June 30, 2016 Letter to Shareholders

Dear Fellow Shareholder:

Rallying off of February's lows, U.S. markets continued their ascent for most of the quarter ending 06-30-16, and reached their zenith on June 8th. Subsequent to that first week of June the markets were roiled by a string of negative news items beginning with the Fed's June 15th admission that the economy and labor markets have begun to stall. Janet Yellen's commentary also focused on the second bit of bad news that eventually came to fruition a week later: specifically that the "Brexit" (Britain's exit from the EU) could cause further strain on the decelerating U.S. growth engine. The historic June 23rd British referendum's results put a dagger into the rally that had carried stocks to new highs and subsequently wiped out all of the market's gains for the year. Although the S&P 500 Index and the Russell 2000® fell to negative territory for the quarter and the year during the turmoil after the vote, in the last days of June, they recovered to marginally positive territory for the respective periods.

Total Return

(%) as of June 30, 2016

	3 MONTH	YEAR to DATE	1 YEAR	3 YEAR	5 YEAR	10 YEAR	SINCE INCEPTION (10/03/01)
Cove Street Capital Small Cap Value Fund	-1.31	5.62	-3.52	7.24	11.64	6.55	8.32
Russell 2000® Index	3.79	2.22	-6.73	7.09	8.35	6.20	8.64
Russell 2000® Value Index	4.31	6.08	-2.58	6.36	8.15	5.15	8.84

Performance shown for the period through January 20, 2012 reflects performance for CSC Small Cap Value Fund, a series of CNI Charter Funds, the predecessor to Cove Street Capital Small Cap Value Fund "The Fund". The Fund has the same portfolio manager and substantially similar investment strategies to the predecessor fund.

The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment 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 quoted. For performance data current to the most recent month end, please call 1-866-497-0097.

The gross expense ratio is 1.42%. Cove Street Capital, LLC (the "Adviser" or "Cove Street") has contractually agreed through at least January 28, 2017 to reduce its management fees, and may reimburse the Fund for its operating expenses, in order to ensure that Total Annual Fund Operating Expenses (excluding acquired fund fees and expenses, leverage, interest, taxes, brokerage commissions, and extraordinary expenses) do not exceed 1.25% of the Fund's average daily net assets.

The Fund imposes a 2.00% redemption fee on shares sold within 60 days of purchase. Performance data does not reflect the redemption fee. If it had, return would be reduced.

Given the arc of the quarter, we found very little new to do in the first half of the quarter as valuations once again became stretched, especially as many of the positions we initiated or expanded upon in the first quarter began to butt up against our estimates of their intrinsic value. We underwrite most of our investments on the basis of a desired 50% return over a three-year holding period. Given the sharp rally we faced since February, many of our positions attained that desired result in a very short period of time. Sticking to our sale discipline, we trimmed some of our largest positions and sold other positions outright. The issue for us when a market rebounds in a relatively short period of time is that our pipeline of replacement ideas may not have progressed sufficiently within our decision process to justify an immediate replacement position. The net result has been a bigger pile of cash than we normally carry.

But things can change rapidly (as we know from experience) and patience and persistence should eventually pay off. During the June swoon we finally received an opportunity to execute on several ideas we had in the pipeline. A pair of new positions, namely E.W. Scripps (Ticker: SSP) and VeriFone Systems (Ticker: PAY), were actually old positions revisited. VeriFone, for those of you who are frequent users of credit cards when shopping, is the leading provider of point of sale terminals across the country. Their hardware is located in most brick and mortar stores as well as in gas stations and newfangled hipster stores where people swipe using dongles attached to iPhones. We owned VeriFone three years ago during a turbulent time when the company underwent a management change and experienced a deep sell-off due to execution issues. The stock eventually reached our estimate of fair value and we sold it only to watch it reach ever higher valuation levels. Since the middle of last year VeriFone's luster has fizzled in the eyes of the new crop of stockholders that took over from us when we sold. As evidenced by the sell-off, these owners had no desire to look past a rough start to 2016 as VeriFone failed to satisfy its short-term projections of just how many new EMV terminals (devices that read EMVs—the chip-enabled credit cards you probably recently received) would be sold. Taking advantage of the myopia of growth investors, we gladly refilled a position in VeriFone at almost exactly the same price we paid three years ago. The round-trip of the stock makes no sense to us as the company is on a much better operational footing, driven hard by a competent management team that continues to slash a bloated organization and to position the company for future expansion by developing a much more advanced hardware and services bundle. Additionally, we see the delayed EMV rollout as a minor hurdle that has obscured the growing intrinsic value that we see locked within the company.

