FOURPOINTS FUNDS America: Quality, Solidity and Continuity

FOURPOINTS FUNDS America is an all-cap U.S. equity fund, with a mid-cap bias. The fund was launched on February 26, 2013 and its portfolio is similar to the portfolio of FOURPOINTS America.

The fund managers invest according to their convictions, resulting from a thorough analysis of companies. It is an active, opportunistic and non-benchmarked investment management.

The portfolio, initially structured around strong thematic bets, is concentrated on about 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 managers seek long-term capital appreciation while seeking reasonable entry prices. Companies must have a potential upside of at least 50% over 3 years to enter the portfolio. In addition, there is a degree of flexibility as to the exposure to the equity market, in order to reduce the risk of loss of capital in down markets.

In summary, FOURPOINTS FUNDS America combines all the advantages of FOURPOINTS America by replicating its portfolio: Quality obtained through the careful selection of companies, as proven for close to 14 years, in up as well as down markets; Solidity in its risk management, aiming to limit the loss of capital through portfolio construction and cash allocation (from 0 to 40%); Sustainability in the construction of a long-term performance coming from:
- the understanding of macro and micro factors for the short, medium and long-term,
- strong and carefully thought out bets.

SeaBridge Investment Advisors has been advising FOURPOINTS America since August 2006 (John Conti).

FOURPOINTS FUNDS America is similar to FOURPOINTS America, the French FCP. Their strategy and portfolio are similar. The fund was established in Luxembourg February 26, 2013 while the strategy of the fund in its present form exists since September 2006. In order to have the complete historical vision the chart below provides the actual past performance of the fund FOURPOINTS America for the share class coinciding with the same share class of FOURPOINTS FUNDS America.

On October 1st, 2013 the Luxembourg SICAV changed its name to FOURPOINTS FUNDS. From now on the fund’s name is FOURPOINTS FUNDS America.

### Performance

<table>
<thead>
<tr>
<th></th>
<th>1 Month</th>
<th>YTD</th>
<th>1 year</th>
<th>Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio Performance*</td>
<td>-4.4%</td>
<td>-1.6%</td>
<td>6.4%</td>
<td>20.2%</td>
</tr>
<tr>
<td>Index Performance**</td>
<td>-1.4%</td>
<td>5.3%</td>
<td>16.2%</td>
<td>31.6%</td>
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Inception Date: 26 February 2013

* Calculation based on Net Asset Values of Share I (LU0890331951)

** S&P 500 DNR from FactSet

### Total Net Assets: USD 159.48 M

### Risk Indicators

<table>
<thead>
<tr>
<th>Period</th>
<th>Information Ratio</th>
<th>Portfolio Volatility</th>
<th>Beta</th>
<th>Alpha</th>
<th>Tracking Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year</td>
<td>-2.15</td>
<td>10.76%</td>
<td>0.93</td>
<td>-7.05%</td>
<td>4.58%</td>
</tr>
<tr>
<td>3 Years</td>
<td>--</td>
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### Management Team

| Béatrice Philippe | Louiza Ferrara |

European Funds Trophy 2013 Best Multi-Country Asset Managers

4 to 7 rated funds

The KIID, the prospectus and the latest periodical report are available from the fund management company FOURPOINTS Investment Managers (www.fourpointsim.com) and from the custodian. This document constitutes neither a recommendation nor an offer to buy or sell, nor a solicitation to invest in the fund. Furthermore, it does not constitute an investment contract. Past performance is not indicative of future results.
### 10 Top Holdings

<table>
<thead>
<tr>
<th>Company</th>
<th>Portfolio %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Howard Hughes</td>
<td>3.8%</td>
</tr>
<tr>
<td>TE Connectivity</td>
<td>3.5%</td>
</tr>
<tr>
<td>Urban Outfitters</td>
<td>3.3%</td>
</tr>
<tr>
<td>Citigroup</td>
<td>3.2%</td>
</tr>
<tr>
<td>Alexander &amp; Baldwin</td>
<td>3.2%</td>
</tr>
<tr>
<td>Bank of America</td>
<td>3.0%</td>
</tr>
<tr>
<td>Bed Bath &amp; Beyond</td>
<td>2.9%</td>
</tr>
<tr>
<td>Plum Creek Timber</td>
<td>2.9%</td>
</tr>
<tr>
<td>Coach</td>
<td>2.8%</td>
</tr>
<tr>
<td>Arthur J. Gallagher &amp; Co.</td>
<td>2.8%</td>
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</tbody>
</table>

**Total:** 31.4%

# of quoted values: 41.0

Turnover*: 34.5%

Dividend Yield: 1.4%

*Over the last 12 months, minimum between the total amount of sales and the total amount of buys divided by the average total assets of the fund.

