



VULCAN  
VALUE  
PARTNERS

Third  
Quarter  
2018

## PORTFOLIO REVIEW

### GENERAL

The Vulcan Value Partners Fund produced positive absolute returns for the quarter but underperformed its respective benchmarks. The Vulcan Value Partners Small Cap Fund also produced positive absolute returns for the quarter and beat the Russell 2000 Value Index but lagged the Russell 2000 Index. As we have often said, we place no weight on short-term results, good or bad, and neither should you. In fact, we have made and will continue to make decisions that negatively impact short-term performance when we think we can improve our long-term returns and mitigate risk. We encourage you to place more weight on our longer term historical results and a great deal of weight on our long-term prospects. More importantly, the funds have returned double-digit returns and outperformed their primary benchmarks since inception as detailed in the table below.

Directory		Inception Date	QTD	As of September 30, 2018			Since Inception	
				1 Year	3 Year	5 Year		
Introduction	1							
VVP Fund Review	3	Vulcan Value Partners Fund (VPLX)	12/30/09	5.09%	14.47%	13.32%	10.71%	12.82%
VVP Small Cap Fund Review	5	Russell 1000 Value Index		5.70%	9.45%	13.54%	10.71%	12.04%
		S&P 500 Index		7.71%	17.91%	17.29%	13.94%	13.81%
Closing	8							
Disclosures	9	Vulcan Value Partners Small Cap Fund (VPSX)	12/30/09	2.67%	5.88%	11.29%	7.42%	13.15%
		Russell 2000 Value Index		1.60%	9.33%	16.11%	9.91%	12.03%
		Russell 2000 Index		3.58%	15.24%	17.10%	11.07%	13.43%

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Vulcan Value Partners Fund and Vulcan Value Partners Small Cap Fund returns are net of fees and expenses and assume reinvestment of dividends and capital gains. Vulcan Value Partners Small Cap Fund's total gross expense ratio is 1.27% and the total net expense ratio is 1.27%. Vulcan Value Partners Fund's total expense ratio is 1.09% and the total net expense ratio is 1.09%. Neither fund imposes a sales charge. Index returns do not reflect deductions for fees or expenses. The fund imposes a 2.00% redemption fee on shares held for less than 90 days. Performance shown does not include the redemption fee, which if reflected would reduce the performance quoted. Performance data quoted represents past performance. Past performance is not indicative of future results. Investment return and value of shares will fluctuate. Upon redemption, shares may be worth more or less than their original cost. The performance figures do not reflect the deduction of any taxes a shareholder might pay on distributions or redemptions. The current month-end performance may be higher or lower than the quoted performance and may be obtained by calling 877.421.5078 or visiting [www.vulcanvaluepartners.com](http://www.vulcanvaluepartners.com).

[www.vulcanvaluepartners.com](http://www.vulcanvaluepartners.com)

PERFORMANCE THROUGH DISCIPLINE



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### PORTFOLIO REVIEW (CONT.)

We are pleased with the positioning of our portfolios at the end of the third quarter. We have continued to make material progress reducing risk and improving our prospective returns by lowering the weighted average price to value ratios of our portfolios. As a reminder, we are intently focused on our weighted average price to value ratio because it is our primary risk-control measure. The lower our price to value ratio, the larger our margin of safety. It also bodes well for our prospective long-term returns. Our returns are a function of the underlying value growth of the businesses we own, and the closing of the price to value gap. We have no idea how markets will behave or how our portfolios will perform over the short-term. However, with price to value ratios improving and the majority of our businesses experiencing value growth, we are optimistic about our long-term prospects.

In the discussion that follows, we generally define material contributors and detractors as companies having a greater than 1% impact on the portfolio.



