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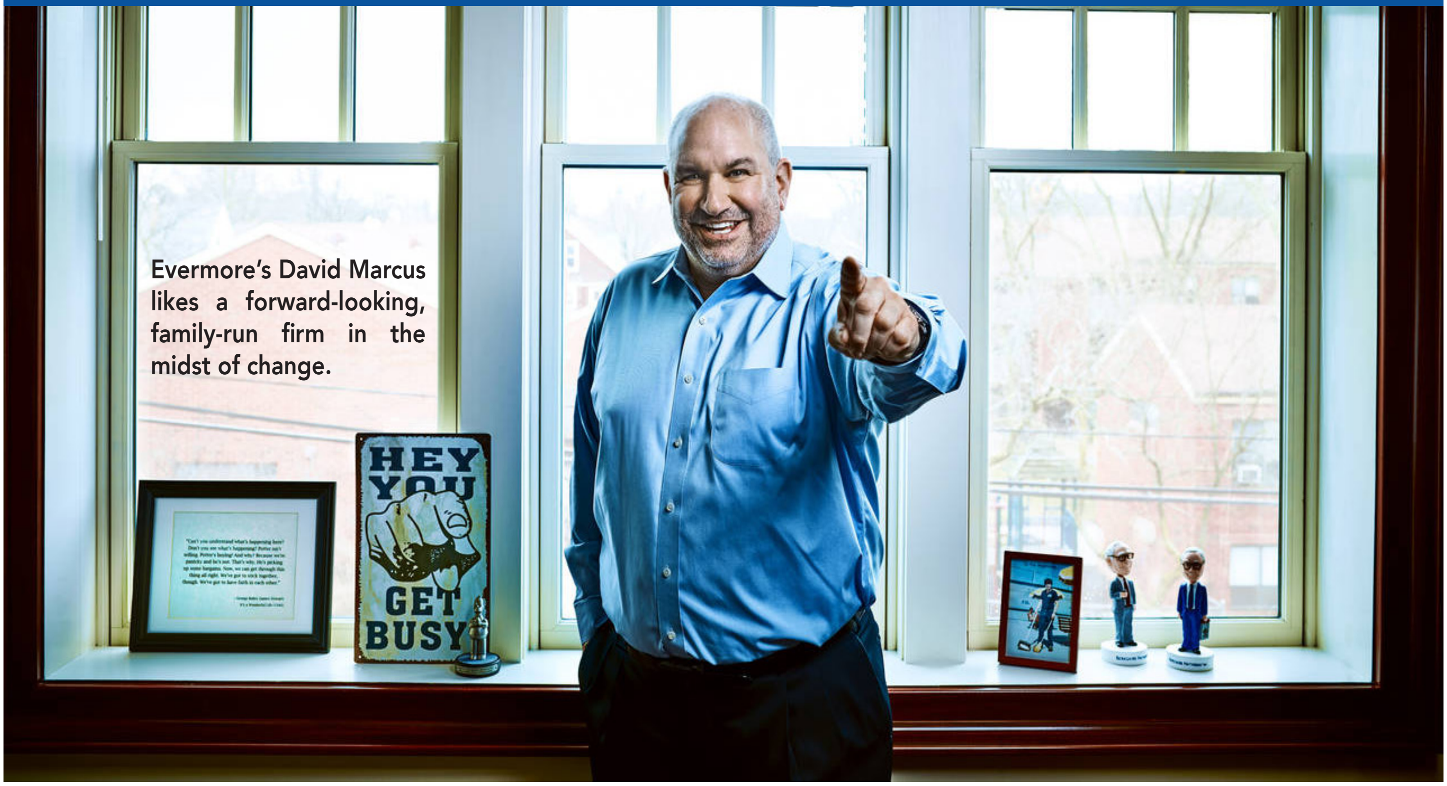

Evermore's David Marcus likes a forward-looking, family-run firm in the midst of change.

Talking with David Marcus

Portfolio Manager, Evermore Global Value Fund

Finding Value in European Conglomerates

By Sarah Max

David Marcus grew up on Long Island, where he learned about the markets from his stockbroker father and bought stock with money he earned sharpening ice skates. But his first big break came when he was a student at Northeastern University in Boston interning at a bank that provided back-office support for Mutual Series, an investment firm run by Michael Price.

Marcus' boss recommended him for an internship with the now legendary value investor, and soon after, Price offered him a job as an assistant on the firm's trading desk. "He said, 'I want someone who knows absolutely nothing, and I think you'd be perfect,' " Marcus chuckles. "I made it my singular goal to work my way off the desk."

