

Investor Insight: Mark Oelschlager

Oelschlager Investments' Mark Oelschlager explains how he adjusts portfolio risk depending on his assessment of market optimism or pessimism, the prominent theme behind many current holdings, why the market feels to him like 1999, and why he sees significant upside in Herman Miller, Atlantic Union Bankshares, Steven Madden and Designer Brands.

You've said you started out in the business as more of a pure growth investor before refining your approach. Describe briefly that evolution.

Mark Oelschlager: My first real equity analyst job after business school was with the State Teachers Retirement System of Ohio. I think like a lot of young investors I tended to think a fast-growing company was somehow destined to mean a fast-growing stock. I didn't have a full appreciation for the importance of the actual quality and durability of the business. I didn't have a full appreciation of the importance of price, and that there was plenty of empirical evidence that fast-growing companies – because they tended to be so highly valued – overall actually tended to underperform in the market. These are things I learned pretty quickly.

My approach today is to first take a broad view of the U.S. market and economy, which informs how aggressive or cautious to be and which sectors and industries to focus on. When I talk about the “macro” being important, I'm not talking about things like growth in Gross Domestic Product or inflation, but more about how the market is behaving, how elevated the levels of optimism and pessimism appear to be, and where the anomalies that bubble up from time to time are. My opportunity set is any stock in the U.S., so my strategy is very much about taking what the market is giving in terms of long-term value at any given time.

There's not a rigid checklist of indicators I go through, but some signs I'd look at to read the overall levels of optimism or pessimism in the market would include investor survey readings, levels of margin debt, put/call ratios, fund flows into equities and in and out of certain types of equities, cash levels in mutual funds, and overall valuation levels. To get a handle on levels of economic risk or industry risk,

I'll look at things like overall debt levels, how prudently banks are lending, trends in corporate capital spending, the levels of mergers and acquisitions activity and how that M&A is being financed. In general, I want to be taking risk out of the portfolio when optimism levels are high, and adding risk when fear is far more prevalent.

How does that adding or taking out of risk manifest itself?

MO: For me it's more about the types of stocks I add to or take away from. I'm not a rapid-fire trader and would prefer to own good-quality companies with competitive advantages that can compound value over time – Alphabet [GOOG] is currently my largest holding, for example – but when the market is frothy in my estimation I will shift at the margin into more resilient and defensive ideas. When I'm adding risk, that usually involves more heavily weighting stocks that may have more downside risk, but that also have significantly more upside. That often means smaller caps and/or more cyclical companies.

At the beginning of the year I was probably more cautious than I've ever been. I obviously didn't know there was a pandemic coming, but a lot of the warning signs around valuations, investor and corporate behavior, and the vulnerability to an economic downturn – with the yield curve having inverted in 2019 – were flashing more red than green. That led me to put more emphasis on defense and to look to invest in sectors less susceptible to economic challenge. Some of the big biotech stocks like Amgen [AMGN] were trading at 7-8% free-cash-flow yields, which struck me as extremely attractive for maybe not the most exciting growth story, but one that's a solid, steady-Eddie grower with an attractive product line that should consistently generate strong free cash flow.

Another example would be Prestige Consumer Healthcare [PBH], which sells a wide range of branded over-the-counter healthcare and household-cleaning products like Chloraseptic, Clear Eyes, Compound W, Dramamine and Comet. This is a smaller-cap stock, which might be one reason the shares are overlooked, but the company has solid brands, is well managed, and has a history of generating good free cash flow year over year. While that profile didn't – and still doesn't – seem to attract much attention from investors at large these days, it's the type of thing I want to own when risk levels in the market seem high.

How would you categorize risk levels in the market today?

MO: The answer to that is more complicated than usual. Overall, investor sentiment is probably too ebullient, but that belies the opportunity that exists in certain parts of the market. The dispersion of valuations can get remarkably wide, and now is one of those times. It's Covid casualties versus Covid beneficiaries. It's growth versus value. So the risk levels in certain parts of the market to me are very high, and in others given the prices offered seem quite low. When you're in a period like this it tells me you want to focus even more than usual on valuation, and that's what I'm doing. You're getting paid more to make that bet.

I'm not saying that the divergence in how growth and value are assessed by the market isn't without some justification, I just think it's gone too far. Nor am I saying the stocks of Covid beneficiaries shouldn't be outperforming those of the Covid casualties. Again, it's a matter of degree. The casualties appear priced as if the pandemic is going to be with us for many years, which I don't think is the right bet. The beneficiaries trade as if the current state

of affairs working in their favor is permanent. Again, I don't think that's going to be the case either.