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## VULCAN VALUE PARTNERS FUND REVIEW

As of September 30, 2018						
Investment Strategy	Inception Date	QTD	Annualized			
			1 Year	3 Year	5 Year	Since Inception
VVP Fund (VVPLX)	12/30/2009	5.09%	14.47%	13.32%	10.71%	12.82%
Russell 1000 Value Index		5.70%	9.45%	13.54%	10.71%	12.04%
S&P 500 Index		7.71%	17.91%	17.29%	13.94%	13.81%

Vulcan Value Partners Fund and Vulcan Value Partners Small Cap Fund returns are net of fees and expenses and assume reinvestment of dividends and capital gains. *Total expense ratio is 1.09% and the total net expense ratio is 1.09%*. Neither fund imposes a sales charge. Index returns do not reflect deductions for fees or expenses. Performance data quoted represents past performance. Past performance is not indicative of future results. Investment return and value of shares will fluctuate. Upon redemption, shares may be worth more or less than their original cost. The performance figures do not reflect the deduction of any taxes a shareholder might pay on distributions or redemptions. The current month-end performance may be higher or lower than the quoted performance and may be obtained by calling 877.421.5078 or visiting [www.vulcanvaluepartners.com](http://www.vulcanvaluepartners.com).

We are pleased with the positioning of our portfolio. Year to date, our price to value ratio has decreased, and the portfolio has become more concentrated in larger positions in more discounted, high quality names. To have low double digit returns coupled with a decreasing price to value ratio is very meaningful and gratifying to us. It is a function of the solid value growth across our portfolio companies and excellent productivity from the research team.

We purchased one new position in the third quarter and exited two positions.

We were happy to add Blackrock to the portfolio this quarter. Blackrock is the world's largest money manager with a vast array of offerings including active and passive strategies, equity and fixed income products, alternative strategies and many others. Their vast scale allows them to provide comprehensive solutions for institutional investors. Aladdin, Blackrock's proprietary operating platform for investment management, is also an important part of their business as it is designed to enable effective risk management, efficient trading, and operational scale. Aladdin is used to manage over \$18 trillion in assets and is licensed to over 25,000 investment professionals worldwide. With its diverse product offering covering virtually every risk category, Blackrock has the ability to cross-sell such investment products which are intended to mitigate portfolio risks identified by Aladdin. We believe Blackrock's scale and associated liquidity, dominant brand, unrivaled technology platform, and diverse product portfolio are competitive advantages that insulate it from industry shifts in style or asset classes. The recent downward trend in flows due to macro uncertainties has given us the ability to buy this great company with a margin of safety.



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## VULCAN VALUE PARTNERS FUND REVIEW (CONT.)

During the quarter, we sold Anthem Inc. and Moody's Corporation as both companies reached our estimate of fair value.

There was one material contributor to performance and no material detractors.

Oracle was the material contributor this quarter and remains our largest position for reasons we have mentioned in previous quarters. Oracle continues to focus on migrating its customer base from on-premise to cloud-based software. The product mix shift has created lumpiness in the segmented numbers, which has caused stock price volatility. We took advantage of this volatility when the stock declined during the year and added to our position.

Vulcan Value Partners Fund (VVPLX)			
3Q 2018 Top 5 Performers		3Q 2018 Bottom 5 Performers	
Security	Return %	Security	Return %
CVS Health Corp.	23.26%	Facebook Inc.	-15.37%
Parker Hannifin Corp.	18.53%	State Street Corp.	-9.50%
Oracle Corp.	17.48%	Skyworks Solutions Inc.	-5.77%
Visa Inc.	13.49%	Bank of New York Mellon Corp.	-4.96%
Mastercard Inc.	13.42%	Qorvo Inc.	-4.09%

It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities in this list. A company's relative contribution to return for the portfolio may not equal its absolute return and return for other portfolios for the relevant period because of differences in portfolio weights and holding periods. The returns shown above reflect the actual returns of the above securities in our fund for the time period indicated.



