Evermore Global Value Fund

Portfolio Commentary: 4th Quarter 2016
Dear Shareholder:

The U.S. presidential election and Donald Trump’s surprise victory dominated the news in the fourth quarter. After some initial volatility, the global markets responded positively toward the election results and the Fund posted another quarter of strong gains. United States markets once again posted record highs during the quarter and although we continue to believe that it is somewhat expensive as compared to other developed markets, we are still finding interesting special situations here. In fact, we added one new domestic position during the quarter. Since the election, investors have seen a big rally in all types of commodity oriented businesses, especially those in the shipping and energy sectors. I have been asked by many Fund shareholders what I thought a Donald Trump presidency would mean for investors in 2017 and beyond. At this stage, it is very difficult to know exactly what President-Elect Trump’s foreign policies will be and the impact such policies will have on global markets, but assuming Congress works with him to implement his economic agendas, I do believe that infrastructure spending and a continued upturn in global manufacturing could have a significant positive impact on U.S. company stock prices. Further, reduced corporate and personal income taxes, along with a reduced repatriation tax rate on offshore cash could be the catalyst for widespread special dividend payments, as portions of growing corporate cash surpluses could be paid in one-time special distributions to shareholders. Change brings opportunities. Stay tuned.

Europe continued to be our investment team’s primary focus area, as we are able to find a greater number of cheap stocks with catalysts in this region than in other areas of the world. We added three new European positions in the quarter, which will be discussed later in this letter. Although we did not travel to Europe during the quarter, we had the opportunity to meet with several portfolio company and other management teams from various parts of Europe at our offices or in New York. Their message was consistent: M&A and restructuring activity pervade the region and a recovery is underway across the Continent. Even some of the data is now showing reasons for European optimism, as the unemployment rate is today close to a 9-year low, GDP growth has been on the upswing for nearly three years now, and banks are even reporting good growth in credit demand. While there remain fundamental headaches in Europe, we believe we are able to find specific opportunities in this region that will transcend macro concerns, and we remain excited about our opportunity set going into 2017. The headlines have masked the real changes going on and substantial value creation that we believe is underway at certain companies across Europe.

Of course, please take all these macro thoughts with a grain of salt, because I am always reluctant to make a market call.
**Investment Performance**
The Evermore Global Value Fund posted another strong quarter and year of performance. Please see the chart below for performance of the Fund’s Institutional Class shares (“EVGIX”), the HFRX Event Driven Index (“HFRX ED”), the MSCI All Country World Index ex USA (“MSCI ACWI ex USA”), the MSCI All Country World Index (“MSCI ACWI”), and the Morningstar World Stock Category Average for the quarter and year ending December 31, 2016.

![Performance Chart]

Morningstar World Stock Category Average represents an average of all the funds in the Morningstar World Stock Category.

The performance data quoted represents past performance and is no guarantee of future results. 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. Current performance may be lower or higher than the performance data quoted. Performance data current to the most recent month end may be obtained by calling 866-EVERMORE (866-383-7667). 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. Please [Click Here](#) for standardized performance of the Evermore Global Value Fund.

As of December 31, 2016, the Fund had $392 million in assets, much of which continued to be invested in European special situations (see specific region concentration data in the table below).

**Portfolio Review – Characteristics**
The Fund ended the quarter with 35 issuer positions and the following geographic and strategy classification breakdowns:
<table>
<thead>
<tr>
<th>Region</th>
<th>% Net Assets</th>
<th>Strategy Classification</th>
<th>% Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>62.9%</td>
<td>Restructuring/Recap</td>
<td>41.1%</td>
</tr>
<tr>
<td>U.S.</td>
<td>22.1%</td>
<td>Compounder</td>
<td>20.3%</td>
</tr>
<tr>
<td>Asia</td>
<td>4.9%</td>
<td>Other Special Situations</td>
<td>17.6%</td>
</tr>
<tr>
<td>Other (Cash, Options, Hedges, etc.)</td>
<td>10.1%</td>
<td>Breakup/Spinoff</td>
<td>7.3%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Liquidation</td>
<td>1.6%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Merger/Arbitrage</td>
<td>2.0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other (Cash, Options, Hedges, etc.)</td>
<td>10.1%</td>
</tr>
</tbody>
</table>

**Portfolio Review – New Investments**

The Fund added four (4) new issuer positions during the quarter-end – Frontline Ltd. (Norway), Indra Sistemas SA (Spain), Kraton Corp. (U.S.), and Safe Bulkers Inc. (Greece).