E.W. Scripps was initiated as a retread almost along the same lines as VeriFone, with the major difference being how recently we owned it. It was only September of last year when we last sold E.W. Scripps, the owner of a broad range of television stations and digital assets. Since then the stock has come under pressure based on the idea that this election cycle will not have as much spending as previous ones due to the presumptive Republican nominee's odd relationship with traditional Republican donors. We feel this pessimism is unwarranted and misses the point here: E.W. Scripps is run by a superb management team that has created billions of dollars of value in its history and has control over assets that should be beneficiaries of ever increasing retransmission agreements over the coming years.

Other new positions included Millicom International Cellular (Ticker: MIICF), the leading cable and wireless provider in Colombia and Central America, and Liberty Media (Ticker: LMCA), the owner of a sizable position in Live Nation and a pile of cash and securities. Millicom is refocusing on its pole position in the quickly growing cable triple play market in Colombia, while shedding valuable but disparate African media assets under the direction of a new CEO who hails from Liberty Global. This joins our other position in Latin American media, Liberty Global LiLAC (Ticker: LILA), which operates under the Liberty umbrella. We don't wake up one day and think, "Hey! Latin American media!" but over time a firm can acquire seemingly unusual core competency in disparate areas through years of daily work. We were initial investors in Chilean cable 20 years ago in a company that eventually became Liberty Media, and since we take copious notes that we preserve online, we have not forgotten it all! LMCA is yet another piece of the Liberty/John Malone empire and is one of the most mispriced of the Malone family of companies that we have owned and followed since Cove Street's inception.

As previously mentioned, we trimmed a number of positions this quarter and made some outright sales as well. First, we exited our position in DreamWorks Animation SKG (Ticker: DWA) as the company is being acquired by NBC Universal. This was not an "easy" investment as the Cove Street team produced a regular stream of internal contention as to the wisdom of investing in a narrow Hollywood property controlled by a CEO with published financials that were not statistically supportive of "value." But all life does not live in a spreadsheet and there was a strong opinion that there was franchise value within animation and the brand library that was suggestive of a higher price than our original $19 per share purchase price. To be fair, we didn't see the $41+ price that Comcast is paying and we sold into the rumors of a sale, and missed out on the last 30%...but we have done worse.

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Also on the acquisition front was Xura (Ticker: MESG), a company that was transforming itself into a provider of enterprise software solutions that enable the creation and monetization of messaging services (SMS/MMS) and social media communications. We are delighted that this complicated set of affairs was taken over at a price of approximately 30% above our cost, and the resulting freedom to pursue almost ANYTHING less complicated frees up a lot of our mental bandwidth. Kudos to CEO Philippe Tartavull who truly pivoted from his original plan and salvaged value for shareholders.

Another outright sale was NeuStar (Ticker: NSR). This has been a very interesting investment over four years with a lot of volatility. Unfortunately, management stretched on valuation and strategy to acquire a "high-buzzword-per-dollar-of-revenue" company engaged in marketing analytics called MarketShare. We estimated that the acquisition burned roughly 10-15% of shareholder equity, and what had previously looked like a rational management team had become what we not-fondly call "north-of-Santa-Barbara" gimmicky growth chasers. Partnering with the right management is paramount to us and thus the change in direction by NeuStar's leaders caused us to reevaluate our position.