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## VULCAN VALUE PARTNERS SMALL CAP FUND REVIEW

As of September 30, 2018						
Investment Strategy	Inception Date	QTD	Annualized			Since Inception
			1 Year	3 Year	5 Year	
VVP Small Cap Fund (WPSX)	12/30/2009	2.67%	5.88%	11.29%	7.42%	13.15%
Russell 2000 Value Index		1.60%	9.33%	16.11%	9.91%	12.03%
Russell 2000 Index		3.58%	15.24%	17.10%	11.07%	13.43%

Vulcan Value Partners Fund and Vulcan Value Partners Small Cap Fund returns are net of fees and expenses and assume reinvestment of dividends and capital gains. *Total gross expense ratio is 1.27% and the total net expense ratio is 1.27%*. Neither fund imposes a sales charge. Index returns do not reflect deductions for fees or expenses. Performance data quoted represents past performance. Past performance is not indicative of future results. Investment return and value of shares will fluctuate. Upon redemption, shares may be worth more or less than their original cost. The performance figures do not reflect the deduction of any taxes a shareholder might pay on distributions or redemptions. The current month-end performance may be higher or lower than the quoted performance and may be obtained by calling 877.421.5078 or visiting [www.vulcanvaluepartners.com](http://www.vulcanvaluepartners.com).

We have been candid about valuation levels and the dearth of qualifying investments in small-caps, for the past couple of years in particular. However, we feel much better about the positioning of our portfolio year to date as the weighted average price to value has decreased and cash has dropped into the mid-single digits. We have paid a price in terms of short-term performance to see this improvement, but we will always sacrifice short-term performance when we can lower risk by improving our margin of safety. We are invested in what we believe are outstanding businesses, with historically stable, growing values purchased at a discount to our estimate of fair value. We have no idea what our short-term results will be, but we believe our long-term prospects have improved materially in 2018.

We purchased five new positions and exited six positions in the third quarter.

New purchases included Avast plc, Coherent, Cushman & Wakefield plc, Choice Hotels International, and Landstar System.

Avast is a company that provides a comprehensive set of internet security products. The growing threat of cyber-crime in our society is a driver of demand for Avast's products. The company has a unique business model and a user base of over 430 million, which is roughly six times larger than their next biggest competitor.



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## VULCAN VALUE PARTNERS SMALL CAP FUND REVIEW (CONT.)

Coherent is one of the world's leading producers of lasers and laser-based technologies. They are the only provider of equipment used to anneal OLED (Organic Light-Emitting Diode) screens for smart phones. The company produces copious amounts of free cash flow and has shown consistently improving returns on capital while utilizing very little financial leverage.

Cushman and Wakefield is a global commercial real estate services firm. The company's leasing fee base is demographically and geographically diverse, has a high degree of visibility, and is cycle resistant. Their business model requires relatively little capital expenditure in order to generate strong and sustainable free cash flow.

Choice Hotels is a company we have owned in the past, and it was a successful investment for us. The company is a franchise hotel operator, mostly in the midscale segment. Management is undertaking a brand rejuvenation project which has resulted in lower unit growth in the short run. However, we expect that the company should be able to sustain higher RevPAR (revenue per available room) growth over the long term. Their value has compounded steadily, and we are happy to once again own a small position in the portfolio.

Landstar operates in the trucking industry. Their proprietary technology platform acts as a freight market maker. Their large customer base attracts trucking capacity which in turn attracts even more shipping customers, creating and reinforcing a strong network effect. It invests substantial capital in IT infrastructure, and switching costs are high as their systems tend to be integrated with both sides of the network. We were happy to have the opportunity to add this great company to the portfolio during the quarter.

We sold Aspen Insurance, Actuant, Donaldson, Forward Air, Navigators Group, Outfront Media, and Tupperware Brands. All of these companies either reached our estimate of fair value or were sold to improve the overall portfolio.