I'm also aware that there is higher business risk around many short-term Covid casualties. That obviously puts a premium on financial flexibility and balance sheet resiliency, and I'm also spreading my bets a bit wider. I generally run the portfolio with 25 to 40 stocks, but I think today it makes sense to increase the shots on goal with smaller positions. That provides a measure of protection for the portfolio overall if one or two go bad.

Let's talk about a couple sectors negatively impacted today. How are you assessing financials in today's "low-forever" interest-rate environment?

MO: I try to think probabilistically. If you think interest rates are in fact going to stay low forever, banks and other interest-rate-sensitive financials are probably fairly priced here. But what if rates rise? The Fed is clearly signaling its intentions now, but it's certainly possible the Fed could change its mind. New facts can come to light. The economic outlook can change. Inflation can change. The Fed will have to react to those and I think people are dismissing the possibility that rates could increase – to the point that if rates rise even modestly there could be significant upside in financials with high interest-rate sensitivity.

Two of our favorite financials are Charles Schwab [SCHW] and Bank of New York Mellon [BK]. These are both excellent franchises that shouldn't be all about interest rates but often the stocks behave as if they are. For ideas like these the risk/reward skew seems very positive. If rates stay low, I don't think they do poorly because everyone expects rates to stay low. If that turns out not to be the case, the upside could be quite significant.

Have you been active at all in energy?

MO: It's clearly been a rough year for the energy sector, but I've generally maintained my positions and in certain cases have added to them. I gravitate to

downstream companies, which I consider much better businesses that can prosper in almost any energy-price environment. Valero Energy [VLO], for example, is one of the largest independent refiners in the U.S., with a history of free-cash-flow generation that is quite impressive. Over the last seven years it has averaged \$3.5 billion in annual free cash flow and today – after the shares have fallen by nearly 60% this year – you're looking at an enterprise value of close to \$28 billion. That's a 13% free-cash-flow yield on that basis. When

ON VALUATION DISPERSION:

In a period like this you want to focus even more than usual on valuation, and that's what I'm doing.

economic conditions become more favorable, that yield today is going to look very attractive.

Most of the specific ideas you're planning to talk about would appear to reside pretty firmly in the Covid-casualty bucket.

MO: That's the most prominent theme in my portfolio today. There are many businesses that were healthy before the pandemic that one could reasonably expect to prosper again, but they're trading at 30, 40 or 50% below where they were eight months ago. People in many cases are afraid and don't want to go too far out on a limb in projecting when the pandemic eases, so the stocks of companies most negatively impacted by the decline in economic activity are dying on the vine.

But think about what happens in the market on the day there's a significant, credible announcement about progress on a Covid vaccine. Things usually happen gradually, but on good vaccine news – and the real improvement in prospects for many companies that implies – I think the reversal in the share prices could be sudden and memorable.

I would add that the day with good news on a vaccine could also be ugly for the stocks of many of the more prominent Covid beneficiaries out there like Zoom Video [ZM] or Peloton [PTON], for which the market seems to be pricing in that the favorable environment of today lasts forever. The reversal in share prices there could be dramatic as well.

Describe your case today for the shares of office-furniture manufacturer Herman Miller [MLHR].

MO: This is a good example of a high-quality company with a strong history of sales growth and free cash flow generation that for most of the period after the pandemic hit the market didn't seem at all interested in. (Better-than-expected quarterly earnings reported in September changed that a bit.) Revenue per share has increased every year since the financial crisis. Free cash flow has been positive every year since 1995, which is pretty remarkable now that we're on the third pretty severe recession since that time. Through August, trailing 12 month free cash flow was nearly \$225 million. On today's market cap of \$1.9 billion, that translates into a free cash flow yield of close to 12%.

There's a fair question to ask here about the potential long-term impact on the company from people shifting to working from home rather than in offices. Maybe that has some impact, but I don't believe it's going to be overly detrimental. The company doesn't just sell into the corporate market, they also produce furniture for other areas like healthcare, leisure and government. There's also a case to be made that people increasingly working from home will need to upgrade their offices there, and Herman Miller should benefit from that. Finally, they have a strong record of innovation, so will likely have a spate of new products for post-pandemic offices that may require more flexible work spaces.

I'd also make the general point that companies have had to be aggressive in cutting expenses to help weather the pandemic, which will likely translate into a

lot of operating leverage when things get better. For example, Herman Miller cut roughly 400 jobs to save close to \$40 million in annual labor costs. I wouldn't at all argue those costs are forever cut, but I do think there's potential for margin improvement coming out of the pandemic.

