more normal operating conditions now seems many more months away for most businesses and a simple, easy reset to their pre-pandemic ways somewhat unlikely.

There may be long-lasting damage from this health crisis. The negative, long-term impacts of the economic lockdowns and over-aggressive government stimulus initiatives have started to surface, with dramatic disruptions to the global supply chain across many industries, shortages of goods and quickly rising broad-based inflation. These conditions could make it difficult for many businesses to deliver the record sales and margins now generally expected by the market.

There are signs of inflationary pressure. As most governments remain hard set on running massive deficits to inject ever more free money into their economies, inflation has the potential to reach proportions not seen in the lifetimes of most active investors today. Central banks seem hesitant to act and have so far adopted a reassuring public tone. However, behind the understandable financial and political biases of their stated positions, a reversal of previous monetary easing policies seems increasingly likely. In the US, for instance, the Federal Reserve started mentioning the prospect of tapering. Whether interest rates increase rapidly from here or not, rising inflation could force investors to reassess their cost of equity assumptions, which could lead to lower valuations. Rising inflationary pressure is particularly concerning for many emerging markets, including the Latin American region, which experienced a more pronounced decline in the quarter.

Lastly, China, which had become a cornerstone of the world's economy over the course of the past two decades, is now a source of concerns for investors. Geopolitical tensions between China and modern democracies have continued to rise, particularly around issues of human rights, trade, technology and the country's territorial ambitions. Domestically, the Chinese regime has taken a more radical turn with authoritarian behaviors, further regulatory expansions and government interventions across a wide range of businesses. On the economic front, years of capital misallocations, inevitable in centralized, directed economies, together with the aggressive use of financial leverage are catching up with China. Several property developers are already in difficulty, and more signs of financial distress could appear in the coming months.

Portfolio activity

Largest detractor

The largest disclosed detractor to performance this period was **Holcim**. While the company is a recent addition to the portfolio from the previous quarter, we have been following it for many years. Based in Switzerland, Holcim is the world's largest cement and aggregates manufacturer. The company was formerly known as LafargeHolcim, as it was created in 2015 by the merger of French-based producer Lafarge and its Swiss competitor Holcim. Following the deal, the group struggled to generate the expected performance as, in our opinion, management was not quite up to the integration task.

However, in 2017 a new CEO, Jan Jenisch was appointed to effectively turn around the company. Jan was the CEO of Sika when we used to own it. At Sika, Jan generated a dramatic increase in profitability and delivered significant value creation for shareholders. He also brought in a new CFO, Géraldine Picaud, to help with the turnaround. We also know Géraldine as she used to be the CFO of **Essilor**, an investment we hold today and a company we have also been following for many years.

Since taking over, this new management team has executed a series of major divestments to exit unattractive markets and segments. This allowed them to reduce the group's financial leverage and rebuild a solid balance sheet. They took out costs, extracted efficiencies and significantly improved profitability and cash flow generation. This, in turn, gave them the fire power they needed to invest in reviving growth in historical businesses and to create a new segment, called Solutions and Products, which recently acquired Firestone Building Products in the US and is well positioned to take advantage of strong demand in the construction market. The acquisition also contributed to Holcim's effort to reduce carbon emissions.

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The group's recent operating and financial performance is strong and exceeding market expectations thanks to management's superior execution as well as more favorable underlying market conditions. However, Holcim's share price was down 19% in the past three months. It is not uncommon for a recently added position to continue to experience negative momentum, as we typically take advantage of market volatility to acquire shares at discounted prices. The negative performance in this case was likely a function of France's supreme court decision to allow re-examination of crimes against humanity charges against the company for paying armed Islamic fundamentalist groups to keep its operations running in war-torn Syria after 2011. Holcim acknowledged the issue following its own internal investigation and is cooperating with the authorities. We believe the group will need to pay a fine which will have a negative impact on valuation, albeit not of the magnitude seemingly implied by the recent decline in the share price.

Longer term, and more fundamentally, we expect Holcim to perform well under its new leadership and to be a beneficiary of strong underlying demand trends. We do not believe those prospects are properly reflected in the company's current share price and we expect to remain shareholders of the company for as long as its stock trades at a significant discount to our estimate of the business's intrinsic value.

A sign of the times

There are a few situations in our portfolio today that resemble the case of Holcim, where management takes significant actions to realize value. Such changes can be brought by outsiders, but they can also be the result of an evolution of the business or a new generation of managers taking over.

