December 31, 2014 SHAREHOLDER LETTER

DEAR FELLOW SHAREHOLDER:

At this point last year, we were effusively cautious after a terrific period of performance. We suggested that while we considered a material portion of the portfolio to be "solid" values, their near-term appreciation was limited after the big numbers of 2013.

It turns out we were more than right for a change. Our performance hovered around unchanged for most of the calendar year, which was outperforming the Russell 2000® Index, and then simply had a lousy quarter, making 2014 a resounding dud. Interestingly, most of the portfolio performed somewhat as we expected as we really did not have many major "issues"—we just mostly plodded along as underlying growth and improvement in the value of our companies caught up to the price appreciation of 2013. The big exception to that statement was our adventures in energy, a topic we will go into more detail below. The good news here is that the price/value relationship in our portfolio has markedly improved over the year and while we reiterate that we have little idea what markets will do in any forward 12 month period, we are much more positive about our relative performance for 2015.

TOTAL RETURN (%) as of December 30, 2014 | Symbol CSCSX

	3 MONTH	1 YEAR	3 YEAR	5 YEAR	10 YEAR	INCEPTION (9/30/98)
Cove Street Capital Small Cap Value Fund	4.71	0.19	19.78	16.25	6.00	11.43
Russell 2000® Index	9.73	4.89	19.21	15.55	7.77	9.07
Russell 2000® Value Index	9.40	4.22	18.29	14.26	6.89	9.89

Performance shown for the period September 30, 1998 to January 20, 2012 reflects performance for Cove Street Capital 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. Effective September 10, 2013, the Investor Class eliminated all sales charges on purchases. Prior to that date, purchases were subject to a maximum sales charge of 3.50%. The returns shown for the Investor Class do not reflect any sales charges. If they had, the returns would be lower. Returns for periods greater than 1 year are annualized.

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 1.86%. Investment performance reflects contractual fee waivers in effect through 5/31/15 to keep the expense ratio (excluding 0.01% acquired fund fees and expenses, brokerage commissions, interest, taxes and extraordinary expenses) at or below 1.69% (Expense Cap). In the absence of such fee waivers, total return would be reduced.

As of January 28, 2013, The Fund will impose 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.

This should not be an unexpected statement. Good long-term investing requires the practitioner to "lean against the wind," a process which can produce annoyingly contrary results in the short-run. Long-term clients understand we get fidgety after great success, and stubbornly defiant and bullish when we look a little less than smart. This tends to coincide with the availability of investment opportunities in our wheelhouse...and we simply see more today than we did a year ago.

WHAT HAPPENED Quarter Ending December 31, 2014 | Symbol: CSCSX

SECURITY	AVERAGE WEIGHT	RETURN	CONTRIBUTION
TOP 5 CONTRIBUTORS	(%)	(%)	(%)
AVID TECHNOLOGY INC	4.76	40.32	1.60
GSI GROUP INC	2.96	28.11	0.78
HALLMARK FINANCIAL SERVICES INC	4.84	17.26	0.77
GRAHAM HOLDINGS	1.74	24.42	0.74
FAIR ISAAC CORPORATION	1.33	30.95	0.67

SECURITY	AVERAGE WEIGHT	RETURN	CONTRIBUTION
TOP 5 DETRACTORS	(%)	(%)	(%)
EMERALD OIL INC	0.87	-67.08	-1.64
APPROACH RESOURCES	2.61	-33.95	-1.34
FORESTAR GROUP INC	4.64	-13.66	-0.62
HERITAGE-CRYSTAL CLEAN INC	1.47	-30.57	-0.55
WESCO AIR CRAFT HOLDINGS ORD	2.60	-19.63	-0.52

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.

By far the most interesting development in 2014 was the utter collapse in oil and gas prices. If life is a learning experience, investing in public markets is a learning experience on steroids. In my 30 years in the investment business, I would rank the sheer breadth and speed of the collapse of oil and gas pricing and the hundreds of billions of dollars of value that melted away as one of the great mostly-out-of-left-field disasters I have witnessed. Cutting to the chase, we had three energy stocks in the portfolio—Apco Oil & Gas International Inc. (APAGF), Emerald Oil Inc. (EOX), and Approach Resources Inc. (AREX). Apco announced it had accepted an offer to be sold in January, albeit at a very minor takeover premium—no big problems there. Emerald and Approach have been unmitigated disasters, particularly in this quarter's results. Your portfolio manager made matters worse in the case of Approach by starting with it as one of our largest positions and then consistently buying it on the way down, thus compounding the error.

