PRIVATE CAPITAL MANAGEMENT VALUE FUND

Semi-Annual Investment Adviser's Report
October 31, 2022
(Unaudited)

Dear Fellow Shareholder:

The U.S. small-cap equity indexes showed a fair degree of volatility over the six months concluding October 31, only to end the period largely unchanged from where they began, with the Russell 2000 Index reporting a decline for the period of -0.20%. For the year, it has been a different story with the Russell 2000 Index reporting a year-to-date loss of almost -16.86% through October. Against this backdrop we are pleased with the performance of the Private Capital Management Value Fund's Class I shares ("PCM Value Fund"), which reported a gain of 8.85% for the six months ending October 31. As we move toward year end, investors now have clarity regarding U.S. midterm elections and, perhaps more importantly, a better framework to calibrate the interplay between inflation, Federal Reserve monetary policy and the outlook for the U.S. economy next year.

PCM Value Fund Class I				
		Annualized Return Periods		
As of 10/31/2022	1-Year	3-Year	5-Year	10-Year
Class I	-3.10%	17.64%	10.04%	11.60%
Russell 2000	-18.54%	7.05%	5.56%	9.93%

Let us start with the easiest part of the equation. The midterm elections did not produce the red wave that many Republicans had anticipated and historical precedent suggested. This result was rather surprising given current economic stress, inflation and rising interest rates. Nonetheless, while Democrats retained control of the Senate, Republicans did regain control of the House, albeit by a small margin. Viewed only through the lens of "what is best for the stock market", this may come pretty close to an ideal outcome. The market prefers predictability, and the Biden Administration's legislative agenda will be substantially constrained now that it must be negotiated through a split Congress. On the other side of the equation, a narrow House majority may limit, at least in duration, market destabilizing theatrics relating to necessities like raising the country's debt ceiling. Simply put, gridlock is good, internecine political warfare – not so much.

Moving beyond politics, surging inflation has clearly been the elephant in the room for equities this year. Since March, the Federal Reserve has raised interest rates from essentially zero to almost 4%; an unprecedented upward slope over such a short period of time. Up until November's CPI report, there was scant evidence to suggest that the Fed was getting its arms around the issue. It is important to understand that the Fed has a twofold problem. First, it must use a blunt economic tool to bludgeon the economy into sufficient submission that inflationary pressures abate. Second, and perhaps of even greater importance, it must manage inflation expectations and convince bond investors that it will do whatever is necessary to rein in inflation. The importance of the second point cannot be overstated.

As of November 2022, the United States has $31 trillion in federal debt. Obviously, when the Federal Reserve raises short-term interest rates, the government's funding costs rise in tandem – though these increased costs apply only to the future borrowing necessary to cover the deficit and other maturities in the nation's "capital structure". Consider the following – the current budget deficit is running at about $1.5 trillion, so the future cost of funding just for this tranche of debt has risen from approximately $3.75 billion in March of 2022 to roughly $60.0 billion at current rates. Paying sixteen times more interest for the same debt is bad; but paying sixteen times more for the entirety of the nation's public debt would quickly become catastrophic. Therefore, it is imperative that the Fed do whatever is necessary to prevent long-term interest rates from rising dramatically. Since investors in long-term bonds expect to be compensated for both known and potential inflation, if investors were to adopt a base case that included 8% annual inflation as the going forward norm, long rates would likely need to exceed 10% to attract bond buyers. At a 10% interest rate, the government's

The performance data quoted represents past performance. Past performance is no guarantee of future results. Investment return and principal value will fluctuate, and 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. For performance current to the most recent month-end, please call 1-800-763-0337. The Fund's Gross Expense Ratio is 1.73%. The Russell 2000 Index is an unmanaged index that consists of the smallest 2,000 companies in a group of 3,000 U.S. companies in the Russell 3000 Index, as ranked by market capitalization. It is not possible to invest directly in an index.

Semi-Annual Investment Adviser's Report (Concluded)
October 31, 2022
(Unaudited)

annual interest expense would balloon to roughly $3.1 trillion. This compares, shall we say, rather unfavorably with the $2.4 trillion that the government collected in total individual and corporate taxes in 2021.

The fundamental point should be clear. The Federal Reserve must do whatever is necessary to drive inflation down because the alternative would be tantamount to economic oblivion for the country. Therefore, the Fed will be compelled to combine words with deeds until inflation heads back down toward 2%.

Equity markets have suffered mightily this year because rising interest rates not only create economic risk, they are inimical to high corporate valuations. It is also fair to note that falling stock prices help "deflate" purchasing power, which acts as an additional brake on the economy. Therefore, in contrast to the prevailing investor experience over the last two decades, not only is there no "Fed put" to prop up equity markets, but today policy makers might actually prefer a declining market. Investors who fail to remember (or have never heard) the old saying "don't fight the Fed" and have held on to intrinsically overvalued equities have paid a severe price.

While the narrative above reads rather grim, from the Fund's perspective we actually view this process to be more positive than not. The rapidity at which the Fed has acted over the last six months is likely to result in economic pain next year. The market's decline seems to have discounted much, if not all, of this outcome. Nevertheless, stocks that were not intrinsically overvalued to begin with – and are attached to businesses that are fundamentally sound in the current environment – have held up much better on both a relative and absolute basis. Hence the result achieved by the Fund thus far in 2022.

The better news is that in November, the reported inflation metrics decelerated meaningfully for the first time this year. With core inflation still running north of 6%, the number remains substantially too high, and the Fed will need to continue tightening. Given broadening evidence of a slowing economy – seen first in the housing and construction sectors and currently in expanding layoffs at a number of major corporations – it is more probable than not that the Fed will overshoot and push the economy into recession next year. While this may seem like a negative observation, it actually provides sustenance for an increasingly positive outlook for U.S. equities.

As the economy tips into recession, inflationary pressures should abate more rapidly. While the Fed may be slow to cut rates, as inflation drops and unemployment rises, the market will begin to look forward to loosening monetary policy, normalized inflation, and economic recovery. These are the requisites for a broad market recovery. While we will leave the timing of this sequence to soothsayers and other "professional" market pundits, suffice to say that we think the markets are much closer to a bottom than anything else. More importantly, as demonstrated to this point, we believe the Fund is positioned both to continue to resist the current drawdown and to effectively participate when market conditions improve.

We appreciate your continued support.

Private Capital Management

Mutual Fund investing involves risk and it is possible to lose money by investing in a fund. The Fund is a diversified fund, but nevertheless has invested a significant portion of its assets in the securities of a relatively smaller number of issuers, which may cause the Fund's value to fluctuate more widely than some other diversified funds. As a result of the Fund's investment approach and the relative price movements of certain Fund holdings, as of October 31, 2022 the Fund's holdings profile reflected a portfolio concentration level normally associated with a non-diversified fund. This may result in the Fund exhibiting greater volatility and less liquidity than other diversified funds. **The above commentary is for informational purposes only and investors should consider the investment objectives, risks, charges, and expenses of the Fund carefully before investing. This report is not authorized for distribution unless preceded or accompanied by a current prospectus for the Private Capital Management Value Fund. The prospectus contains this and other important information about the Fund. Read it carefully before investing.**

Shares of the Private Capital Management Value Fund are distributed by Foreside Funds Distributors LLC, not an adviser affiliate.

This letter is intended to assist shareholders in understanding how the Fund performed during the six months ended October 31, 2022 and reflects the views of the investment adviser at the time of this writing. Of course, these views may change and do not guarantee the future performance of the Fund or the markets.

Portfolio composition is subject to change. The current and future portfolio holdings of the Fund are subject to investment risks.