**Management Team**

Béatrice Philippe  
President FOURPOINTS  
Portfolio Manager

Louiza Ferrara  
Co-Portfolio Manager

**Key Points**

- Our investment style was out-of-favor in 2015 and the fund’s performance lagged the market significantly.
- Consumer discretionary and industrial holdings were the biggest detractors from performance this year.
- Increased volatility provided opportunities to add quality holdings at attractive valuations across various sectors.
- The normalization of monetary policy may actually stimulate the economy. In this context, most headwinds could dissipate, which will ultimately allow underappreciated holdings to reach their intrinsic values.

(Read more on page 3)

**Portrait**

FOURPOINTS America is an all-cap U.S. equity fund with a mid cap bias.  
The fund has been managed by the FOURPOINTS team in New York and Paris since 1999.  
The fund manager makes conviction-based investments based on thorough fundamental analysis of companies. It is an actively-managed, non-benchmarked investment strategy.

The portfolio, structured around strong investment themes, consists of approximately 40 positions.  
These positions have a common thread: they are the strongest companies in their industry. They enjoy competitive advantages in terms of products and strategies and operate in markets with high barriers to entry.  
The manager seeks long-term capital appreciation at reasonable valuations.

**Performance**

<table>
<thead>
<tr>
<th>Period</th>
<th>Portfolio Volatility</th>
<th>Index Volatility</th>
<th>Beta</th>
<th>Alpha</th>
<th>Tracking Error</th>
<th>Information Ratio</th>
<th>Turnover*</th>
<th>Active Share **</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year</td>
<td>13.31 %</td>
<td>13.82 %</td>
<td>0.85</td>
<td>-12.13 %</td>
<td>6.45 %</td>
<td>-1.88</td>
<td>21.4 %</td>
<td>98.8 %</td>
</tr>
<tr>
<td>3 years</td>
<td>11.39 %</td>
<td>12.78 %</td>
<td>0.81</td>
<td>-11.34 %</td>
<td>6.25 %</td>
<td>-1.78</td>
<td>19.8 %</td>
<td></td>
</tr>
</tbody>
</table>

* Annualized since February 26, 2013

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>Index</th>
<th>Beta</th>
<th>Alpha</th>
<th>Tracking Error</th>
<th>Information Ratio</th>
<th>Turnover*</th>
<th>Active Share **</th>
</tr>
</thead>
<tbody>
<tr>
<td>FOUREXIM</td>
<td>13.82 %</td>
<td>0.85</td>
<td>-12.13 %</td>
<td>6.45 %</td>
<td>-1.88</td>
<td>21.4 %</td>
<td>98.8 %</td>
</tr>
<tr>
<td>FOUREXIM 2</td>
<td>12.78 %</td>
<td>0.81</td>
<td>-11.34 %</td>
<td>6.25 %</td>
<td>-1.78</td>
<td>19.8 %</td>
<td></td>
</tr>
</tbody>
</table>

**Risk Indicators**

- Past performance is not a reliable indicator of future performance.
- Performance is calculated net of fees. The capital in these funds is not guaranteed.
- Additional information, prospectuses, KIIDs, articles of association, annual and interim reports are available on our website at www.fourpointsim.com.
- FOURPOINTS IM - simplified limited liability company with a capital of 1 050 000 euros – RCS Paris B 398027151 – 13/15 rue de La Baume, 75008 Paris – Tel: +33(0) 1 40 28 16 50 – Fax: +33(0) 1 40 28 00 55
- The management company is regulated by AMF n° GP 94004
10 Top Holdings

<table>
<thead>
<tr>
<th>Companies</th>
<th>Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regions Financial</td>
<td>7.1%</td>
</tr>
<tr>
<td>Xylem</td>
<td>6.8%</td>
</tr>
<tr>
<td>Corelogic Inc</td>
<td>6.8%</td>
</tr>
<tr>
<td>Alexander &amp; Baldwin</td>
<td>6.6%</td>
</tr>
<tr>
<td>TE Connectivity</td>
<td>6.3%</td>
</tr>
<tr>
<td>ITT</td>
<td>6.2%</td>
</tr>
<tr>
<td>Coach</td>
<td>5.9%</td>
</tr>
<tr>
<td>Compass Minerals</td>
<td>5.9%</td>
</tr>
<tr>
<td>SPX</td>
<td>5.8%</td>
</tr>
<tr>
<td>United Parcel Service</td>
<td>5.6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>63.0%</strong></td>
</tr>
<tr>
<td><strong>Number of positions</strong></td>
<td><strong>18</strong></td>
</tr>
</tbody>
</table>

