Cove Street Capital Small Cap Value Fund Letter to Shareholders

DEAR FELLOW SHAREHOLDER — In the mutual fund world, this constitutes our "Annual Letter," but as we write lengthy quarterly letters that provide shareholders with some fairly deep detail, it might be appropriate to step back once a year and focus on a bigger picture. Regular readers and longer term clients might notice a familiar refrain—also known as repetitiveness—but that is exactly the point with which we would like to leave you. The world remains ever bizarrely uncertain, and we are unlikely to be more of a guide to it than your favorite talking head. (OK, we can probably do a little better than that!) What we can do is stick to a flexibly disciplined and time-tested approach of value investing and not go zigging and zagging with the latest headline or trend du jour. It does not work in every time period, but it most certainly has worked over time.

As far as a brief comment on performance, we believe we've done "pretty well" net of fees and taxes, but we think we can do a lot better. History and research suggest that a concentrated approach, fundamental research, the small cap value space at large, and paying attention to after-tax returns are excellent pre-conditions for long-term performance. We intend to execute.

Total Return (CSCAX) — % as of September 30, 2017

	3 MONTH	1 YEAR	3 YEAR	5 YEAR	10 YEAR	INCEPTION (09/30/98)
Cove Street Capital Small Cap Value Fund	1.30	8.17	6.89	10.39	6.65	10.71
Russell 2000® Index	5.67	20.74	12.18	13.79	7.85	9.15
Russell 2000® Value Index	5.11	20.55	12.12	13.27	7.14	9.86

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 Institutional Class commenced operations on October 3, 2001. The performance results for the Institutional Class reflect the performance of the Investor Class shares from September 30, 1998 through October 2, 2001. The Investor Class subsequently closed, effective November 25, 2015.

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 1.40%. Net expense ratio, as of the most recent prospectus, is 1.24% and was applicable to investors. Cove Street Capital, LLC (the "Adviser" or "Cove Street") has contractually agreed through at least January 28, 2018 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.

So let's go back to the beginning. We are classic value investors in the tradition of Ben Graham and Warren Buffett, seeking superior long-term performance through the purchase of securities selling at prices materially below our estimate of intrinsic value. This process of "winning by not losing" helps to protect capital from permanent loss (as distinguished from "quotational risk") and can put us on the correct side of the mathematics of compounding.

The Fund mirrors Cove Street Capital's Classic Value | Small Cap strategy, which in proper verbiage is a "concentrated strategy that applies a fundamental, bottom-up stock selection process to a universe of approximately 3,600 U.S. companies with a market capitalization below $5 billion, as well as a relevant universe of non-U.S. companies." The portfolio generally holds 30 to 39 stocks. I am the Portfolio Manager and am responsible for the final portfolio decision. I am 54 years old, have been in the investment business since graduating college, and remain utterly absorbed in the endeavor much to the chagrin of my social life and 26-year marriage. Sector weightings are a result of the bottom-up approach, and no attempts are made in any way to replicate an easily available index. The employees, myself, and our extended families are multi-seven figure investors in the fund—we are on the same ship together.

And no one on the ship enjoys paying more fees than are, in any way, necessary. Our management fee is 0.85% on assets, and everything else is administrative—fees which can be substantial on smaller funds. For much of our past, we capped fees to investors and absorbed the overage from our management fee. Our current expense ratio is 1.20% for the year ended September 30, 2017. More assets have helped lower fees, but over the past few years we have proactively eliminated all the bells and whistles that frankly always seemed unnecessary but were deemed "conventional" at our origin. We have gotten older, wiser, and more discriminating. We are less interested in being universally popular and available, and more interested in working with long-term partners that travel with us on our quest to deliver value. This is a small cap value fund and to paraphrase Ted Williams, our job is to try to generate the best returns, not to be the biggest, most widely-distributed fund.