How are you looking at upside with the shares today trading at just under \$32?

MO: The stock went from \$40 to \$15 earlier this year and we were able to get in in the high-teens, low-\$20s. Those prices really didn't make sense unless you thought

the office-furniture market was going to be depressed for a very long time. The shares have recovered fairly well, but they're still 20% below their pre-pandemic level and we think they can recover, and more, in less time than the market seems to expect. The company has executed very well during the pandemic and could earn close to \$2.60 per share this year and \$3 next. I don't think it's unreasonable to expect something within shouting distance of a market multiple for a company with great returns on capital, that has proven very resilient, and that has been free-cash-flow positive every year for the past 25 years.

In addition to worries about the pandemic, I think a case could be made here also that small caps like Herman Miller aren't getting a lot of respect today. There can be increased risk with smaller companies, but we don't think that's the case here or for a lot of high-quality smaller names we're finding interesting. In any event, with a stock trading at a 12% free-cash-flow yield, there's a lot of room for error.

Turning to a much smaller financial than you mentioned earlier, describe the upside you see in community bank Atlantic Union Bankshares [AUB].

MO: When I went in search of companies whose businesses were likely to be hurt far less long-term by the pandemic than their share prices had been, I actually found a lot that appealed to me in the small end of the financial sector. Banks like this one with simple business models and a great history of operating execution saw their share prices get slammed even though the short-term – and certainly long-term – impacts of a pandemic-induced recession didn't seem nearly that bad.

Atlantic Union is based in Richmond, Virginia and has about 150 branches mostly in its home state. It operates in solid, relatively economically diverse markets and has the #1 retail deposit share in Virginia among regional banks. There's really nothing remarkable about it. They offer all the services you'd expect from a bank of its size. They're conservatively run with strong capital ratios. Their credit quality has generally been good, and they don't have outsized lending exposure to any one sector. As a testament to its resilience, it made money through the financial crisis.

The problem is that it's a bank and people are extremely worried about credit-quality risks and low interest rates. My point for a bank like this is not that those aren't legitimate concerns, but I just think they've been overstated. The stock went from the mid-\$30s early in the year to as low as \$18.50. Certainly there'd be some provisioning for losses that would hurt earnings in the short run, but I concluded the likely impact on actual net interest in-

INVESTMENT SNAPSHOT

Herman Miller (Nasdaq: MLHR)

Business: Design, manufacture and sale of chairs, desks, tables, storage and other furniture used in work, educational, government and healthcare settings, mostly in the U.S.

Share Information (@10/29/20):

Price	31.97
52-Week Range	14.39 – 49.87
Dividend Yield	2.3%
Market Cap	\$1.89 billion

Financials (TTM):

Revenue	\$2.44 billion
Operating Profit Margin	9.1%
Net Profit Margin	0.6%

Valuation Metrics

(@10/29/20):

	MLHR	S&P 500
P/E (TTM)	112.3	38.2
Forward P/E (Est.)	17.9	25.5

Largest Institutional Owners

(@6/30/20 or latest filing):

Company	% Owned
BlackRock	10.3%
Vanguard Group	9.1%
AQR Capital Mgmt	5.0%
LSV Asset Mgmt	4.3%
Fuller & Thaler Asset Mgmt	4.2%

Short Interest (as of 10/15/20):

Shares Short/Float	3.7%
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MLHR PRICE HISTORY



THE BOTTOM LINE

The company is a good example of a "Covid casualty" that Mark Oelschläger thinks will be more resilient than expected through the current economic difficulty and that should quickly return to its winning ways when the difficulty passes. At what he considers a deserved market multiple on his \$3 2021 EPS estimate, the stock would trade over \$50.

Sources: Company reports, other publicly available information

INVESTMENT SNAPSHOT

Atlantic Union Bankshares

(Nasdaq: AUB)

Business: Community bank providing loan, investment and trust services to retail and commercial customers through nearly 150 branches located primarily in Virginia.

