

## TFS Market Neutral Fund

Dear Investor,

The TFS Market Neutral Fund (TFSMX) was down 0.84% in the second quarter of 2017, underperforming both the S&P 500 and the Russell 2000 equity indices (up 3.09% and 2.46%, respectively). Similar to the performance in the first quarter, the modest loss in the second quarter was driven by a decline in strategies in small cap stocks.

The Fund's beta for the quarter was 0.15 versus the S&P 500 and 0.13 versus the Russell 2000. These betas are somewhat lower than the Fund's long-term beta of 0.23 vs. the S&P 500 and 0.17 vs. the Russell 2000, and they are consistent with the increased short exposure the Fund has maintained in 2017. That is, the higher short exposure brings the Fund's long and short exposure closer together, which leads to a lower market exposure.

Once again, gains in strategies outside of the small cap universe helped to offset losses from the small cap strategies. While the main basket of small cap strategies in the Fund declined by 1.3%, a similar set of strategies in microcap stocks increased by 3.9%. Large cap strategies were roughly flat.

The difference in performance between the Fund's small cap and microcap strategies has been dramatic. Both rose sharply in the 4<sup>th</sup> quarter of 2016, leading to a record performance quarter for the fund. But in 2017, microcap strategies continued to rise, while small cap strategies have fallen, and given back more than half of their 4<sup>th</sup> quarter gains.

Our recent research has been focused on understanding this performance difference. In particular, it seems that the lower end of our small cap universe has also exhibited strong performance. (The definition of which stocks are microcaps and which are small caps is not set in stone; nearly 1,000 companies are in both the Russell Microcap Index and the Russell 2000 Small Cap Index.)

Last quarter, we noted that we would use a period of strong performance in small cap stocks to move more allocation toward large cap stocks. However, performance in the second quarter did not justify such a move, and the current allocation to large cap stocks is up only slightly. We will continue to monitor the relative performance. In addition, and in light of the smaller asset level in the Fund, we continue to research whether a larger allocation to microcap also makes sense. Correlation among strategies in the three market cap ranges is very low; an increased allocation to large cap or microcap would lead to a more diversified portfolio.

The borrowing costs of the short side of the portfolio have stabilized somewhat, but at a lower level than they were in during Q1, and much lower than the average over 2016. A good portion of this decrease of costs is a result of increasing interest rates over the last 9 months. But some of this reflects changes we have made to the portfolio, including the increase in large cap exposure mentioned above. Shorts in the large cap universe now have a positive borrowing cost, adding a few basis points to Fund performance.

We continue to have a higher than normal amount invested on the short side—roughly 80% of the portfolio vs. a long-term average of about 70%. We made this adjustment in an effort to benefit more from alpha opportunities we perceive on the short side; we are still concerned about high equity valuations in stocks that our models perceive to be low quality. Slightly more than half of the Fund's short portfolio is invested in stocks which have had negative earnings over the last 12 months.

While strategies in the small cap universe performed poorly again in the second quarter, we still believe that there are opportunities to add value by investing in the small cap space. Over the long-term, strategy performance on these stocks has been very strong.

Thank you for your continued support. Please do not hesitate to contact us should you have any questions.

Regards,

The Portfolio Management Team of the TFS Market Neutral Fund

**An investor should consider the investment objectives, risks, charges and expenses of the Fund carefully before investing. To obtain a summary prospectus and/or prospectus, which each contain this and other important information, go to [www.tfscapital.com](http://www.tfscapital.com) or call +1 888 534 2001. Please read the summary prospectus and/or prospectus carefully before investing.**

The Fund may not be suitable for all investors. The Fund is distributed by Ultimus Fund Solutions, LLC. Current performance may be lower or higher than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary and you may have a gain or loss when you sell your shares. Go to [www.tfscapital.com](http://www.tfscapital.com) for performance data through the most recent month end. In addition, please see the attached Fact Sheet for the Fund's standardized performance through June 30, 2017.