Three decades later, Marcus, 51, heads up a three-person investment team at Evermore Global Advisors, which he co-founded in 2009 with fellow Mutual Series alumnus Eric LeGoff. The firm's flagship strategy is the $435 million Evermore Global Value mutual fund (ticker: EVGBX), which is up 10.6% over the last five years, better than 90% of world stock funds, according to Morningstar.

Marcus can invest anywhere in the world, but his focus is Europe, recently 69% of the fund's assets. "Europe today reminds me of when I started investing there in the early 1990s," says Marcus, who points to improving governance, better alignment between managers and shareholders, and greater emphasis on operational efficiency. "Europe is behind the U.S., but that is slowly changing."

Marcus' affinity for Europe and conglomerates, which account for 40% of the fund, is by design. After a couple of years on the trading desk, Marcus stepped into an analyst position. He quickly concluded that the best way to distinguish himself was to cover an area that wasn't on everyone else's radar. At age 26, Marcus made his first trip abroad, to Sweden. "It was going through a financial crisis, and that seemed like an opportunity to observe," says Marcus, noting that many of the largest publicly traded companies in Sweden are controlled by families. "I started learning who were the value creators and who were the value destroyers."

In 1996 Mutual Series was purchased by Franklin Templeton, and Price left day-to-day operations in 1998. Marcus stayed on as manager of Franklin Mutual European (TEMIX) and co-manager of a handful of other funds. In 2000, he partnered with Swedish industrialist Jan Stenbeck to start a long/short European hedge fund. When Stenbeck passed away two years later, Marcus stepped in as chairman of his U.S. holding companies. "As a stockpicker, it was incredible to get that operations experience, but once I felt the family was in good shape I wanted to get back to what I loved," says Marcus. He went back to running a hedge fund until 2009, when he and LeGoff decided to start a firm modeled after Mutual Series circa early 1990s.

"We're looking for value plus change," says Marcus, who focuses on companies that are trading at least 40% below their intrinsic value and takes meaningful positions, capping the fund's holdings at about 40 companies. "My favorite investment is an undermanaged company with a good business that goes from having a C management team to one that is B+ or better."

To find these companies, Marcus and his team watch for management shake-ups, and screens not for valuations, but for key words such as restructuring, holding company, and generational shift. "I like family-controlled businesses where there is a dynamic value-creator at the helm," he says.

Marcus says this is the case for Bolloré (BOL.France), a 195-year-old French conglomerate run by Vincent Bolloré; he and his family have a controlling stake. Bolloré's high-cash-flow transportation and logistics businesses—including African ports and electricity storage—have funded the company's investments in other industries, such as agriculture, banking, and entertainment. "He has created more value than all prior generations combined," says Marcus, who has owned Bolloré on and off for 20 years.

In 2011 Bolloré took a stake in French media company Vivendi (VIV.France) and in October 2016 increased that position to more than 20%. With Bolloré's involvement, "Vivendi is a classic turnaround story," says Marcus, who added Vivendi to the fund in 2012. The company, which owns Universal Music Group, has sold underperforming assets and gone from a position of debt to net cash. Shares recently traded at 16.98 euros ($18.28) a share, but "we think it's worth between 28 and 30 euros a share."

A keyword search for "restructuring, spin off, and break up" ultimately led Marcus and his team to invest in one of their top holdings, insurer NN Group (NN.Netherlands). "That whole series helped us find three ideas," says Marcus, who bought ING Group (INGA.Netherlands) at around €7 a share in 2011, at which point they valued NN Group at nothing to build in a cushion. In 2013 ING spun out its U.S. business, creating Voya Financial (VOYA), and then issued a prospectus for NN Group, which IPO-ed in 2014 at €20 a share, roughly half its book value. "The more work we did, the more we saw it was not only worth nothing but more than $10 billion [market capitalization]," says Marcus, who sold ING between €13 and €15 a share in early 2015 but continues to add to his position in NN Group, which was recently trading at €31.10 a share, still well below its book value.

Marcus typically avoids commodities—the fund owns one energy stock, Par Pacific Holdings (PARR)—but he makes exceptions "when the panic sets in and people throw out the gold coins with the gum wrappers." Such was the case in late 2015 at the height of the commodities downturn. Marcus and his team heard about a dry bulk shipping company in the process of restructuring. "It just so happened that there was a dry bulk conference in New York around that time, so we went," he says of the industry, which transports coal, ore, and other unpackaged commodities.