Share Information (@10/29/20):

Price	24.99
52-Week Range	18.55 – 38.86
Dividend Yield	4.0%
Market Cap	\$1.92 billion

Financials (TTM):

Revenue	\$569.4 million
Operating Profit Margin	39.3%
Net Profit Margin	27.2%

Valuation Metrics

(@10/29/20):

	AUB	S&P 500
P/E (TTM)	12.8	38.2
Forward P/E (Est.)	9.0	25.5

Largest Institutional Owners

(@6/30/20 or latest filing):

Company	% Owned
Vanguard Group	9.3%
Wellington Mgmt	8.1%
BlackRock	6.4%
Dimensional Fund Adv	5.9%
Janus Capital	3.6%

Short Interest (as of 10/15/20):

Shares Short/Float	1.8%
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AUB PRICE HISTORY**THE BOTTOM LINE**

While there's "really nothing remarkable" about this Virginia-based community bank, says Mark Oelschlager, it's a solid, resilient and well-run franchise whose share price he thinks has been unduly marked down during the pandemic. Targeting its pre-Covid share price as a reasonable post-Covid expectation, he sees 40% upside in the shares from here.

Sources: Company reports, other publicly available information

come and pre-provision earnings might have justified the shares falling to about \$30. I was able to buy in below \$20.

How much room do you think there is to run from today's price of \$25?

MO: Where a stock has traded in the past doesn't necessarily mean anything, but in a lot of the current cases where the pandemic is the only reason the shares are down, I think it does. We've had an exogenous shock, a natural disaster. We have confidence that it will go away. So it's not

ridiculous to think the value of the business is at least close to where it was pre-pandemic. There's been no dilutive capital raise or taking on high-cost debt. If that turns out to be right, that would mean upside in the share price of about 40%.

Why are you high on the post-Covid prospects for Steven Madden [SHOO]?

MO: The story here will sound familiar. The company designs and sells footwear and accessories, mostly under its own brands – including Steve Madden, Dolce

Vita and Betsey Johnson – and mostly through independent retailers. The brands are strong and long-lived. Revenue per share has gone up every year since 2006. Gross margins have been increasing. There's a strong history of generating free cash flow and shareholder value. There's no debt. But at less than \$24, the stock trades at a P/E multiple on 2019's \$1.95 in earnings per share of 12x. The free-cash-flow yield on 2019 numbers is over 13%. These are compelling valuations for what I think is a terrific company.

When you look at most any value stock these days, the #1 thing to assess is the extent to which the business is being disrupted both by the pandemic and for reasons other than the pandemic. It can be difficult to get a handle on that, but in this case, my view is that shoes are going to get sold regardless of the channel, so Madden can do well even as sales shift online. I would also argue that most people prefer to try on shoes before buying them, and it's more cumbersome to deal with all that by having them shipped to your house and then returning them if they don't fit. I could be wrong, but I expect shoes to be more defensive in that regard.

What it primarily comes down to then is that people aren't buying dress shoes right now and the company's revenues and profits have taken a big hit. A lot of stocks have come back strongly since March, but across industries I could probably come up with 100 like this one that got crushed, maybe had a little run at the end of May and in early June, but then have essentially flat-lined. The stock is still off more than 35% from mid-February. I think it's all about the pandemic and when we get out of that this will go back to being perceived as the excellent company it is.

Would this be another case where you could imagine the 52-week-high, here nearly \$45, to be a reasonable aspiration for the share price?

MO: I don't think you even have to expect that for this to be compelling. Go back to February 19 and the stock was at \$37. It's certainly reasonable to believe it can get

INVESTMENT SNAPSHOT

Steven Madden
(Nasdaq: SHOO)

Business: Design, marketing and sale of a range of fashion footwear, handbags and accessories for women, men and children, primarily sold under the Madden brand name.

Share Information (@10/29/20):

Price	23.86
52-Week Range	16.38 – 44.79
Dividend Yield	0.0%
Market Cap	\$2.05 billion

Financials (TTM):

Revenue	\$1.27 billion
Operating Profit Margin	4.1%
Net Profit Margin	(-1.8%)

Valuation Metrics
(@10/29/20):

	SHOO	S&P 500
P/E (TTM)	55.6	38.2
Forward P/E (Est.)	17.0	25.5

Largest Institutional Owners

(@6/30/20 or latest filing):

Company	% Owned
BlackRock	13.3%
Vanguard Group	9.6%
Wellington Mgmt	8.1%
Macquarie Inv Mgmt	5.8%
T. Rowe Price	4.7%

Short Interest (as of 10/15/20):

Shares Short/Float	5.7%
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SHOO PRICE HISTORY



THE BOTTOM LINE

Mark Oelschlager believes the market is more concerned than is justified about this high-quality company's ability to prosper in an evolving retail environment for shoes, making the post-Covid upside he sees in its shares particularly attractive. Just returning to where it traded in mid-February would translate into a 55% increase over today's share price.