These actions can include refocusing the company's portfolio of operations, selling under-performing or structurally challenged businesses. It can mean refocusing the organization on profitable growth and returns, extracting efficiencies and redeploying capital in a value-accretive manner either through re-investment in the business, acquisitions or stock repurchases. It can also mean a more transformational deal that strengthens the business's competitive position or its standing in the value chain, creates cross-selling opportunities and generates synergies. All these actions can provide a path for value realization.

In the past, we have often found investing with management teams that can structurally improve the fundamentals of their business and drive superior operating performance is effective. This is the reason the quality of management is one of our key investment criteria and why it is such an important part of our selection process. We think this is particularly relevant when valuations are high.

Assessing management performance is an area where we believe we have developed an edge that would be difficult and time-consuming for other investors to replicate. It involves meeting with thousands of companies over many years and seeing these management teams perform through cycles, hard times and key industry developments. It also requires taking a long-term view, investing with an owner's mentality, and giving management adequate room to execute their plans. In turn, we can take advantage of opportunities other investors may miss, or for which they may not have the patience.

Top 10 Holdings %[1]	
LafargeHolcim	3.3%
Ericsson	3.2%
SKF	3.2%
Fiat Chrysler Automobiles NV	3.2%
Nexi SpA	3.1%
Industria de Diseno Textil SA	3.1%
ISS A/S	3.0%
UBISOFT Entertainment	3.0%
RenaissanceRe Holdings	3.0%
Sensata Technologies Holding	2.9%

1. Source: Northern Trust, as at September 30, 2021. Holdings are subject to change at any time, as at September 30, 2021. Excludes undisclosed holdings.

Biggest contributor

The biggest disclosed contributors to performance this quarter were **Alcon, Sony** and **Babcock**, with Babcock generating the highest return of the three during the period. Based in the UK, Babcock is a world-leading provider of critical, complex engineering services for highly regulated defense, aviation and civil nuclear markets. The story here also shares some similarities with the type of situation described above.

The company encountered challenges following an ill-timed and overpriced acquisition made by a previous management team in 2014. The deal established Babcock's leadership in aviation markets such as aerial emergency services but also included a business in the highly competitive offshore oil and gas transport sector that became unprofitable due to headwinds in the energy industry. In addition, the aerial emergency services business suffered from contract delays and a bloated cost base which negatively impacted profitability. As a result, Babcock issued a series of profit warnings that eroded investor confidence, raised questions about the company's financial position and led to management turnover.

We were particularly encouraged by the appointment of a new CEO and CFO with reputable industry experience and a strong track record of working together in past turnaround situations with similar characteristics. They moved quickly to focus the group on defense businesses, restructure underperforming units and unlock value by divesting non-core assets. Disposals also helped restore the balance sheet without the need to issue equity. Lastly, customer confidence has been rebuilt and that had led to key contract renewals.

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These positive developments have led investors to focus more on Babcock's underlying fundamentals and to recognize its strengths. The business consists of multi-year contracts with good visibility, high strategic importance, attractive and stable margins, and limited correlation to macroeconomic cycles. In the core activities, direct competition is also limited due to technical, regulatory and asset-based barriers to entry.

Improving market sentiment has likely driven the recovery in the company's stock performance in the past few months. Despite this recent price increase, we believe the operational reset and disposal program are ongoing, which we expect will unlock additional value in the future for Babcock. We remain interested in being shareholders so long as the stock is trading at a discount to what we believe the business is worth.

Portfolio activity

During the quarter, our new portfolio positions included **Nexi**. Based in Italy, Nexi is a leading pan-European merchant acquirer. It has an exceptionally strong position in its home market which accounts for half the business. The company today is the result of a long turnaround process under high-quality private equity ownership, followed by the recent acquisitions of **Nets** and **SIA**. Based in Denmark, Nets is a merchant acquirer focused on Northern Europe. Based in Italy, SIA was formerly owned by the State and a group of domestic banks. The company is widely recognized as the country's leading payment processor.

As we have in recent quarters, we also completed the sale of several holdings whose stock prices approached our estimates of intrinsic value. Many of these positions had been established in the uniquely compelling, broad-based buy-in opportunity triggered by the pandemic at the end of the first quarter and early in the second quarter 2020. Portfolio divestitures included **Shimano, DSM, Dassault Systemes** and **RELX**. We also completed the monetization of our position in **Tencent** which was built in 2018 along with similar holdings, when the video game industry was hit by the combination of regulatory changes in China that temporarily limited the release of new games and the meteoric rise of Epic Games with the release of their highly successfully Fortnite battle royale game.