What Happened

Quarter Ending June 30, 2016 | Symbol CSCAX

SECURITY	AVERAGE WEIGHT	RETURN	CONTRIBUTION
TOP 5 CONTRIBUTORS	(%)	(%)	(%)
FMC CORP	4.06	20.09	1.17
USG CORP	4.20	8.63	0.81
XURA INC	1.60	25.64	0.65
WPX ENERGY INC	1.07	33.03	0.56
RAVEN INDUSTRIES INC	2.03	19.21	0.54

SECURITY	AVERAGE WEIGHT	RETURN	CONTRIBUTION
TOP 5 DETRACTORS	(%)	(%)	(%)
CHEROKEE INC	2.87	-36.74	-1.28
SEAWORLD ENTERTAINMENT INC	2.30	-31.51	-0.83
GP STRATEGIES CORP	3.26	-21.98	-0.82
CARROLS RESTAURANT GROUP INC	3.73	-17.53	-0.81
ZEBRA TECHNOLOGIES CORP – CL A	2.60	-24.69	-0.78

The 5 Contributors measure the top five contributors to the portfolio's total return. The 5 Detractors measure the five bottom contributors to the portfolio's return. Average Weight shown is a calculation of the average percentage held of each included company over the course of the listed period. Return is the total return for each included company over the course of the listed period. Contribution is a ranked measure of how each included company contributed to the Fund over the course of the listed period.

Our main contributor this quarter was FMC (Ticker: FMC), a specialty chemicals company whose primary products target the agricultural, health and nutrition, and battery market sectors. The cyclical issues facing the global agricultural markets have not disappeared, but market participants realized that FMC was priced for too severe of an agricultural recession.

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Additionally, FMC benefited from increased pricing in lithium, as lithium-ion batteries continue to take share globally and the overall world market for lithium moves into an undersupplied position. FMC has responded in kind by promising to triple their lithium capacity by 2019.

Two other positions delivered good results and provided a boost to returns. First, Xura was discussed in detail above as an outright sale in the quarter. Next, USG (Ticker: USG) is a North America-focused producer and distributor of building supplies. The company, whose largest shareholder is Berkshire Hathaway, has the leading market share in the production and sale of wallboard and ceiling tiles. We leaned into this position, which was initiated at the end of last year, during the first quarter sell-off and were handsomely rewarded in this quarter. USG delivered arguably the best results it has seen in over a decade as the wallboard division's revenue grew double digits while both wallboard and ceilings saw margin improvements of over 400 basis points.

Cherokee (Ticker: CHKE) was a detractor this quarter. It is in the middle of a very important transition as its long-term relationship with Target U.S. is set to end in early 2017. Replacing the revenue the company receives from Target's licensing of the Cherokee brand in the U.S. will not happen overnight. In fact, as opposed to licensing the brand to a single retailer as it had in the past, the company is in the process of establishing wholesale relationships that will allow Cherokee-branded goods to be sold in many retailers throughout the country. While the transition may be a bit bumpy—as indicated by the market's uncertainty and the drop in its share price this quarter—we are confident that the combination of higher royalty rates, an expanded base of retail partners, and a more diverse set of products available in the market can actually lead to higher earnings power than Cherokee possesses today.

SeaWorld Entertainment (Ticker: SEAS) is another company in the midst of a difficult but necessary transition. The attendance at the company's namesake theme parks has been hampered by the poor publicity that began with the now notorious "Blackfish" documentary but has continued over the subsequent few years. The outcome is that the company has decided to discontinue its orca shows at the various SeaWorld parks across the U.S. This tough decision was designed to appease the critics who believe that aspects of the orca shows and the conditions in which the animals live was inhumane. While the decline in the stock price suggests that some investors believe that the earnings power of the company has been diminished, our alternative competing hypothesis is that the recent announcements will help to repair the brand and subsequently assist in bringing people back to the theme parks. In the meantime the company should continue to generate significant free cash flow and offer a very attractive dividend yield, especially in today's low-rate environment.