Sources: Company reports, other publicly available information

try on the shoes and then you buy them. Labor costs aren't particularly high. The stores tend to be located in easy-access shopping centers rather than malls. You're going to get tired of me saying this, but there's a strong history of free-cash-flow generation.

This is also a terrific management team. Prior to the pandemic they were taking steps to improve and diversify the revenue base, including making a significant acquisition to get more involved in the manufacturing and wholesale side of the shoe business and ramping up significantly in-store offerings for kids. In the pandemic they've responded quickly on the cost side and have significantly increased emphasis on one product area, athletic footwear, that has held up quite well. The debt load and interest expense were already quite manageable, but management has improved the company's financial flexibility by renegotiating a revolving credit facility and through a \$250 million privately placed senior secured term loan. We think they're doing the right things to position the company for when people start buying fashion and dress shoes again.

How are you looking at valuation with the shares now trading at around \$4.60?

MO: Again, if the results get anywhere near to where they were pre-pandemic, the stock should do very well. The company has generated annual free cash flow over the past four years of between \$110 million and \$135 million. That's for a company with a market cap today of less than \$340 million.

The stock over the past year has been as high as \$19. In February it was around \$15. If I'm right that the issues here since February are almost exclusively related to the pandemic, you don't have to be a wild-eyed optimist to see considerable upside in the stock when the pandemic issues pass.

One last thing I'd say here is that as a retailer, the company's competitive advantages may not be quite as strong as I would normally like. I'm willing to sacrifice somewhat on quality because the upside is so high. But because there's rela-

back at least close to that when we see light at the end of the tunnel on the virus.

You always worry as an investor that you're missing something in a situation like this. The main downside that I can come up with is that the pandemic goes on longer than we think, with resurgence after resurgence because the vaccines aren't working and we're still too far away from herd immunity. But it's far more likely we do have an effective vaccine and, even if it does take somewhat longer than I might expect, the bad news here is likely already priced in.

Shoe retailer Designer Brands [DBI] has been more of a value trap than value opportunity over the past couple of years. Why do you expect that to change?

MO: Price is very often the #1 fundamental, and so the first thing that caught my eye here was when the stock went from \$16 to \$3 with the onset of Covid. This is a known and respected company with what strikes me as a solid business model. You go in, there's a nice selection of shoes that are all out on the floor, nobody bothers you if you don't want them to, you

INVESTMENT SNAPSHOT

Designer Brands
(NYSE: DBI)

Business: Retailer and wholesaler of branded dress, casual and athletic footwear, primarily through 550 DSW Designer Shoe Warehouse stores in the United States and Canada.

Share Information (@10/29/20):

Price	4.56
52-Week Range	2.60 – 19.08
Dividend Yield	8.8%
Market Cap	\$336.3 million

Financials (TTM):

Revenue	\$2.74 billion
Operating Profit Margin	(-10.4%)
Net Profit Margin	(-10.2%)

Valuation Metrics
(@10/29/20):

	DBI	S&P 500
P/E (TTM)	n/a	38.2
Forward P/E (Est.)	7.6	25.5

Largest Institutional Owners
(@6/30/20 or latest filing):

Company	% Owned
BlackRock	12.9%
Vanguard Group	9.2%
Dimensional Fund Adv	6.7%
Fuller & Thaler Asset Mgmt	6.1%
Inv. Counselors of Maryland	5.0%

Short Interest (as of 10/15/20):

Shares Short/Float	14.3%
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DBI PRICE HISTORY**THE BOTTOM LINE**

Having caught his eye when its share price went from \$16 to \$3 with the onset of the pandemic, Mark Oelschläger believes on further study that the company is a survivor that can surpass current very low expectations as the economy normalizes. "You don't have to be a wild-eyed optimist," he says, to see considerable upside in the stock if that happens.

Sources: Company reports, other publicly available information

that long-term over short-term opportunities are especially bountiful.

To the extent I've had success in this profession it isn't because I had better information than others or because I had a better ability to predict the future. It's because I am willing to step up when a company or industry is out of favor for short-term reasons, whether it was tech and retail in 2009, defense contractors in 2011 or banks in 2016. Sure, it can be frustrating when you're underperforming, but you have to continue to be disciplined and take advantage of the opportunities the market is giving you. In the long run I believe that will continue to pay off. **VB**

tively higher risk in this case, we've kept the position size relatively small.

Being contrarian in today's market hasn't paid off particularly well so far. How are you working through that?