### Geographical Breakdown

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>MSCI USA</th>
</tr>
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<tbody>
<tr>
<td>United States</td>
<td>87.5% 100.0%</td>
</tr>
<tr>
<td>Chile</td>
<td>2.9%</td>
</tr>
<tr>
<td>Canada</td>
<td>2.3%</td>
</tr>
<tr>
<td>Cash &amp; Monetary Investments</td>
<td>7.3% 100.0%</td>
</tr>
</tbody>
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### Sectorial Breakdown

<table>
<thead>
<tr>
<th>Portfolio</th>
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<tbody>
<tr>
<td>Financials</td>
<td>25.9% 16.0%</td>
</tr>
<tr>
<td>Industrials</td>
<td>23.6% 10.0%</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>12.4% 3.5%</td>
</tr>
<tr>
<td>Energy</td>
<td>8.0%</td>
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<tr>
<td>Information Technology</td>
<td>7.7% 19.5%</td>
</tr>
<tr>
<td>Health Care</td>
<td>2.5% 13.4%</td>
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<tr>
<td>Consumer Staples</td>
<td>1.4% 9.1%</td>
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<td>Utilities</td>
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<td>Telecommunication Services</td>
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### Market Capitalisation Breakdown

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The quantitative information in this document come from FACTSET.

FOURPOINTS FUNDS AMERICA replicate the portfolio of the FCP FOURPOINTS America.

### General Information

- **Currency**: Share I - USD, Share R - USD, Share D - GBP
- **Coverage**: no
- **Fixed annual management fee TTC**: Share I - 1.00%, Share R - 2.00%, Share D - 1.00%
- **ISIN**: LU0890331951 (Share I), LU0890332090 (Share R), LU0890332173 (Share D)
- **Bloomberg**: FPUSAIC (Share I), FPUSSARR (Share R), FPUSAID (Share D)
- **Minimum Initial Subscription**: 500 000 USD
- **Minimum Subsequent Subscription**: 3 decimals
- **Maximum initial charge**: 4%
- **Net Asset Value 31/07/2014**: Share I - 240 464.49, Share R - 236.91, Share D - 142.27
- **Category**: International Equity
- **Legal Structure**: SICAV/UCITS IV
- **Inception Date**: 26 February 2013
- **Valuation**: Daily
- **Subscription/Redemption Deadline**: Each day before 16:00. Settlement: D+3
- **Investment Management Company**: FOURPOINTS Investment Managers
- **Custodian**: Banque Degroof Luxembourg Tél: +352 45 35 45 20 41 Fax: +352 25 07 21 20 41
- **Asset Management Company**: Degroof Gestion Institutionnelle
- **Investment Advisor**: SeaBridge Advisors

Contact FOURPOINTS Investment Managers
Address: 13/15, rue de La Baume, 75008 Paris
http://www.fourpointsim.com
Tel: +33 (0) 1 40 28 16 50 Fax: +33 (0) 1 40 28 00 55
The chart represents the past performances of the French fund FOURPOINTS America till February 25, 2013 and of the Luxembourg fund FOURPOINTS FUNDS America after February 25, 2013. Past performance is not indicative of future results.

We have long supported the case that the US economy is significantly stronger than the reported economic data have implied. We have shown in past notes that growth in private sector demand is actually near historical averages, and that weakness from spending in the public sector (i.e. federal, state, and municipal) has been the primary drag on economic growth.

Over the past 36 months, year over year (yoy) private sector job growth has averaged 2.11%, which is the strongest reading since 2001 and is well above the 30 year average private job growth rate of 1.40%. At the other end of the spectrum is public sector job growth which has averaged (-0.61%) over the same 3 year period. The negative growth in government jobs is largely explained by job losses at the municipal or local level.