Contribution to Return

**Best Performing**
- BIOGEN: 0.2%
- HUBBEL: 0.16%
- COACH: 0.11%
- THERMO FISHER: 0.11%
- GENERAL ELECTRIC: 0.07%

**Worst Performing**
- SPX FLOW: -0.37%
- BED BATH & BEYOND: -0.29%
- COMPASS MINERALS: -0.29%
- HOWARD HUGHES: -0.27%
- CORELOGIC: -0.27%

Geographic Breakdown

- United States: 64.5%
- Cash & Monetary Investments: 5.5%

Sector Breakdown

- Industrials: 18.4%
- Financials: 14.8%
- Information Technology: 9.5%
- Consumer Discretionary: 16.4%
- Materials: 2.7%
- Energy: 5.7%
- Health Care: 4.8%
- Consumer Staples: 5.8%
- Utilities: 16.8%
- Telecommunication Services: 18.4%
- Cash & Monetary Investments: 5.5%

Market Capitalisation Breakdown

- > USD 50,000 M: 5.6%
- USD 10,000 - 50,000 M: 22.5%
- USD 700 - 10,000 M: 64.9%
- < USD 700 M: 1.5%
- Cash & Monetary Investments: 5.5%

General Information

SeaBridge Investment Advisors, NJ, USA, has been advising FOURPOINTS America since August 2006.

<table>
<thead>
<tr>
<th>Share I</th>
<th>Share R</th>
<th>Share D</th>
<th>Category</th>
<th>Currency</th>
<th>Inception Date</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>ISIN</th>
<th>Bloomberg</th>
<th>Lipper</th>
<th>ISIN</th>
<th>Bloomberg</th>
<th>Lipper</th>
</tr>
</thead>
<tbody>
<tr>
<td>LU0890331951</td>
<td>FPUSAIC</td>
<td>LP68203969</td>
<td>LU0890332090</td>
<td>FPUSARR</td>
<td>LP68203970</td>
</tr>
<tr>
<td>LU0890332173</td>
<td>FPUSARO</td>
<td>LP68203971</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Minimum Initial Subscription</th>
<th>Minimum Subsequent Subscription</th>
<th>Maximum Initial Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>500,000 USD 1 share 1 share 1 share</td>
<td>NA 1 share 1 share 1 share</td>
<td>4% 4% 4%</td>
</tr>
</tbody>
</table>

Investment Advisor: SeaBridge Investment Advisors

Contact: 13/15 rue de La Baume, 75008 Paris – Tel: +33(0) 1 40 28 16 50 - contacts@fourpointsim.com - http://www.fourpointsim.com

Past performance does not guarantee future performance - This document does not constitute or form part of an offer to issue or sell, or of a solicitation of an offer to subscribe or buy, any securities nor does it constitute a financial promotion, investment advice or an inducement to participate in any product, offering or investment.
Fund Managers’ Comments

2015 echoed 2014 in that large caps outperformed small and mid caps, while cheap stocks continued to get cheaper. The extended period of extremely low interest rates as a result of extraordinarily accommodative monetary policy created a very narrow stock market with only a handful of companies that generated high revenue growth. However, there were notable differences between 2015 and 2014.

In 2014, investors flocked to high yielding stocks and defensive sectors, including utilities (+24.3%), healthcare (+23.3%), and information technology (+18.2%), while materials (+4.7%), telecom (-1.9%) and energy (-10.0%) lagged. Overall, the S&P 500 was up 13% and eight out of ten GICS sectors posted positive performance in 2014.

2015 turned out to be a lot less profitable with the S&P 500 ending the year relatively flat (-0.7%). Only four out of ten GICS sectors finished the year in positive territory. Yet again, the market was driven by the healthcare (+6.2%) and information technology (+5.8%) sectors. Contrary to 2014, utilities (-7.4%) were amid the three worst performing sectors, together with energy (-23.8%) and materials (-9.7%). Consumer discretionary (+9.5%) was the best performing sector in 2015.

In contrast to the market, our portfolio’s performance in 2015 was hurt by consumer discretionary stock selection, particularly Urban Outfitters and Bed Bath & Beyond. Moreover, the absence of strong index performers like Netflix, Home Depot, Starbucks, and Nike in the portfolio significantly weighed on relative performance. The end of 2015 was particularly difficult for consumer stocks, especially those in the retail/apparel sub-sectors. Warmer than usual weather and a pronounced shift in buying patterns away from retail stores created a wall of worry for retail stocks no matter the targeted level of consumer income. Indeed, weakness was widespread from Nordstrom, Saks, and Tiffany to Target, Macy’s, and Wal-Mart. Our belief was that the consumer was well-positioned for strong spending ahead of the holiday season. However, we were disappointed to see severe corrections in our consumer holdings. Fourth quarter sales data will provide much needed insight into retail trends. Early estimates from MasterCard Advisors SpendingPulse show that strong online sales, which grew 20%, and demand for furniture and women's apparel helped U.S. core retail sales (excluding automobiles and gas) grow by a solid 7.9% this holiday season. Last year, U.S. core retail sales were up only 5.5% during the holiday season. Pent-up consumer demand should help consumer stocks regain footing in early 2016 and valuations for consumer stocks are extremely compelling (based on FactSet 2016 consensus estimates, EV/EBITDA for Bed Bath & Beyond and Urban Outfitters is 6.3x and 6.5x, respectively).