And speaking of which, you might have noticed some financial press about "index funds and ETFs." From the enlightened height of our own self-interest and also in yours, we would like to note the following. The more liquid, efficient, and broadly disseminated an asset class, the more it should be indexed. The larger your assets, the more you should consider indexing. The less you pay attention, the more you should index. Small cap value as an asset class is simply full of thousands of companies, many of which receive little attention. Our ability to find something special is more probable if we turn over a lot of rocks which are infrequently turned. Your Fund remains small-ish—therefore we can take advantage of big firms' fears of liquidity. We spend 5% of our time trying to talk management teams out of doing something stupid in regard to "creating liquidity so big firms can trade." Wall Street research was always bad—but at least it was a marketing tool for companies to let possible investors know of their existence. A dozen sell-side firms that we know of have folded in the past two years, and we love orphans.

We would also venture to opine that the process of picking your significant other or your favorite ice cream is slightly more discriminating than "any one will do." You love Jaime and Caramel Crunch—not just people and ice cream. We similarly think conscious discrimination in favor of better and/or cheaper is entirely doable as the weighing machine always beats the voting machine. The more that people just blindly buy a pool of assets without discriminating, the more value there is to be added by discriminating. We believe we will be the last standing.

Our ability to differentiate also enables us to potentially add value with every dollar that comes through our door. We buy what we view as our best values with new money—an index fund inherently buys everything in the index every day, with an emphasis on the relative size of a company in the index, a process which suggests buying what HAS done well, rather than what can do well. So if you are reading this, our guess is that you tend to agree—but a little reminder never hurts.

We recognize that the mix of our shareholders contains a fair number of taxable accounts and we do everything intelligently possible to minimize our realized gains. But sometimes we simply run out of losses to take and allocate against our gains, and sometimes takeovers close before our fiscal year-end or before they go long-term. We try. As of 10/04/17, our best estimate of capital gains per share is $0.812 short-term and $0.236 long-term, payable 11/10/17.*

Our view of the upcoming year remains remarkably similar to that of most years, and thus you won't mind if we repeat it. We come in the office looking for inefficiencies within public stock markets that we can attempt to take advantage of. Inefficiencies come from fairly obvious and consistent places that have remained remarkably unchanged over decades:

- Fears of the short-term;
- The inability of large funds to practically take positions in smaller companies;
- The difficulty of structuring an organization in a way that compensates its people to do actual research into smaller companies...and be willing to hold these companies in the face of short-term issues and in sufficient size in order to make a difference.

Our "edge" is simple:

- We do not employ group decision-making—investment people contribute—PM makes final call.
- We do not attempt to mimic indices or the portfolios or holdings of other well regarded money managers.
- We do not adhere to an over-diversification policy that inevitably inhibits performance.
- We will limit assets under management.

We record our decision process and build an honest intellectual history of our decision-making.We are sure that the upcoming year will have more surprises in store, but not all of them will be bad. Having a good process, a good fishing pool, and a firm that is partnered with you as large investors in the Fund is a good place to start. Thank you again for you confidence in our efforts.

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.

*It is important to note that these distribution figures and distribution dates are estimates only and are subject to change. Actual distributions may be substantially different (higher or lower). Any tax or legal information provided is merely a summary of our understanding and interpretation of some of the current income tax regulations and it is not exhaustive. Investors must consult their tax advisor or legal counsel for advice and information concerning their particular situation. Neither the Funds nor any of its representatives may give legal or tax advice.

Top 10 Holdings (CSCAX) — % for the Period Ending September 30, 2017		
Heritage-Crystal Clean Inc	5.4	%
E.W. Scripps Company	5.2	%
TEGNA Inc	5.0	%
ViaSat Inc	4.8	%
FMC Corp	4.1	%
GP Strategies Corp	4.0	%
American Vanguard Corp	3.6	%
Avid Technology Inc	3.4	%
Millicom International Cellular S.A.	3.2	%
CSW Industrials Inc	2.8	%

Fund holdings 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.

Quotational risk is the potential for gains or losses based upon volatility in the trading price of a security, which in the near-term do not reflect fluctuations in the intrinsic value of the security's interest in the underlying assets but are the manifestation of other dynamics in the market. 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.

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.

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