**Frontline (FRO US)** is a Norwegian $1.2 billion tanker vessel operator with a modern fleet of 55 vessels (VLCCs, Suezmax tankers and LR2 tankers) on the water with an aggregate capacity of approximately 11 million deadweight tonnage. We took advantage of a share offering to initiate a position in one of the best tanker operators in the industry with the lowest cash breakeven levels and with a very strong balance sheet. We participated in a $100 million equity raise in December as the deal was attractively priced (13.4 million shares at $7.45 per share), coming to the market at approximately 1.4x Price/NAV or 7x Price/Earnings. The proceeds will be used to opportunistically acquire 2 to 3 secondhand vessels that are at historically low asset values. Frontline is controlled by John Fredriksen, an aggressive value creator with a stellar track record, and we viewed this fully subscribed rights offering as a savvy means (i.e. a low cost of capital) for Frontline to acquire assets far below their replacement value at a time where acquisition prices are compelling.

Next, we initiated a new position in **Indra Sistemas (IDR SM)**, a €1.7 billion ($1.79 billion) market cap Spain based IT services and solutions company that we have been watching for more than a year since a new CEO/Chairman, turnaround specialist, Fernando Abril-Martorell was appointed control of the company. He has implemented a comprehensive restructuring plan that was well underway at the time of our first purchase in October. This investment is a multi-faceted story with elements of a classic restructuring (both operational and financial) combined with a transformative acquisition and a potential future breakup. Indra Sistemas ("Indra") operates in various vertical markets including transport and traffic, energy, public healthcare, financial services, security and defense, and media and telecom. Indra has experienced deteriorating performance over the last two years due to poor execution in its go-to-market strategy, which focused more on top line expansion instead of profitability.

The impetus for our involvement was when Indra announced its bid for Tecnocom, an information and communications technologies consulting firm based in Spain. Tecnocom is the third largest operator
with a 40% market share in payment systems. We believe the market has completely misunderstood the rationale and synergies for this impending acquisition. The acquisition should allow Indra to double their Spanish IT segment and is accretive on day one. Further, there are more than €40 million ($42.1 million) in potential synergies, the business has net operating loss carryforwards (“NOLs”), and there is potential upside optionality in the BDO segment that most analysts do not give them credit for. We believe the company is significantly undervalued, implicitly trading at 6.8x pro forma EBITDA. Based on our calculations, at the time of our first purchase, we estimated the stock was trading between a 35-50% discounts to its intrinsic value.

**Kraton Corp. **(KRA US) is a $900 million market cap Texas based producer of polymers, adhesives, and other specialty chemicals used across a diverse set of global end markets. The company operates fourteen plants across the U.S., France, Germany, Finland, Sweden, Brazil, Japan and Taiwan. In our opinion, the stock is cheap primarily because of (1) fears about long term margin stability in a low oil price environment, and (2) the company's high financial leverage resulting largely from the January 2016 debt-financed acquisition of Arizona Chemicals; a takeover which gave them some digestion problems as seen in reported earnings. We believe the stock is poised to appreciate significantly as the company uses its sizeable free cash flow to bring its leverage from 4.5 times to 2.8 times Net Debt/EBITDA¹ over the next two years. By borrowing smartly, management was able to effectively double the size of their business without diluting shareholders. The debt has traded very well in the open market and we feel confident that the company can meet their publicly communicated conservative cost saving targets for integration. At our initial purchase price, the company was trading at around a 55% discount to our estimate of its intrinsic value.

**Safe Bulkers (SB US)** is a $110 million market cap Greek dry bulker with a modern fleet of 37 vessels. We participated in the recent $17.2 million equity offering in December, where the CEO, Polys Hajoannou and his family-owned entity participated in 16% of the raise. Proceeds from this capital raise will be used towards buying second-hand vessels that continue to be priced at a 40% discount to new-builds. The deal was priced at an extremely attractive level of $1.10 per share, a 24% discount to the previous closing price or about 1x Price/NAV. Historically, Safe Bulkers has not traded below NAV.

Similar to our investment in Scorpio Bulkers, Safe Bulkers has pushed out debt maturities to 2021 and has a long liquidity runway with $110 million cash on the balance sheet. The company has one of the lowest day-rate cash breakeven levels in the industry, which provides a margin of safety to withstand any unexpected declines in dry bulk spot rates. With the clear signs of improvement in charter rates and a structural pickup in demand, Safe Bulkers is no longer in a defensive and reactive mode as it was earlier in 2016 when day-rates fell to historic lows. To put things into context, at one point in the first quarter of 2016, day rates sank to near $1,500 which led to unusually high scrapping levels. By the fourth quarter of 2016, day rates had returned to more reasonable levels of $22,000 per day, a 14x rebound! Given the composition of Safe Bulkers’ fleet, we believe the company’s valuation range has a

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¹ Earnings before interest, taxes, depreciation and amortization.
higher upside sensitivity to future changes in ship/asset valuation, and shareholders should benefit as the 40%+ discount gap closes between second-hand and new-build values.