The industrial sector was the second greatest detractor from portfolio performance this year. Commodities, particularly oil and metals, continued to sell off in 2015 as weaker-than-expected growth in China weighed on global markets. Pressure on energy and commodity prices led to sharp reductions in capital spending by oil producers, miners, and farmers, which, in turn, pressured orders for many industrial companies. In addition, the strength of the U.S. dollar continued to weigh on U.S. multinationals’ revenues and earnings. Given macroeconomic and currency headwinds, most companies focused on cost efficiency, restructuring, and M&A opportunities to protect profitability and drive growth. Recognizing stronger-than-expected headwinds in the industrial space, we eliminated industrial holdings from the portfolio (Actuant, United Technologies, and Pentair) that lacked near-term catalysts.

Although 2015 witnessed record levels of merger and acquisition activity driven by very low interest rates, M&A was less pronounced in the industrial space relative to other sectors. This could change in 2016, and we believe our industrial holdings could become acquisition targets as we believe industrial mega caps would happily absorb some complementary businesses at today’s attractive prices. Consolidation is already underway in the freight transportation sector (FedEx and TNT Express, XPO Logistics and trucking company Con-way) as well as in the rail sector (Canadian Pacific Railway’s ongoing effort to acquire Norfolk Southern). We believe that more deals are to come. Beyond the industrial sector, our patience was rewarded with the recent acquisitions of two of our materials holdings, AirGas and Plum Creek Timber and the fund took its profit. During the fourth quarter of 2015, both companies agreed to be acquired at substantial premiums to their stock prices at the time of the announcements (51% for Airgas and 25% for Plum Creek).

With the exception of Senior Housing, which was sold, our financial sector holdings, including banks and asset plays, held up relatively well. Unlike many other U.S. equity sectors, the financial services sector has not returned to its pre-crisis highs due to greater regulation, continued ultra-low interest rates, asset...
Fund Managers’ Comments

write-downs, higher capital requirements, and adverse global macroeconomic conditions (sovereign debt problems in Europe and the sharp deceleration in China). Over the course of the year, much of the sentiment surrounding the financial services sector focused on the prospect of an interest rate hike. In the meantime, increased compliance, regulatory, and legal costs across the industry forced banks to reduce expenses in order to protect margins. Despite putting pressure on net interest margin in the short-term, higher interest rates should help U.S. banks over the longer-term. Today, banks are extremely well capitalized and have ample capacity to increase lending activity as margins improve. We are encouraged by the monetary policy direction implied by the FOMC after the federal funds rate was raised by 25 basis points in December. The normalization of monetary policy may actually stimulate the economy rather than inhibit growth. Our bank holding (Regions Financial) are very well-positioned, recapitalized, and refocused, hence poised to succeed as profitability improves. As for the asset play, Alexander & Baldwin, the development of their its properties remain on target. We believe that this company ability to unlock tremendous value from their current development projects is still intact. Their performance should also be driven by the U.S. economy’s resilient growth.

Despite significant volatility in the energy sector, our holdings performed well relative to some weaker exploration and production players. Although stock selection was slightly negative, it was offset by a positive sector allocation. Based on risk controls, we gradually reduced our exposure to the most leveraged holdings in July and September. The most difficult period for the energy sector was late November to December as OPEC reiterated its intention to protect production levels in lieu of price. WTI crude oil approached financial crisis lows and fell to $34.95 on December 17 compared with its June 10 high for the year of $61.40. We decided to completely exit our already reduced positions in WPX Energy and Laredo Petroleum in December as the high-yield market was showing signs of trouble. Even though these companies had no near-term debt maturities or immediate financing needs, we had no way to predict the potential impact on equity valuations from an unfavorable credit event, whether direct or indirect. The only shale holding remaining in the portfolio, Pioneer Natural Resources, continues to have one of the strongest balance sheets in the sector, which should enable it to manage the current turmoil.