We have owned Tupperware for several years. The company has not performed as well as we would have liked. Furthermore, its recent CEO transition and the departure of its longtime CFO have further increased its risk profile. We followed our discipline and made the decision to sell this underperforming business with heightened risk and redeploy capital into more promising companies.

There were two material contributors to performance and no material detractors.

Over our investment horizon in Sleep Number, its stock price has been volatile, but the underlying value of the business has remained stable. The company should realize considerable margin expansion when they complete their supply chain consolidation early next year. Sleep Number's underlying business continues to be strong, free cash flow is at record levels, and management has signaled that they will continue to buy back shares. Its stock price volatility has given us the opportunity to follow our process and take advantage of price fluctuations.



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## VULCAN VALUE PARTNERS SMALL CAP FUND REVIEW (CONT.)

Acuity was also a material contributor. During the third quarter, sentiment turned more positive for the lighting industry, and the stock price rebounded sharply allowing us to capture gains as the price to value gap closed. The stock remains volatile as raw material prices continue to be elevated, and the possibility of another round of tariffs in January increases uncertainty in the short term. With the majority of their manufacturing in North America, we believe Acuity is well-positioned, and we will be ready to take advantage of any further stock price fluctuations.

Vulcan Value Partners Small Cap Fund (VVPSX)			
3Q 2018 Top 5 Performers		3Q 2018 Bottom 5 Performers	
Security	Return %	Security	Return %
Acuity Brands Inc.	35.80%	Despegar.com	-19.55%
Sleep Number Corp.	26.74%	Ibstock plc	-19.20%
Credit Acceptance Corp.	23.96%	Tupperware Brands Corp.	-17.05%
Crane Co.	23.21%	Howden Joinery Group plc	-13.62%
Navigators Group Inc.	22.49%	Jones Lang LaSalle Inc.	-13.06%

It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities in this list. A company's relative contribution to return for the portfolio may not equal its absolute return and return for other portfolios for the relevant period because of differences in portfolio weights and holding periods. The returns shown above reflect the actual returns of the above securities in our fund for the time period indicated.



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## CLOSING

We are ten years past the beginning of the financial crisis. Gathering macro risks include rising interest rates and a potential trade war with China. We see a market that has a number of excesses and, at the very least, is not cheap. Fortunately, we do not own the market. We are invested in a select group of what we consider high quality businesses with stable, steadily growing values at a discount to our estimate of fair value. We believe that by focusing on the fundamental building blocks of absolute returns we will create real wealth for you and for us and deliver attractive returns relative to benchmarks over the long term. Thank you for being our partners and providing us with the long term capital that allows us to follow our discipline.

We look forward to updating you on our continued progress in the New Year.

The Vulcan Value Partners Investment Team

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**DISCLOSURES**

**Vulcan Value Partners Funds:**

**This letter reflects our views, opinions, and portfolio holdings as of September 30, 2018. Our views may change at any time based upon market or other conditions and Vulcan Value Partners disclaims any responsibility to update our views. Our views should not be relied on as investment advice and, because investment decisions for the fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of the fund. Certain statements that we make may constitute "forward-looking statements". Forward-looking statements are not guarantees, and they involve risks, uncertainties and assumptions. Past Performance does not guarantee future results.**

The price to value ratio is a calculation that compares the price of a company's stock to our appraisal of the company's intrinsic value. Fair, or intrinsic, value is our estimate of the price a willing buyer would pay and a willing seller would accept, assuming neither was compelled to enter into a transaction. Margin of Safety is a favorable difference between the price of a company's shares and the estimated fair value of those shares. Total return percentages for an individual security is the performance of the security from price at initial purchase date to the price at final sale date. Actual returns for the funds holdings of those securities may differ from total return as the funds rebalance or changed weights in the individual securities. Free cash flow is the amount of cash that a company has left over after it has paid all of its expenses, including investments. Free cash flow yield is a security's free cash flow divided by its market price. Macro factors encompass the general economic and business environment. Vulcan defines risk reduction as reducing the portfolio's price to value ratio by either buying (or adding to existing positions) high quality companies which are trading well below fair value as estimated by Vulcan, or selling positions which are trading at or near their fair values.