**Portfolio Review – Investments Exit**
During the quarter, we exited one U.S. position and two European positions. We sold our investment in Manitowoc Foodservice, Inc. because the stock revalued during the year at a very attractive return faster than we had expected as investors began to understand the real value creation at the company. We had originally purchased The Manitowoc Company in early 2016 as it announced it would break into two companies; one focused on cranes that would retain the original name and the other was the food service business. After the spin-off, we sold the cranes business (“MTW”) and added to our position in the food service business (“MFS”) bring down our combined average cost. Siltronic AG (Germany) was the second largest contributor to Fund performance in 2016 and we exited the position during the quarter after owning it for less than one year. Within six months of our initial purchase, Siltronic’s stock price moved significantly higher and approached our intrinsic value estimate. Lastly, we decided to sell Euronav NV (Belgium) at a small loss. We were in the process of building our position and ultimately decided there were more compelling opportunities that deserved this slot in the portfolio.

**Portfolio Review – Top Contributors/Detractors**
Our top five contributors and detractors to performance during the quarter were:

<table>
<thead>
<tr>
<th>Top Contributors</th>
<th>Top Detractors</th>
</tr>
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<tbody>
<tr>
<td><strong>Enzo</strong>&lt;br&gt;Clinical Labs &amp; Diagnostics (United States)</td>
<td><strong>Aurelius</strong>&lt;br&gt;Business/Company Acquisition &amp; Restructuring (Germany)</td>
</tr>
<tr>
<td>Misunderstood sum-of-the-parts valuation; patent portfolio enforcement potential</td>
<td>Acquirers of broken businesses for little to no cash and fix them; Compounder</td>
</tr>
<tr>
<td><strong>Scorpio</strong>&lt;br&gt;Dry Bulk Carrier (Monaco)</td>
<td><strong>Nobina</strong>&lt;br&gt;Public Transportation (Sweden)</td>
</tr>
<tr>
<td>Trades below carrier replacement value; recapitalization; radical cost cutting</td>
<td>Largest bus transport group in the Nordic region; operational restructuring misunderstood by investors</td>
</tr>
<tr>
<td><strong>Siltronic</strong>&lt;br&gt;Electronic Components (Germany)</td>
<td><strong>Portman</strong>&lt;br&gt;Ports, Retail, Infrastructure, Energy &amp; Telecom Conglomerate (Hong Kong)</td>
</tr>
<tr>
<td>Mispriced broken IPO; industry consolidation</td>
<td>Misunderstood sum-of-the-parts valuation</td>
</tr>
<tr>
<td>Top Contributors (continued)</td>
<td>Top Detractors (continued)</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>----------------------------</td>
</tr>
<tr>
<td><strong>MUNICIPAL BOND INSURER</strong> <em>(UNITED STATES)</em></td>
<td><strong>MEDIA CONGLOMERATE</strong> <em>(FRANCE)</em></td>
</tr>
<tr>
<td>Municipal business in run-off; potentially significant litigation settlements</td>
<td>Aggressively selling and buying assets to refocus as a media powerhouse</td>
</tr>
<tr>
<td><strong>GAMING</strong> <em>(SPAIN)</em></td>
<td><strong>BUSINESS/COMPANY ACQUISITION &amp; RESTRUCTURING</strong> <em>(GERMANY)</em></td>
</tr>
<tr>
<td>Misunderstood; underwent a major recapitalization, post-Reo equity</td>
<td>Acquirers of mid-sized businesses in turnaround situations, Compounder</td>
</tr>
</tbody>
</table>

**Enzo Biochem (ENZ US)** a $320 million market cap molecular diagnostics company and operator of state-of-the-art clinical labs, was the largest contributor to Fund performance during the quarter. We added opportunistically during the unwarranted selloff that occurred during the third quarter. The company recovered from its lows reached in the third quarter and set a new 52-week high in December. Enzo continues to generate strong operating results with net cash reaching almost $70 million (21% of the market cap). On the legal front, the company now has 2017 trial dates set for three of their remaining patent infringement cases, which may help accelerate future potential settlements.

**Scorpio Bulkers (SALT US)** is a $370 million market cap dry bulker with 42 modern vessels on the water and 6 new builds under construction that will be delivered in the first and second quarters of 2017. During the quarter, the company delayed taking deliveries and negotiated price reductions with the shipyards on the remaining 6 vessels, which further reduced their capital expenditure obligations (which were already fully covered) and increased its liquidity runway. Scorpio also amended its management agreement to eliminate a 1% fee on the sale and purchase of future vessels which fosters better alignment with shareholders. Further, the company announced that it will repurchase up to $20 million of the 2019 senior notes (which the Fund also owns) in open market or privately negotiated transactions. Industry fundamentals have begun to turn around and have become structurally favorable, underpinned by a pickup in demand for iron ore and coal, and a significant period of negative supply growth earlier in 2016.