The following "risk" information is being provided to you to help better understand the unique risks associated with investing in the Fund. As a result of the Fund's use of short selling, the Fund will not participate to the same level as a long-only mutual Fund in a bull market. Short selling subjects the Fund to the potential for unlimited losses. In addition, the Fund will have a high portfolio turnover rate, which will increase transaction costs for the Fund and decrease tax efficiency relative to funds with lower turnover.

Russell 2000® Index is an index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index. You cannot invest directly in an index.

The Russell Microcap® Index measures the performance of the microcap segment of the U.S. equity market. It includes 1000 of the smallest securities in the small-cap Russell 2000® Index based on a combination of their market cap and current index membership and it includes the next 1,000 securities. You cannot invest directly in an index.

# TFS Market Neutral Fund

June 2017

## FUND INFORMATION

### Investment Objective

The TFS Market Neutral Fund seeks to produce capital appreciation while having a low correlation to the U.S. equity market. In addition, it seeks to produce lower volatility than would result from a long-only investment in the U.S. equity market.

### General Information

Ticker	TFSMX
NAV	14.20
Net Assets	\$197,848,121
Min. Investment	\$5,000
Inception Date	9/7/2004

### About TFS Capital

#### An Independent Portfolio Manager

TFS Capital LLC is an employee-owned independent advisory firm that provides portfolio management services to investment funds. The firm currently manages three mutual funds, the TFS Market Neutral Fund (Ticker: TFSMX), the TFS Small Cap Fund (Ticker: TFSSX), and the TFS Hedged Futures Fund (Ticker: TFSHX), and also offers private investment funds ("hedge funds") that are available to qualified investors.

#### An Experienced Team Specializing in Quantitative Analysis

TFS was founded in 1997 and, since inception, has been dedicated to building proprietary quantitative factor models that are designed to exploit market inefficiencies. The firm's managers specialize in quantitative research and have appeared in numerous industry publications and media outlets including The Wall Street Journal, The Financial Times, The New York Times, The Washington Post, CNBC, Reuters, CNN, Bloomberg, Bloomberg Businessweek, Forbes, MarketWatch, Institutional Investor, Barrons, and more.

#### TFS Capital LLC

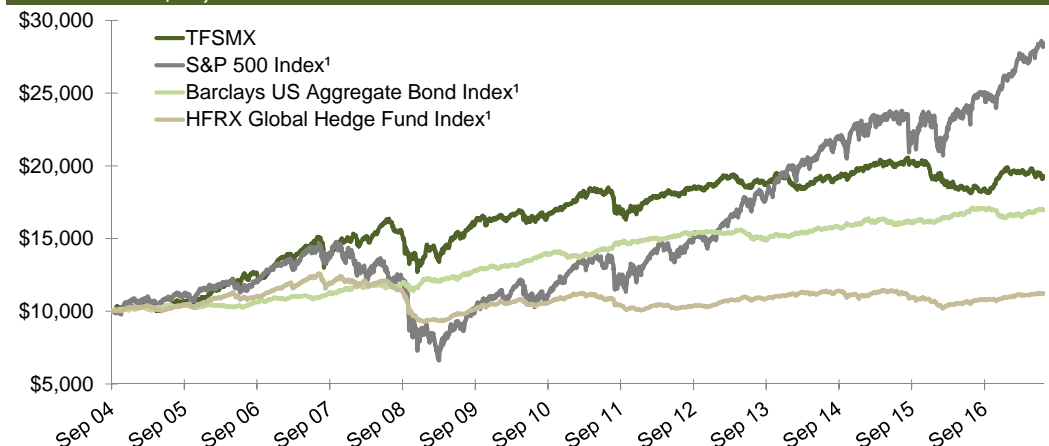
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## PERFORMANCE

	1M	3M	YTD	Annualized Total Return				
				1 Year	3 Year	5 Year	10 Year	Inception
<b>TFSMX</b>	<b>-1.3%</b>	<b>-0.8%</b>	<b>-3.1%</b>	<b>6.0%</b>	<b>0.3%</b>	<b>1.3%</b>	<b>2.7%</b>	<b>5.3%</b>
S&P 500 Index <sup>1</sup>	0.6%	3.1%	9.3%	17.9%	9.6%	14.6%	7.2%	8.4%
Bar US Agg Bond Index <sup>1</sup>	-0.1%	1.4%	2.3%	-0.3%	2.5%	2.2%	4.5%	4.2%
HFRX Global Index <sup>1</sup>	0.2%	0.9%	2.6%	6.0%	-0.3%	1.9%	-0.9%	0.9%

Gross Expense Ratio: 7.75%. Net Expense Ratio: 7.67%.