Reference Holdings as of September 30, 2018*	% of Total Portfolio
Oracle Corp.	8.9%
Blackrock Inc.	1.7%
Anthem Inc.	SOLD
Moody's Corp.	SOLD

**Vulcan Value Partners Fund:**

The fund seeks to achieve long-term capital appreciation by investing primarily in medium and large-capitalization U.S. companies believed to be both undervalued and possessing a sustainable competitive advantage.

**For more complete information, please download the fund's prospectus available on [www.vulcanvaluepartners.com](http://www.vulcanvaluepartners.com) or call 877.421.5078 for copies. You should consider the fund's investment objectives, risks, charges, and expenses carefully before you invest. Information about these and other important subjects is in the fund's prospectus, which you should read carefully before investing.**

\*The referenced holdings are subject to change.

Vulcan Value Partners, LLC ("Vulcan" or the "Adviser") has given a contractual agreement to the Funds that to the extent the Total Annual Fund Operating Expenses (as defined in Item 3 of Form N-1A) with respect to either Fund (exclusive of Acquired Fund Fees and Expenses (if any), brokerage expenses, interest expense, taxes and extraordinary expenses) ("Designated Annual Fund Operating Expenses") exceed 1.25% of such Fund's average daily net assets for a particular fiscal year of the Fund, the Adviser will reduce the Management Fee and/or Other Expenses otherwise payable to the Adviser with respect to such Fund for such fiscal year by an amount equal to such excess, and/or the Adviser shall reimburse the Fund by the amount of such excess. This agreement is in effect through August 31, 2018 and will be reevaluated on an annual basis thereafter. Without this agreement, expenses could be higher. If the Adviser foregoes any fees and/or reimburses a Fund pursuant to this letter agreement with respect to a particular fiscal year, then the Adviser shall be entitled to recover from the Fund(s) the amount foregone or reimbursed to the extent Designated Annual Fund Operating Expenses are less than 1.25% of such Fund's average daily net assets during any fiscal year following such fiscal year.

**Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market or economic developments. Value stocks can perform differently from the market as a whole. They can remain undervalued by the market for long periods of time. Foreign securities, especially emerging or frontier markets, will involve additional risks including exchange rate fluctuations, social and political instability, less liquidity, greater volatility, and less regulations. It is possible that each Fund may invest in securities offered in certain types of transactions (such as private placements) that, because of that Fund's size, may have a disproportionate impact on that Fund's performance results. That Fund would not necessarily have achieved the same performance results if its aggregate net assets had been greater. Diversification does not eliminate the risk of experiencing investment losses.**

The S&P 500 Index is an unmanaged index of 500 common stocks chosen for market size, liquidity, and industry group representation. It is a market-value weighted index. The S&P 500 Index figures do not reflect any fees, expenses, or taxes. Investors cannot invest directly in this index. The Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000® companies with lower price-to-book ratios and lower expected growth values. An investment cannot be made directly into an index.

All information in this report is as of the date shown in the upper right hand corner unless otherwise indicated.

**ALPS Distributors, Inc. is the distributor for the Vulcan Value Partners Fund.**



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**DISCLOSURES (CONT.)**

**Vulcan Value Partners Small Cap Fund:**

The fund seeks to achieve long-term capital appreciation by investing primarily in small-capitalization U.S. companies believed to be both undervalued and possessing a sustainable competitive advantage.