What was I thinking? I have generally shied away from commodity and energy investing as a mental guideline because I have found it problematic to rely on my guesstimate of a future commodity price as the key determinant of the potential success of the investment. Additionally, investing in energy in the small cap arena is harder than it is in large cap, as Exxon Mobil Corp (XOM) simply benefits from the portfolio breadth and perennial access to capital in the large cap realm. That said, from time to time, opportunities do present themselves. What we look for in this industry is either a change in capital allocation—such as a new management team that emphasizes improving returns versus a mad dash for growth, which seems to plague those from Texas—or a good balance sheet with low finding costs, a compensation structure that encourages management to live within its cash flow, and a “manufacturing” play versus expensive wild-catting. What was reemphasized to me in 2014 is that it barely matters what is happening at the company and the shrewdness of management if the commodity is going to drop 45% in 3 months. That describes Approach Resources in spades. It simply didn’t matter if Approach had extremely low cost acreage; had industry-low finding costs in the Permian basin; was founded and backed by some of the savviest private equity players in energy that also comprised the board; was a “manufacturing” play not an “exploration” play; and had a balance sheet to withstand a miserable pricing period.

Emerald was “created” to convert a variety of non-operating pieces of North Dakota drilling interests into an operating company, which management had nicely done with the help of a private equity energy group, White Deer Energy, that paid $7 for 20% of the company. That was our cost as well if anyone cares as the stock is now trading just over a dollar. We risk-weighted Emerald at a half position to start, given more moving parts to our investment, and we have generally resisted the temptation to average down here. We do think it remains a hold in what could possibly be a basket of similar value-based energy “options.”

For full disclosure, we also have a holding, Heritage-Crystal Clean Inc. (HCCI), which is energy-related in that it collects used oil and recycles it through an internal refinery. Since I said the word oil, one can safely assume the stock was down 50% last year, although we were only there for half of that decline. Half this business is a high margin collection and environmental services business, but refining oil and selling has not been fun in the last four months. This company operates within a growing industry—partially driven by regulatory demands—and Heritage is run by a quiet, smart group of industry veterans who nearly invented the industry. We continue to buy the stock.

The other innate movement in energy stocks in the last 4 months was equivalent to being left freezing in the middle of the Siberian Tundra. Investors preserved the large cap body while cutting off the blood to the smaller cap extremities. Approach and Emerald in particular were crushed in what arguably are your portfolio manager’s two worst investments since the 2008 debacle. The faulty thinking was simply noted above. What matters is that oil dropped 45% in 3 months and no amount of genius work on our behalf is going to help. We remain a very, very chastened holder.

Now what? Our first thought is that we are not going to compound bad buys with bad sales because we are embarrassed to show up in front of you. We will take our intellectual beating on an intellectual basis, not an emotional one. Secondly, both companies have livable balance sheets, no immediate debt due, and hedges in place which we believe means there is not a day of reckoning in 2015 or 2016. This provides time to gauge when energy might act like the cyclical beast that it is—and prices go the other way.

What I would argue going forward is that “The Great Reappraisal in Energy” is underway and in fact what ails us today—low prices—is in fact the solution, as it always is in cyclical industries. Over two years the massive bloodletting in drilling activity, any variety of bankruptcies, and a general squeamishness from investing in oil and gas will likely generate higher prices, better returns, and some terrific investments when looking at this moment going forward. If we didn’t own anything in energy, we would be looking hard…as we are today. In the meantime, every other stock in our portfolio benefited from lower oil prices.

In other news, one of our biggest winners in 2014 was Graham Holdings Company (GHC), the ownership of which represented a second go around in the stock for us. Despite a penchant for holdings his cards very closely, Don

Graham apparently has learned a thing or two from hanging out with Warren Buffet for 40 years. Graham Holdings sold the Washington Post, sold a TV station for top dollar in a tax-free transaction that resulted in a massive share repurchase, and is now spinning off its cable business that is likely to be bought by our friends at Liberty. Not bad for a guy who swore to my face that he abhors short-term thinking and financial engineering! We are on our way out as we think the stock is "around" fair value after nearly a double in value and we are understandably wary of the decision to make his son-in-law the CEO—a nice perk of having voting control stock of a public company.

Also on the very positive side was Avid Technology Inc. (AVID), which nearly doubled in the year as we "waited out" a hellacious accounting restatement, a management change, and a temporary delisting from NASDAQ. Our research continued to point to a product set that occupies mission critical position within its customer base and a balance sheet that enables us to endure an extended period of uncertainty. It appears new CEO Luis Hernandez is not only a dynamic leader (with the requisite black turtleneck) with a legitimate technology vision, but also has a solid history when it comes margin improvement and financial controls. While we have sold down our position we remain a holder.

Other varied winners included Taminco Corp (TAM), which was taken over for a 28% gain; Barnes & Noble Inc. (BKS) whose competitive position was "not as bad" as the stock price suggested at 16 and gained 50% for the year (we sold); Hallmark Financial Services Inc. (HALL), which simply got less cheap after the hiring of a new CEO—producing a 35% gain; and Cherokee Inc. (CHKE), an apparel licensing company that continues to expand its product line and geographic reach—and returned 41%.