In the first half of December, the high-yield bond market became illiquid. This condition was, apparently, caused by redemption requests from mutual funds and ETFs that invest in the highest risk segment of the high-yield bond market. The redemptions were likely caused by investors looking to harvest tax losses in bonds that substantially declined in value during the tax year. The loss of value was mostly attributable to the sharp decline in the price of oil in recent months. After a short period of illiquidity, the high-yield bond market seemed to find vulture buyers after prices adjusted sharply lower. The acute phase of the high-yield bond problem may be behind us as we enter 2016, but if the high-yield bond market were to continue to deteriorate, we would likely make some meaningful changes to our equity strategy.

One more differentiating factor between 2015 and 2014 was market volatility. The VIX or volatility index for the S&P 500 has moved 1% or more 67 days this year, almost double the total in 2014. Its average for 2015 was 16.7, and the VIX spiked above 40 in August. In 2014, the volatility index averaged 14.2 and it peaked at 25 in October 2014. Our investment strategy remains disciplined and our focus continues to be over the long-term.

Outlook:

The U.S economy appears to be on solid ground six years into the recovery from the Great Recession. Both residential and nonresidential construction spending continue to expand. Despite global turmoil, the U.S. economy was relatively strong in 2015, with GDP rising 3.9% and 2.0% in the second and third quarters, respectively, while unemployment dropped to 5%. Despite this generally favorable economic environment, the ISM Manufacturing Index dipped below 50 in November, suggesting contraction in the manufacturing sector. We believe this is a case of statistics catching up with reality. As we have heard from many of our industrial portfolio companies, the manufacturing sector has been deteriorating through out 2015. A major driver of industrial softness has been the dramatic reduction in capital spending for equipment related to oil & gas exploration. In addition, U.S. industrial companies are adjusting their spending levels to offset profitability deterioration related to the strength of the dollar. Importantly, we do not view the dip in the ISM Manufacturing Index as a harbinger of an impending economic recession. The percentage of jobs related to manufacturing in the U.S. has declined to merely 9% of the total jobs in the economy. This
Fund Managers’ Comments

stands in sharp contrast to the 1960s when manufacturing jobs accounted for nearly 30% of the total. Once the service sector gets a head of steam as it has at present, it is unlikely that the manufacturing sector alone can precipitate a general recession, in our opinion. If we’re correct about bank lending increasing into a modestly rising interest rate environment as noted above, and the service sector job market continues to strengthen, then we’ll assume that the softness observed in the manufacturing sector is manageable and represents a source of future growth when the value of the dollar and the price of oil and natural gas stabilize.

Commodity markets, which faced significant headwinds in 2014 and 2015, could balance out as prices move toward levels that will incentivize exploration and production to meet future demand. We expect consolidation across the energy and mining sectors as high quality operators consider buying quality assets from low quality owners/highly leveraged operators.

Valuation is often cited as the reason why investors should stay away from the U.S. market. Indeed, the S&P 500’s forward price-to-earnings ratio is 17.5x, which is above its 15-year average of 16.5x. However, a huge valuation gap exists between the high growth stocks that have been driving the market compared with extremely low valuations for everything else that has been put on the sidelines. Valuations for high growth equities have been and continue to be well beyond our investment parameters. At the same time, cheap stocks have become cheaper. While a handful of U.S. stocks reached 100%+ price appreciation in 2015, at least 45% of S&P 500 constituents were down 15% or more from their 52-week highs. We do not chase momentum stocks. Instead, we favor undervalued stocks that are trading well below their intrinsic value. As things stabilize, renewed focus on improved economic fundamentals will lead investors to bargain shop for high quality assets that were indiscriminately marked down.

In essence, our investment style is out-of-favor at this time. While our disciplined approach has been painful for our clients in 2014 and 2015, there have been signs recently that the stock market may be rotating back towards value. The FOMC is finally adopting more appropriate monetary policy for the current economic environment rather than policy intended for financial crisis. We believe this shift will force investors to pay closer attention to what they’re paying for equities. In our opinion, our portfolio companies are worth substantially more than they are currently valued by the stock market.

Sooner or later, rationality will prevail. We anticipate that shareholder friendly management teams or activist investors will help drive value. In either case, we believe that currently underappreciated and undervalued businesses will ultimately reach their intrinsic values. We will continue to wait patiently for those values to be reached, and will avoid being seduced by the ebb and flow of market fads.

1 Enterprise value-to-earnings before interest and taxes.
2 100 basis points equal 1 percent.

January 6, 2015

FOURPOINTS Investment Managers
13/15 rue de La Baume, 75008 Paris – Tel: +33(0) 1 40 28 16 50 – Fax: +33(0) 1 40 28 00 55 – http://www.fourpointsim.com
contacts@fourpointsim.com

Past performance of the investment fund is not a guarantee for future results. The performance and the asset value of a mutual fund change according to market fluctuation, thus the redemption price of any share may be worth more or less than its purchase price.
Management company regulated by AMF No. GP94004-