

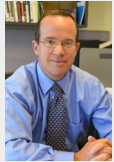


## Barrow Street Advisors Leadership



**Nicholas Chermayeff**  
Principal

- 26 years of industry experience
- BA Harvard College



**Robert F. Greenhill, Jr.**  
Principal

- 27 years of industry experience
- BA Harvard College
- MBA Harvard Business School



**David R. Bechtel**  
Principal

- 27 years of industry experience
- BA Yale University
- JD Stanford Law School

### About Barrow Street

Barrow Street Advisors LLC is a registered investment advisor and is an affiliate of Barrow Street Capital LLC which is an investment management firm that manages value-oriented private and public equity strategies.

Headquartered in Stamford, CT the firm serves pension funds, sovereign funds, endowments, foundations, family offices and high net worth individuals. Since its inception, Barrow Street Advisors LLC and Barrow Street Capital LLC have invested approximately \$550 million, cumulatively, of equity in private and public equity strategies.

### For More Information

(203) 391-6100  
barrowfunds.com

# An Inflection Point in Quality and Value?

Principals Nicholas Chermayeff, Robert Greenhill Jr. and David Bechtel provide their perspective on the markets and Barrow Funds.

## 1 What type of companies performed well in the first quarter of 2017?

Over the first quarter of 2017, companies with the highest price-to-book and price-to-sales ratios outperformed those with lower relative valuations. In addition, companies projected to experience significant earnings growth over next two years outperformed those stocks with lower forecasted earnings growth. We believe this trend signals investors' growing optimism regarding the market's future. Investors also continued to focus on cash flow generating businesses in the current ongoing low rate environment as stocks with the highest dividend yields performed better than companies that pay a lower level of dividends.

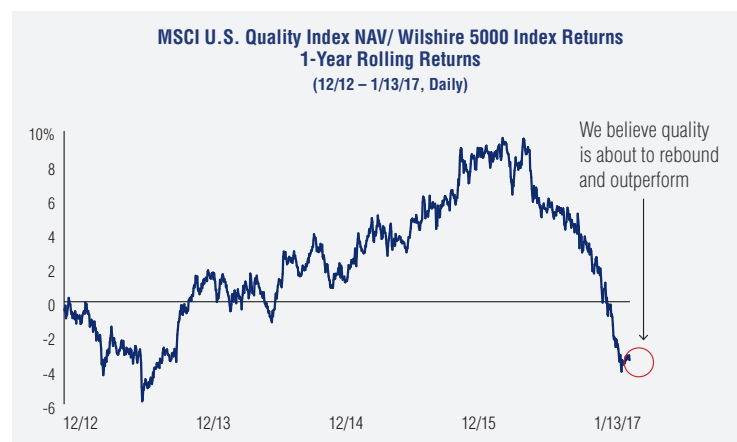
With regard to the Barrow Funds, as of March 31, 2017 the portfolios had return-on-equity and high quality metrics at the higher end of the range relative to the broader market which we believe bodes well for investors.

## 2 Why do you believe that investors should increase their exposure to high quality value companies?

High quality value companies have been out of vogue with investors in the recent past. However, we believe the market will rediscover their attractiveness. As shown in the chart below, the ratio of the one-year return of the MSCI U.S. Quality Index to the Wilshire 5000 Index hit a low in January 2017. We believe the current underperformance of high quality value stocks could represent an inflection point, suggesting a potential return to quality and value-oriented style of investing.

Importantly, while value stocks do not outperform in all markets, patience has historically been rewarded as value companies have outperformed broad-based indices over time. Therefore, regardless of how the market performs over shorter periods of time, we believe investors

should continually hold an allocation to quality companies and value-oriented stocks, as they have historically provided a margin of safety relative to other investing styles.



Source: Bloomberg LP

(continued from previous page)

### **3 Would you please discuss recent merger and acquisition (M&A) activity in the Barrow Funds?**

In the first quarter of 2017, two holdings in the Barrow Value Opportunity Fund were acquired. In January, United Healthcare offered to purchase SCAI Surgical Care Affiliates Inc. and in February, Reckitt Benckiser Group plc made a bid to buy Mead Johnson Nutrition. Historically, we have found that many of the Funds' holdings possess attractive characteristics that strategic acquirers and private equity firms have been willing to pay a premium to own. In fact, since inception, the Fund has over three times the takeover average of the S&P 500 Index.

M&A activity within the portfolio continues in the second quarter of 2017, as German health care company Fresenius has offered to purchase portfolio holding Akorn, a pharmaceuticals company that makes generic brands of nasal sprays, inhalants and over-the-counter eye-care treatments. We believe this mid-cap company was sought as an M&A candidate as it epitomizes quality and value characteristics. Akorn's share price has reacted favorably to this transaction offer, as it rose nearly 20% following a report indicating Fresenius's bid.

### **4 What effects might a stronger dollar have on the Funds' holdings?**

As we seek stocks selling at a discount to intrinsic value, we identify companies with low leverage, high return on equity and wide operating margins, as these factors have outperformed the market over time. In addition to these "Quality-meets-Value" factors, we analyze various other factors to identify risks, one of which is the Fund's exposure to stronger or weaker currencies including the U.S. dollar. As of the end of the first quarter of 2017, the Funds were market neutral to currency exposure. Therefore, we believe currency movements should not materially impact the Funds' performance relative to the market over the remainder of 2017.

In the Barrow Value Opportunity Fund, nearly 80% of the portfolio is held in small- and mid-cap stocks. These companies typically conduct business primarily in the U.S. and therefore are not highly sensitive to a strengthening dollar.

## **Important Information**

**Mutual fund investing involves risk. Principal loss is possible. The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the Fund and may be obtained by calling 1-877-767-6633. Read it carefully before investing. Distributed by Ultimus Fund Distributors, LLC.**

**Performance data quoted represents past performance; past performance does not guarantee future results.**

Investment in the Funds are subject to stock market risk, large-cap risk, mid-cap risk, small-cap risk, exchange traded funds risk, management style risk, value investing risk, and short sale risk (including more information about the risks listed above), please read the prospectus.

Fund M&A experience is calculated by dividing the percentage of the Fund's portfolio that consists of companies that have been subject to acquisition, divided by the percentage of companies in the equity market subject to acquisition. Participation in a Fund with M&A activity does not guarantee positive returns for the Fund.

The **Wilshire 5000 Index** is an index of all stocks actively traded in the U.S. The **MSCI USA Quality Index** is based on the MSCI USA Index that includes large and mid cap stocks in the US equity market. The Quality Indices aims to capture the performance of quality growth stocks by identifying stocks with high quality scores based on three main fundamental variables: high return on equity, stable year-over-year earnings growth and low financial leverage. The **S&P 500 Index** is an unmanaged index of equity prices and is representative of a broader market and range of securities than is found in the Fund's portfolio. It is not possible to invest directly in indexes which are unmanaged and do not incur fees and charges.