Lastly, a company that has been a material contributor over the last 18 months took a bit of a breather this quarter. As we have discussed in previous letters, Carrols Restaurant Group (Ticker: TAST) is the largest Burger King franchisee in the U.S. with approximately 725 stores. Since 3G Capital has taken over the management of the Burger King brand, system wide same-store-sales and restaurant margins have been consistently improving. Carrols has been a beneficiary of that improvement and that has caused expectations to rise—regarding the company's profits and the ability to expand the restaurant base through acquisitions. The stock was down in the quarter but the fundamentals remain intact. Post-2016, the remodel intensity will abate and Carrols will be in position to generate consistently higher free cash flow that can be used for acquisitions, debt paydown, and even share repurchase. As such, our research suggests that the company can reach its 1,000 medium-term store target and should be rewarded by the market for the increased earnings power.

Going forward, we are going to contribute little to any analysis of Brexit because it has very quickly leapt through kale and IPA beer as a media-overloaded concept with very uncertain long-term practical consequences. We do not think it "changes everything," but we could be just as wrong as any talking head. What we do understand and appreciate is that uncertainty is the only constant force in investing, and we welcome the inclusion of newly-undervalued securities from sellers who seem to want the unicorn of certainty about the future to appear whenever it is convenient or money has to be invested. That the economy stinks, that our monetary leaders globally remain embarked on a failed mission that is fated to do the opposite of what it intended, and that Europe has been a short versus the United States since 1918 are not new news to us. We have been careful about dumpster diving in an environment where many financial assets are

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elevated on nothing but a zero interest fulcrum and we welcome short bouts of fear as opportunities to buy decent-to-great businesses at decent-to-great prices. Same ol' story.

Lastly, we want to welcome new shareholders to the Fund. Cove Street Capital is an investment firm that attempts to intelligently offer its strategies to others, rather than a marketing firm that designs "products" to be sold to whomever. Thus, we have found it takes time for people to find us and we are grateful you are here as we have crossed the $100mm mark in assets. Cove Street principals are large shareholders in the Fund and we commit to treat your money as if it were our own. Best wishes for a great summer.

Best Regards,

Jeff Bronchick

Jeffrey Bronchick, CFA | Principal, Portfolio Manager
Shareholder, Cove Street Capital Small Cap Value Fund

The information provided herein represents the opinions of Cove Street Capital LLC and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. Opinions expressed are subject to change at any time.

The fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory prospectus and summary prospectus contain this and other important information about the investment company, and they may be obtained by calling 1-866-497-0097 or visiting www.covestreetfunds.com. Read it carefully before investing.

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Top 10 Holdings

Quarter Ending June 30, 2016 | Symbol CSCAX

FMC CORP	5.44	%
VIASAT INC	5.03	%
USG CORP	3.99	%
LIBERTY MEDIA CORP CL-A	3.43	%
VERIFONE SYSTEMS INC	3.34	%
GP STRATEGIES CORP	3.24	%
LIBERTY GLOBAL PLC LILAC - A	3.09	%
HALYARD HEALTH INC	2.65	%
WESCO AIRCRAFT HOLDINGS	2.63	%
ZEBRA TECHNOLOGIES CORP CL-A	2.50	%

Fund holdings and sector allocations are subject to change and should not be considered a recommendation to buy or sell any security. *Current and future portfolio holdings are subject to risk.*

Mutual fund investing involves risk. Principal loss is possible. There is no assurance that the investment process will consistently lead to successful results. Value investing involves risks and uncertainties and does not guarantee better performance or lower costs than other investment methodologies. Investments in smaller companies involve additional risks such as limited liquidity and greater volatility. Investments in foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods. Concentration of assets in a single or small number of issuers, may reduce diversification and result in increased volatility.

The Russell 2000® Index measures the performance of the small cap segment of the U.S. equity universe, representing approximately 10% of the total market capitalization of the Russell 3000® Index and the Russell 2000® Value Index includes those Russell 2000® Index companies with lower price to book ratios and lower forecasted growth values. One cannot invest directly in an index. The Standard & Poor's 500® Index (S&P 500) is an index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. Cash flow measures the cash generating capability of a company by adding non-cash charges (e.g. depreciation) and interest expense to pretax income. Free cash flow is a measure of financial performance calculated as operating cash flow minus capital expenditures. Basis point is a finance unit of measure where one percent is equal to 100 basis points.

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