Based in Japan, Shimano is the world's leading manufacturer of cycling components. Based in the Netherlands, DSM is a global leader in nutritional ingredients for animal and human nutrition. The business today is the result of a multi-year transformation that began in the early 2000s when the business was largely focused on commodity chemicals such as polymers. Through acquisitions and divestitures, DSM has transformed itself over time into a life and material sciences business. Based in France, Dassault Systèmes is one of the world's leading developers of software solutions for 3D design that support companies' innovation processes across various industries, from manufacturing to life sciences. Based in the UK, RELX (formerly known as Reed Elsevier) is a leading provider of scientific, technical, legal, and medical information and analytics for professional and business customers across various industries. The company also operates a leading global events and exhibitions business. Based in China, Tencent is one of the world's leading video game developers and one of the country's biggest technology conglomerates.

Perspective

As every inch of the economic flooring seems to keep shifting under our feet following the COVID-19 crisis, we remain steadfast in our long-term, fundamental value approach whereby we seek to invest in high-quality, well-run, financially strong businesses we believe trade at significant discounts to intrinsic value.

However, we cannot allow ourselves to become complacent. We recognize things continue to change quickly and sometimes meaningfully for many businesses, with potentially durable implications in some instances. Most of the challenges they are facing are not in our own investment playbooks and sometimes have not been reported by successful investors who came before us. We keep questioning our beliefs, thinking outside the box and trying to foresee what is likely to happen to businesses when unique circumstances arise. This should help us determine whether they will survive these testing times, what types of economics they will generate longer term and, ultimately, what a reasonable assessment of their intrinsic values should be.

The key to making these determinations is to continue with our research-driven, bottom-up process which involves conversations with professionals on the ground. While travel conditions remain difficult across most markets, we returned to traveling overseas this quarter, visiting companies on-site and conducting in-person meetings with management teams.

As is often the case, these conversations have highlighted some of the main issues most businesses are currently facing. One key issue – that we have written on and warned about on multiple occasions – is inflation. As we have previously discussed in detail, virtually every driver of inflation is now in play. These include monetary policies (printing money against no value creation), economic developments (in large part due to the pandemic and associated restrictive measures that led to more income and thus more demand chasing reduced supply), and political initiatives (such as increased redistributions or mandates to pay more for identical needs, specifically the ambition to reduce carbon emissions).

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At a more practical, micro-economic level, what we have heard consistently from companies in meetings is that inflation is everywhere (energy, transport, basic materials, wages), reaching levels they have not seen before, accelerating rapidly and set to hit consumers in a more pronounced fashion in the coming months.

In our opinion, inflation is the mother of all pains for most, if not all, economic actors and often the catalyst behind major changes. It is a significant investment risk not to be considered lightly and one we are actively seeking to better underwrite for both existing holdings and businesses in our coverage.

Another important issue, which has further implications for inflation, is global supply chain disruptions. Many of our recent contacts included shipping, trucking and logistic businesses as well as providers of related systems and equipment. Several of these companies described a changing global economic system with the resulting breakdowns of inadequate and disrupted models leading to shortages.

We find these shortages are difficult to fully understand. However, they appear to be in part byproducts of the pandemic. On the one hand, COVID-19-related shutdowns, restrictive measures and disincentives to work created by pandemic relief initiatives have reduced the overall capacity of the system and constrained its productivity. On the other hand, increased wealth and disposable income, together with shifts in consumers' preferences and in their modes of consumption, have placed greater demand pressure on the system causing inevitable bottlenecks. Given companies' focus on working capital management and widespread zero-inventory policies, the delicate equilibrium of the global supply carefully built over the past 20 years (with China at its core) could not withstand a shock such as the pandemic.

The shock unexpectedly added to the stress caused by companies' ongoing efforts to redirect supply and manufacturing activities away from China. This is another trend and a likely relevant driver of current disruptions that we have highlighted on several occasions in recent years. Similarly, changes in relative local cost frameworks and shifts toward shorter, more sustainable, cycles along with governments' efforts to support their local economies had also contributed to weakening the system ahead of the crisis.

Takeaways

Notwithstanding these challenging developments, despite the modest pullback this quarter, international equity prices remain elevated, in our view, with sustained evidence of exuberance and speculative behaviors. This market remains a difficult one to navigate for fundamental value investors, with significant investment risks against limited upside prospects.

As we cautioned in recent months, it could be difficult to maintain the Fund's current level of investment in such market conditions. This also means the Fund could experience short-term underperformance as a result. As we have also said before, however, we are comfortable with this prospect as it is not our mandate to play 'greater fool' games with the market in order to generate short-term gains that only exist on paper. Rather, our goal is to compound wealth over time while minimizing the risk of capital losses.