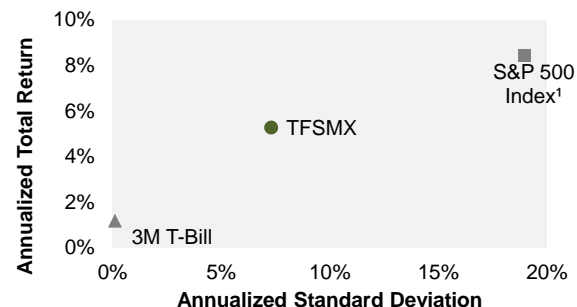
## GROWTH of \$10,000



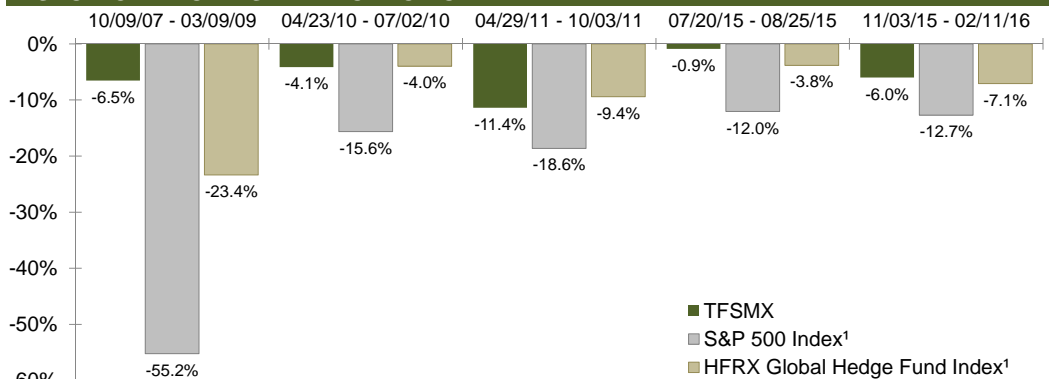
## RISK MEASURES

Alpha (Annualized) <sup>‡</sup>	2.28%
Beta (Average)	0.23
Sharpe Ratio	0.58
Std. Dev. (Annualized)	7.30%

<sup>‡</sup> Risk free rate used in alpha and Sharpe ratio calculations is daily 3 Month U.S. Treasury Bill. Alpha and Beta both calculated versus S&P 500 Index<sup>1</sup>. Please see Disclosure 2 for definitions of the above calculations.



## HISTORICAL DOWNSIDE PROTECTION



Five largest S&P 500 TR Index<sup>1</sup> drawdowns since TFSMX inception of 09/07/2004

All data since TFSMX inception of 9/7/04 and as of 6/30/2017, unless otherwise noted. The performance data quoted represents past performance, which is not a guarantee of future results. Current performance may be lower or higher than the performance data quoted.

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## ANNUAL PERFORMANCE

	2004*	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>TFSMX</b>	<b>3.5%</b>	<b>5.9%</b>	<b>24.2%</b>	<b>11.5%</b>	<b>-7.3%</b>	<b>16.6%</b>	<b>6.2%</b>	<b>0.1%</b>	<b>7.8%</b>	<b>1.4%</b>	<b>4.2%</b>	<b>-3.0%</b>
S&P 500 Index <sup>1</sup>	8.1%	4.9%	15.8%	5.5%	-37.0%	26.5%	15.1%	2.1%	16.0%	32.4%	13.7%	1.4%
Bar. US Agg. Bond Index <sup>1</sup>	-0.7%	1.9%	4.3%	7.0%	5.2%	5.9%	6.5%	7.8%	4.2%	-2.0%	6.0%	0.6%
	2016	2017										
<b>TFSMX</b>	<b>3.4%</b>	<b>-3.1%</b>										
S&P 500 Index <sup>1</sup>	12.0%	9.3%										
Bar. US Agg. Bond Index <sup>1</sup>	2.6%	2.3%										