**AURELIUS Equity Opportunities SE & Co KGaA (AR4 DE)** was the largest detractor to performance for the fourth quarter. This acquirer of companies and businesses has attractively compounded its NAV for many years and has an excellent management team led by CEO Dirk Markus. The company sold a number of its portfolio holdings in the quarter, acquired one new company, and reported excellent operating results in November. We continue to view AURELIUS as a core, long-term holding for the Fund and bought more during the quarter.
Nobina AB (NOBINA SS), the largest bus transport group in the Nordic region, was the Fund’s second largest detractor in the quarter, even though it reported increased sales, operating profit and cash flows for its fiscal third quarter ending November 30, 2016. The company also announced in December the appointment of a new President and CEO, Magnus Rosén, who will be succeeding retiring CEO Ragner Norbäck starting June 1, 2017. We believe Mr. Rosén will continue to cut costs and the company is well positioned to achieve its growth targets.

Closing Thoughts
We move into the New Year with cautious optimism. While most of this commentary has focused on the U.S. and Europe, we are also spending more time looking at opportunities in Asia and Latin America and are currently planning trips to those regions during the first half of 2017. The Fund goes into the New Year with about 9% in cash and little exposure to companies with highly levered balance sheets. Importantly, we believe our look-forward opportunity set continues to be excellent. Considering all that is going on in the world, we believe that the best is yet to come for opportunistic special situations investors. There will always be an election with surprising results, mixed economic data, and sectors going through ups and downs. Where extremes are seen, we believe a smart investor can locate specific opportunities that transcend the macroeconomic noise and generate an attractive rate of return.

Our strong investment performance over the past five years is attributable not only to our investment team and selecting the right investment opportunities, but also to our investment process. Our weekly research meetings, quarterly offsite meetings, daily interactions and risk management processes are critical parts of this process. We remain committed to making continuous improvements to our investment process so that we can continue to provide our shareholders with attractive long-term investment results. We thank you for your confidence and support and wish you all a healthy, safe, happy and prosperous New Year.

Sincerely,

David E. Marcus
Portfolio Manager
Opinions expressed are those of Evermore Global Advisors and are subject to change, are not guaranteed and should not be considered investment advice.

MSCI All Country World Index is an unmanaged index comprised of 48 country indices, including 23 developed and 25 emerging market country indices, and is calculated with dividends reinvested after deductions of holding tax. The index is a trademark of Morgan Stanley Capital International and is not available for direct investment.

MSCI ACWI ex-US Net Index is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of developed and emerging markets, excluding the U.S. The Index consists of 45 developed and emerging market countries. The Index is net of foreign withholding taxes on dividends.

HFRX Event Driven Index – Hedge Fund Research, Inc. (HFR) utilizes a UCITS compliant methodology to construct the HFRX Hedge Fund Indices. The methodology is based on defined and predetermined rules and objective criteria to select and rebalance components to maximize representation of the Hedge Fund Universe. The HFR Event Driven (Total) Index is being used under license from Hedge Fund Research, Inc. which does not approve or endorse Evermore Global Value Fund.

Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) – essentially net income with interest, taxes, depreciation, and amortization added back to it, and can be used to analyze and compare profitability.

Free Cash Flow (FCF) - a measure of financial performance calculated as operating cash flow minus capital expenditures. Free cash flow (FCF) represents the cash that a company is able to generate after laying out the money required to maintain or expand its asset base.

Intrinsic Value – the actual value of a company or an asset based on an underlying perception of its true value including all aspects of the business, in terms of both tangible and intangible factors.

Fund holdings and sector allocations are subject to change at any time and should not be considered recommendations to buy or sell any security. Current and future portfolio holdings are subject to risk.

Please click here for the most recent holdings of the Global Value Fund.

Mutual fund investing involves risk. Principal loss is possible. Investments in foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods. This risk is greater for investments in Emerging Markets. Investing in smaller companies involves additional risks such as limited liquidity and greater volatility than larger companies. The Fund may make short sales of securities, which involve the risk that losses may exceed the original amount invested in the securities. 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 the fund involve liquidity, currency, derivatives and hedging. 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 Fund’s statutory and summary prospectus, which may be obtained by contacting your financial advisor, by calling
Evermore Global Advisors at 866-EVERMORE (866-383-7667) or on www.evermoreglobal.com. Please read the prospectus carefully before investing.

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

You cannot invest directly in an index.

Evermore Global Advisors, LLC is the advisor to the Evermore Global Value Fund which is distributed by Quasar Distributors, LLC.