**This letter reflects our views, opinions, and portfolio holdings as September 30, 2018. Our views may change at any time based upon market or other conditions and Vulcan Value Partners disclaims any responsibility to update our views. Our views should not be relied on as investment advice and, because investment decisions for the fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of the fund. Certain statements that we make may constitute "forward-looking statements". Forward-looking statements are not guarantees, and they involve risks, uncertainties and assumptions. Past Performance does not guarantee future results.**

Vulcan Value Partners, LLC ("Vulcan" or the "Adviser") has given a contractual agreement to the Funds that to the extent the Total Annual Fund Operating Expenses (as defined in Item 3 of Form N-1A) with respect to either Fund (exclusive of Acquired Fund Fees and Expenses (if any), brokerage expenses, interest expense, taxes and extraordinary expenses) ("Designated Annual Fund Operating Expenses") exceed 1.25% of such Fund's average daily net assets for a particular fiscal year of the Fund, the Adviser will reduce the Management Fee and/or Other Expenses otherwise payable to the Adviser with respect to such Fund for such fiscal year by an amount equal to such excess, and/or the Adviser shall reimburse the Fund by the amount of such excess. This agreement is in effect through August 31, 2019 and will be reevaluated on an annual basis thereafter. Without this agreement, expenses could be higher. If the Adviser foregoes any fees and/or reimburses a Fund pursuant to this letter agreement with respect to a particular fiscal year, then the Adviser shall be entitled to recover from the Fund(s) the amount foregone or reimbursed to the extent Designated Annual Fund Operating Expenses are less than 1.25% of such Fund's average daily net assets during any fiscal year following such fiscal year.

Reference Holdings as of September 30, 2018*	% of Total Portfolio
Cushman & Wakfield plc	6.4%
Sleep Number Corp.	5.0%
Coherent Inc.	4.9%
Acuity Brands Inc.	2.4%
Avast plc	2.4%
Choice Hotels International	1.0%
Landstar Systems Inc.	0.9%
Aspen Insurance Holdings	SOLD
Actuant Corp.	SOLD
Donaldson Co.	SOLD
Forward Air Corp.	SOLD
Navigators Group Inc.	SOLD
Outfront Media Inc.	SOLD
Tupperware Brands Corp.	SOLD

**The Funds may invest in the securities of companies with small or medium market capitalizations. Small or medium-sized companies may have more limited product lines, markets, and financial resources than larger companies. In addition, their securities may trade less frequently and in more limited volume than those of larger companies. Small- or mid-cap stocks may be more volatile than those of larger companies and, where trading volume is thin, the ability to dispose of such securities may be more limited. Because the Vulcan Value Partners Small Cap Fund normally invests at least 80% of its equity assets in securities of smaller companies, these risks may be increased.**

The Russell 2000 Index includes the 2000 firms from the Russell 3000 Index with the smallest market capitalizations. The Russell 2000 Index figures do not reflect any fees, expenses, or taxes. Investors cannot invest directly in this index. The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Value Index figures do not reflect any fees, expenses, or taxes. Investors cannot invest directly in this index.

All information in this report is as of the date shown in the upper right hand corner unless otherwise indicated.

**It is possible that each Fund may invest in securities offered in certain types of transactions (such as private placements) that, because of that Fund's size, may have a disproportionate impact on that Fund's performance results. That Fund would not necessarily have achieved the same performance results if its aggregate net assets had been greater.**

John Collier is a registered representative of ALPS Distributors, Inc.  
Mac Dunbar is a registered representative of ALPS Distributors, Inc.  
Shelly Fagg is a registered representative of ALPS Distributors, Inc.  
Bill Hjorth is a registered representative of ALPS Distributors, Inc.  
Anne Jones is a registered representative of ALPS Distributors, Inc.  
Adam McClain is a registered representative of ALPS Distributors, Inc.  
Kelly Meadows is a registered representative of ALPS Distributors, Inc.  
Jeff St. Denis is a registered representative of ALPS Distributors, Inc.  
James Kelley is a registered representative of ALPS Distributors, Inc.

**ALPS Distributors, Inc. is the distributor for the Vulcan Value Partners Small Cap Fund.**

\*The referenced holdings are subject to change.