\* Data from TFSMX inception date of 9/7/2004

## EXPENSES

Gross Expense Ratio	7.75%
Net Expense Ratio	7.67%

## STANDARD PERFORMANCE

	1Y	3Y	5Y	10Y	Inception
<b>TFSMX</b>	<b>5.97%</b>	<b>0.34%</b>	<b>1.32%</b>	<b>2.67%</b>	<b>5.27%</b>
S&P 500 Index	17.90%	9.61%	14.63%	7.18%	8.44%
Bar US Agg. Bond	-0.31%	2.48%	2.21%	4.48%	4.22%

As of 6/30/2017

The Adviser contractually agreed (for the life of the Fund) to reduce its management fees and to absorb the Fund's operating expenses to the extent necessary to limit the annual ordinary operating expenses to an amount not exceeding 1.90% of the Fund's average daily net assets. The Fund's annual ordinary operating expenses exclude interest and dividend expenses on securities sold short, borrowing costs and acquired fund fees and expenses (which totaled 5.77% for the Fund's prior fiscal year). See the current summary prospectus or prospectus for more information.

The performance data quoted represents past performance, which is not a guarantee of future results. Current performance may be lower or higher than the performance data quoted. Go to [www.tfscapital.com](http://www.tfscapital.com) for performance data through the most recent month end. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Fee waivers and/or expense reimbursements by the Adviser have positively impacted the Fund's performance. Without such waivers and/or reimbursements, performance would have been lower.

## DISCLOSURES

All data since TFSMX inception of 9/7/04 and as of 6/30/2017, unless otherwise noted.

### RISK INFORMATION

The following "risk" information is being provided to you to help better understand the unique risks associated with investing in TFSMX. As a result of TFSMX's use of short selling, TFSMX will not participate to the same level as a long-only mutual fund in a bull market. Short selling subjects the fund to the potential for unlimited losses. In addition, TFSMX will have a high portfolio turnover rate which will increase the transaction costs of the Fund and decrease tax efficiency relative to funds with lower turnover. When TFSMX uses leverage it will exaggerate any increase or decrease in the Fund's net asset value. The Fund's use of derivatives requires special skills and knowledge of investment techniques that are different than those normally required for purchasing and selling common stock. If the Adviser uses a derivative instrument at the wrong time or incorrectly identifies market conditions, or if the derivative instrument does not perform as expected, these strategies may significantly reduce the Fund's return. The quantitative models used by the Adviser may be similar to the models used by other quantitative managers. This potential portfolio overlap with other quantitative funds could lead to periods of high volatility, especially in the event that other managers choose to rapidly sell securities or close short positions. A more detailed discussion of the Fund's risks, including risks that are unique to the Fund, can be found in its prospectus.

### (1) INDICES

**S&P 500 Index:** Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The index was developed with a base level of 10 for the 1941- 43 base period. The Total Return Index is calculated intraday by S&P based on the price changes and reinvested dividends of the S&P 500 Index, with a starting date of Jan 4, 1988. (Source: Bloomberg Professional)

**Barclays US Aggregate Bond Index:** The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency). Provided the necessary inclusion rules are met, US Aggregate-eligible securities also contribute to the multi-currency Global Aggregate Index and the US Universal Index, which includes high yield and emerging markets debt. The US Aggregate Index was created in 1986 with history backfilled to January 1, 1976. (Source: Barclays)

**HFRX Global Hedge Fund Index:** The HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry. (Source: Hedge Fund Research)

### (2) GLOSSARY

**Standard Deviation** is a measure of the dispersion of a set of data from its mean. **Correlation** is a statistical measure of how two securities move in relation to each other. **Beta** is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. **Alpha** is the abnormal rate of return on a security or portfolio in excess of what would be predicted by an equilibrium model. **Sharpe Ratio** is the ratio of portfolio returns in excess of a risk free rate over the standard deviation of those excess returns.

The Fund is distributed by Ultimus Fund Distributors, LLC.