The mood was grim, he says, "but we believed that key players would survive, and were trading at the same valuations as the companies that would not." Scorpio Bulkers (SALT), for example, was trading at $3 a share when Marcus first invested in March 2016. Scorpio has since recapitalized and bought ships from distressed sellers, at which point Marcus increased his stake. Today the stock trades at $9.05, making it what Marcus calls "one of our top performers in the history of the firm."

Evermore Global Value

	Total Returns[1] 1-Yr	3-Yr	5-Yr
EVGBX	32.7%	9.0%	10.6%
MSCI All-Country World Index ex US	13.9	1.1	3.8

Top 10 Holdings	Ticker	% of Portfolio[2]
Scorpio Bulkers	[3]	5.4%
Enzo Biochem	ENZ	5.4
Ainmt	AINMT.Norway	5.0
Ambac Financial Group	[4]	4.9
Codere	CDR.Spain	4.4
Aurelius Equity Opportunities	AR4.Germany	4.2
NN Group	NN.Netherlands	3.9
Bolloré	[5]	3.9
Hapag-Lloyd	HLAG.Germany	3.8
Telecom Italia	TIT.Italy	3.5
Total		**44.4**

[1] All returns are as of 3/15; three- and five-year returns are annualized.
[2] As of 1/31. [3] Includes common stock ticker SALT and Y7546A114.
[4] Includes common stock ticker AMBC and warrant ticker AMBCW.
[5] Includes common stock tickers BOL.France and BOLNV.France.
Sources: Morningstar; company reports

The opinions expressed are those of the author and are subject to change, are not guaranteed and should not be considered investment advice.

Mutual fund investing involves risk. Principal loss is possible. The Fund invests in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. These risks are greater for emerging markets. Investing in small and mid-sized companies involves additional risks such as limited liquidity and greater volatility. The Fund may make short sales of securities, which involves the risk that losses may exceed the original amount invested. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investment in lower-rated, non-rated and distressed securities presents a greater risk of loss to principal and interest than higher-rated securities. Due to the focused portfolio, the fund may have more volatility and more risk than a fund that invests in a greater number of securities. Additional special risks relevant to our Fund involve derivatives and special situations. Please refer to the prospectus for further details.

Investors should carefully consider the investment objectives, risks, charges and expenses of the Fund before investing. This and other important information is contained in the Evermore Funds' statutory and summary prospectuses, which may be obtained by contacting your financial advisor, by calling Evermore Global Advisors at 866-EVERMORE or (866-383-7667) or on our website at www.evermoreglobal.com. Please read it carefully before investing.

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Fund holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security.

Security	Percent of Net Assets	Security	Percent of Net Assets
Scorpio Bulkers, Inc.	5.68	Codere SA	4.08
Ambac Financial Group, Inc.	5.18	Bollore SA	3.79
Enzo Biochem Inc.	5.10	NN Group NV	3.69
Ainmt AS	4.95	Hapag-Lloyd AG	3.63
Aurelius Se & Co.	4.38	Telecom Italia SpA/Milano	3.28

Book Value of an asset is the value at which the asset is carried on a balance sheet and calculated by taking the cost of an asset minus the accumulated depreciation

MSCI All-Country World Index ex USA captures large- and mid-cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 23 Emerging Markets (EM) countries*. With 1,854 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.

One cannot invest directly in an index.

Average Annualized Total Returns as of 12/31/2016	Q4 2016	1-Year	3-Year	5-Year	Since Inception*
Evermore Global Value Institutional Shares (EVGIX)	11.30%	17.94%	6.03%	12.12%	5.91%
Evermore Global Value Investor Shares (EVGBX)	11.30%	17.68%	5.76%	11.81%	5.65%
MSCI All-Country World Index ex USA	-1.25%	4.50%	-1.78%	5.00%	2.93%

*Since Inception: 01/01/2010. All periods over one year are average annualized total returns. Gross expense ratios for the Investor class and Institutional class shares are 1.78% and 1.53% respectively. Net expense ratios for the Investor class and Institutional class shares are 1.55% and 1.31% respectively. The Adviser has contractually agreed to limit fees through April 30, 2017.

Total return figures include reinvestment, if any, of all dividend and capital gain distributions. Investment performance reflects expense limitations in effect. In the absence of such expense limitations, total return would be reduced. The Fund imposes a 2% redemption fee on shares redeemed within 90 days. Performance data quoted does not reflect the redemption fee. If reflected, total returns would be reduced. The performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Performance data current to the most recent month end may be obtained by calling 866-EVERMORE or (866-383-7667).

Please note that the exchange rate used to convert the foreign currencies discussed in this document (as of 12/31/16): Euro (1.0526537401).

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References to other mutual funds should not be interpreted as an offer of these securities.