Going forward, we have a variety of interesting and eclectic values and businesses in the portfolio that are capable of solid returns from current prices.

For example, we are back with a Liberty Ventures (LVNTA) position as capital allocation specialist John Malone—the godfather of the Liberty family—has rejiggered his public portfolio again and Ventures is the small cap vehicle. There is lots of opportunity in a quickly changing media environment for someone with a lot of capital and great familiarity with the tax code, and we think we have our man.

Newer positions accumulated during the second half of the year include SeaWorld Entertainment Inc. (SEAS), whose stock was sunk by a magnificent hack job of a documentary on whales. We think theme parks have a decent and defendable moat and the stock is inexpensive. Also new are Wesco Aircraft Holdings Inc. (WAIR), a value-added parts distributor to the aerospace industry, and Halyard Health Inc. (HYH), a healthcare spin-off from Kimberly-Clark Corp (KMB). All three are what we call "Buffett" values: good businesses that have generated high returns and free cash flow, combined with reasonable valuations.

We do have worries. Equity values in the market overall are spotty. We continue to think "when" interest rates move up, there will be consternation and dislocation in many places you wouldn't necessarily think. The situation in Europe—economically as well as politically—remains seemingly incurable and emerging market economies are struggling…or worse. Volatility in global currency markets can be a large tail that swings the market dog. (Witness Russia raising interest rates to 14% to support its currency.) We retain some cash and keep our watchful eye open for opportunities.

But most importantly for the future, you have two very good things going for you. The first is that Cove Street Capital, LLC is built correctly to increase the probability of success. We operate under time-tested strategies of value investing, limiting our assets under management, prudently concentrating our investments, and thinking long-term. We are an investment firm that services its clients…not a firm that attracts assets and tries to invest them. We have a "talent-dense" team that operates in an open environment, housed within our new and hopefully permanent offices.

The second thought is more of a bigger picture view that is well captures by a piece that Brett Stephens at the Wall Street Journal wrote at year-end.

"…Here, then, is the larger lesson our future historian will draw for her students: Innovation depends less on developing specific ideas than it does on creating broad spaces. Autocracies can always cultivate their chess champions, piano prodigies, and nuclear engineers; they can always mobilize their top 1% to accomplish some task. The autocrats' quandary is what to do with the remaining 99%. They have no real answer, other than to administer, dictate, and repress.

A free society that is willing to place millions of small bets on persons unknown and things unseen doesn't have this problem. Flexibility, not hardness, is its true test of strength. Success is a result of experiment not design. Failure is tolerable to the extent that adaptation is possible.

This is the American secret, which we often forget because we can't imagine it any other way. It's why we are slightly shocked to find ourselves coming out ahead—even, or especially, when our presidents are feckless and our policies foolish.

We are larger than our leaders. We are better than our politics. We are wiser than our culture. We are smarter than our ideas."

We look forward to sharing with you a healthy, happy, and prosperous year.

Best Regards,

Jeffrey Bronchick, CFA
Chief Investment Officer
Shareholder, Cove Street Capital Small Cap Value Fund

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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 EQUITY HOLDINGS as of December 31, 2014 | Symbol: CSCSX

FORESTAR GROUP INC	5.1	%
AVID TECHNOLOGY INC	4.9	%
HALLMARK FINANCIAL SERVICES INC	4.8	%
CHIIMERA INVESTMENT GROUP	4.7	%
CARROLS RESTAURANT GROUP INC	4.0	%
CHEROKEE INC	3.6	%
BELMOND LTD	3.4	%
APPROACH RESOURCES INC	3.3	%
WESCO AIR CRAFT HOLDINGS ORD	3.3	%
GSI GROUP INC	3.2	%

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.

Mutual fund, hedge funds, equities, bonds, and other asset classes have different risk profiles, which should be considered when investing. Hedge funds often engage in leverage, short-selling, arbitrage, hedging, derivatives, and other speculative investment practices that may increase investment loss. Hedge funds can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, and often charge high fees that can erode performance. Additionally, they may involve complex tax structures and delays in distributing tax information. All investments contain risk and may lose value.

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 NASDAQ is an American stock exchange, the largest in the U.S. 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 represents the cash a company is able to generate after laying out the money required to maintain or expand its asset base, allowing the company to pursue opportunities that enhance shareholder value.

Any tax or legal information provided is merely a summary of our understanding and interpretation of some of the current income tax regulations and is not exhaustive. Investors must consult their tax advisor or legal counsel for advice and information concerning their particular situation. Neither the Fund nor any of its representatives may give legal or tax advice.

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