MO: The environment today feels a lot to me like it did in 1999. You had a highly valued market overall with a lot of optimism reflected in technology and Internet stocks. Fed policy was loose. The IPO market was frothy. Individual investors were very active. All of that is true today

as well. In 1999 you also had a lot of what were considered old-economy stocks that nobody wanted to own because time had supposedly passed them by. That's also true today.

The period after the Internet bubble burst turned out to be one of the best periods ever for investors who focused on value and stuck with the "old-economy" stalwarts while avoiding the tech darlings. I never assume that history repeats, but the fundamentals then and the fundamentals now argue to me that the extreme gaps in valuation aren't sustainable, and

IMPORTANT INFORMATION CONCERNING THE *VALUE INVESTORS* *INSIGHT* OCTOBER 30, 2020 ARTICLE REPRINT

Towpath Focus Fund's objective seeks to achieve long-term capital appreciation.

Mark Oelschlager previously served as the sole portfolio manager for over 12 years for the Pin Oak Equity Fund ("Prior Fund") which had substantially similar objectives and strategies as currently used to manage Towpath Focus Fund. Mr. Oelschlager was the sole manager of the Prior Fund from June 9, 2006 to January 16, 2019. Information about the Prior Fund's performance and rankings relative to its peers can be found in the current prospectus for the Towpath Focus Fund. **The Prior Fund's past performance is not necessarily an indication of how the Towpath Focus Fund will perform in the future.** This reprint is not intended as a recommendation to buy, sell, or hold the Prior Fund, nor the securities of any company discussed in the article. The reprint is intended solely to illustrate the depth of Mr. Oelschlager's investment experience.

There can be no guarantee that any strategy (risk management or otherwise) will be successful. All investing involves risk, including potential loss of principal.

Towpath Focus Fund's Top 10 Holdings as of 9/30/2020	
Alphabet	6.1%
Bank New York Mellon	3.9%
Prestige Consumer Healthcare	3.8%
GlaxoSmithKline	3.6%
Amgen	3.5%
Intel	3.4%
Charles Schwab	3.4%
Ebay	3.2%
Amdocs	3.2%
Herman Miller	3.2%
Holdings are subject to change at anytime.	

Equity Risk: Equity security values held by the Fund may fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of the securities participate or other factors relating to the companies.

Limited History of Operations: The Fund is a new mutual fund and has a limited history of operations for investors to evaluate.

Management Risk: The Fund is an actively managed portfolio. The Adviser will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that the Fund will achieve its investment objective. The Adviser may fail to select investments that do not perform as anticipated by the Adviser. The Fund could lose value or it

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The **Russell 3000 Index** is a market-capitalization weighted index measuring the performance of the 3,000 largest U.S. companies based on total market capitalization. You cannot invest directly in an index. Unlike mutual funds, an index does not incur expenses. If expenses were deducted, the actual returns of an index would be lower.

The **S&P 500 Index** is a commonly recognized market capitalization weighted index of 500 widely held equity securities, designed to measure broad U.S. equity performance. You cannot invest directly in an index.

Dividend yield is a financial ratio that shows how much a company pays out in dividends each year relative to its stock price.

Earnings per share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock.

Gross domestic product (GDP) is the sum total of all goods and services produced across an economy.

An **initial public offering (IPO)** refers to the process of offering shares of a private corporation to the public in a new stock issuance.

Market capitalization refers to how much a company is worth as determined by the stock market.

Net profit margin is the ratio of net profits to revenues for a company or business segment.

Operating profit margin measures how much profit a company makes on a dollar of sales after paying for variable costs of production, such as wages and raw materials, but before paying interest or tax. It is calculated by dividing a company's operating by its net sales.

The **price-to-earnings ratio (P/E ratio or P/E multiple)** is the ratio for valuing a company that measures its current share price relative to its per-share earnings.

Forward P/E is a version of the ratio of price-to-earnings that uses forecasted earnings for the P/E calculation.

Revenue is the income generated from normal business operations.

Short float is defined as the percentage of shares in the market that are shorted in relation to all shares in a float.

The **standard deviation** is a statistic that measures the dispersion of a dataset relative to its mean and is calculated as the square root of the variance.

An investor should consider Towpath Focus Fund's investment objectives, risks, charges and expenses carefully before investing. This and other important information about the investment company can be found in the Fund's prospectus and summary prospectus. To obtain a prospectus or summary prospectus, call 877-593-8637. Please read the prospectus carefully before investing.

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