To achieve this objective, we focus on investing in companies with compelling underlying business fundamentals, strong balance sheets and capable management teams; we only buy their stocks when we can do so at a significant discount to intrinsic value.

We thank you, as always, for your confidence, and we look forward to continuing to serve your interests as shareholders of the Phaeacian Accent International Value Fund.

Pierre O. Py

Managing Director, Phaeacian Partners

September 2021

Morningstar: *The rating is as of November 10, 2020. The Morningstar Analyst RatingTM is not a credit or risk rating. It is a subjective evaluation performed by Morningstar's manager research group, which consists of various Morningstar, Inc. subsidiaries ("Manager Research Group"). In the United States, that subsidiary is Morningstar Research Services LLC, which is registered with and governed by the U.S. Securities and Exchange Commission. The Manager Research Group evaluates funds based on five key pillars, which are process, performance, people, parent, and price. The Manager Research Group uses this five-pillar evaluation to determine how they believe funds are likely to perform relative to a benchmark, or in the case of exchange-traded funds and index mutual funds, a relevant peer group, over the long term on a risk-adjusted basis. They consider quantitative and qualitative factors in their research, and the weight of each pillar may vary. The Analyst Rating scale is Gold, Silver, Bronze, Neutral, and Negative. A Morningstar Analyst Rating of Gold, Silver, or Bronze reflects the Manager Research Group's conviction in a fund's prospects for outperformance. Analyst Ratings ultimately reflect the Manager Research Group's overall assessment, are overseen by an Analyst Rating Committee, and are continuously monitored and reevaluated at least every 14 months. For more detailed information about Morningstar's Analyst Rating, including its methodology, please go to global.morningstar.com/managerdisclosures/. The Morningstar Analyst Rating (i) should not be used as the sole basis in evaluating a fund, (ii) involves unknown risks and uncertainties which may cause Analyst expectations not to occur or to differ significantly from what they expected, and (iii) should not be considered an offer or solicitation to buy or sell the fund.

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Prospectus offer: ***An investor should consider the Fund's investment objectives, risks, and charges and expenses carefully before investing or sending any money. This and other important information about the Funds can be found in the prospectus or summary prospectus which can be obtained at www.phaeacianpartners.com or by calling (800) 258-9668 (toll free) or (312) 557-3523. Please read the prospectus or summary prospectus carefully before investing.***

Risk considerations: Investments, including investments in mutual funds, carry risks and investors may lose principal value. Capital markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. The Fund may purchase foreign securities, including American Depository Receipts (ADRs) and other depository receipts, which are subject to interest rate, currency exchange rate, economic and political risks. Foreign investments, especially those of companies in emerging markets, can be riskier, less liquid, harder to value, and more volatile than investments in the United States. Adverse political and economic developments or changes in the value of foreign currency can make it more difficult for the Fund to value the securities. Differences in tax and accounting standards, difficulties in obtaining information about foreign companies, restrictions on receiving investment proceeds from a foreign country, confiscatory foreign tax laws, and potential difficulties in enforcing contractual obligations, can all add to the risk and volatility of foreign investments. Small and mid cap stocks involve greater risks and they can fluctuate in price more than larger company stocks. Groups of stocks, such as value and growth, go in and out of favor, which may cause certain funds to underperform other equity funds. The Fund may invest a greater percentage of its assets in a smaller number of securities. Holding fewer securities increases the risk that the value of the Fund could go down because of the poor performance of a single investment. Value style investing presents the risk that the holdings or securities may never reach their full market value because the market fails to recognize what the portfolio management team considers the true business value or because the portfolio management team has misjudged those values. In addition, value style investing may fall out of favor and underperform growth or other styles of investing during given periods. The portfolio holdings as of the most recent quarter-end may be obtained at www.phaeacianpartners.com. Please refer to the Fund's Prospectus for a complete overview of the primary risks associated with the Fund. Portfolio composition will change due to ongoing management of the Fund. References to individual securities are for informational purposes only and should not be construed as recommendations by the Fund, the portfolio manager, the Adviser, or the distributor. It should not be assumed that future investments will be profitable or will equal the performance of the security examples discussed. The portfolio holdings as of the most recent quarter-end may be obtained at www.phaeacianpartners.com.

Benchmark: The MSCI All-Country World Index ex US is a float-adjusted market capitalization index that is designed to measure the combined equity market performance of developed and emerging market countries excluding the United States. An investor cannot invest directly in an index. Comparison to the MSCI All-Country World Index ex US is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives. Index returns do not reflect transactions costs, investment management fees or other commissions, fees and expenses that would reduce performance for an investor.

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