In the United States, the state and municipal government workforce represents approximately 14% of total nonfarm payrolls. More than two-thirds of these jobs are at the municipal or local level. A significant source of municipal government revenue comes from real estate taxes, which are assessed annually based on property values. As a result of the real estate crisis, municipal government fiscal revenues contracted thus leading the sub-sector to eliminate 600,000 jobs from Q2 2008 through Q1 2013. Ever since municipal government payrolls bottomed during Q1 2013, we have seen the rate of job growth accelerate. In Q2 2014, local governments created 51,000 jobs, which is the largest quarterly increase in municipal payrolls since Q1 2008. In turn, this drove the first positive yoy increase in total public sector job growth since the recession ended.

Similarly, government wage growth has trailed private sector wage growth since the recession ended in July 2009. From Q3 2009 – Q2 2014, private (nominal) wages have grown approximately twice as fast as government wages (13% vs. 6% cumulative). Given that public sector employment (i.e. federal, state, and municipal) accounts for approximately 16% of the job market, this likely has had a negative impact on private consumption. These negative pressures may be easing as we are beginning to see an improvement in the wage outlook for the public sector. Year over year growth during the past 3 months has averaged 0.83%. This is the highest level since 2012. Given the improving fiscal budgets of local municipalities, we expect the public sector to have a more meaningful impact on job and wage growth over the near term. In turn this should be supportive of growth in household (HH) consumption.

Aside from continued strength in the job market, the household sector’s balance sheet continues to improve and HH deleveraging appears to be behind us. Household net worth is at a record level and HH debt-to-income ratios have returned to their lowest levels since 2002. Mortgage debt is the largest component of HH debt. It peaked at $10.7 trillion in Q1 2008 and then fell for 21 straight quarters through Q2 2013. Based on data over the past 3 quarters, HH mortgage debt may be stabilization around $9.4 trillion. Another important metric is consumer credit which has been increasing since December 2010 largely due to increases in student debt. Isolating just revolving consumer credit balances (e.g. credit cards) we see an accelerating rate of growth. In April and May 2014, we saw the largest yoy increases in revolving consumer credit balances since October 2008. This recent consumer data supported by record HH net worth and decade low HH leverage ratios may mark the beginning of a re-leveraging cycle as consumers gain confidence in their job security and income outlook, which should foster an increase in spending.
Shifting gears to housing, we have previously discussed the apparent disconnect between the decline in homeownership rates and gain in homes prices over the past couple of years. We concluded the rapid rise of home prices may have largely been driven by transient factors such as elevated demand from institutional investors, and low inventory levels due to a number of supply-side issues. For the first time in modern US history, institutional capital has been allocated to buying single family homes with the intention of renting them for income given the abnormally high returns available due to depressed housing prices and an excess level of distressed properties. However, recent price appreciation over the past 2 years and the substantial reduction in distressed property inventory has begun to discourage new investor capital from entering the market.

On the supply side, increasing home prices have improved existing homeowner’s equity position in their property and, at the margin, allowed more homes to become available for sale thus easing inventory tightness. Corelogic, a provider of data and analytics for mortgage originators and one of our portfolio holdings, reported that the number of negative equity properties was reduced to 6.3 million (12.7% of mortgaged properties) from 12.1 million (25.2% of mortgaged properties) during the period from Q1 2012 to Q1 2014. As a result of this trend, we are beginning to see an increase in existing home inventory. In June 2014, the National Association of Realtors reported the largest inventory of existing homes for sale since August 2012. Sales of existing homes have also steadily climbed on the back of rising inventory and slower price appreciation. The June reading was 5.04 million, a gain of 2.6% from May. To the contrary, new housing statistics including building permits, housing starts, and housing completions, have softened recently. Existing homes represent over 90% of total home sales. The strength in existing home sales may have temporarily disrupted new home construction activities as buyers are drawn to a broader and cheaper supply of existing homes. Eventually, home purchase activity backed by demographic trends should drive new construction as the pricing differential between existing homes and new homes normalizes.

Now turning to interest rates, in the June 2014 commentary, we wrote about the decline in long term rates during 2014 that was most pronounced in the April-May 2014 period. This decline in rates coincided with the continued Federal Reserve (Fed) tapering which we anticipated would place upward pressure on long term rates. We described how, despite the Fed tapering program, the Fed remained a significant source of demand during the April-June quarter. The Fed purchased an estimated 43% of net Treasury issuance of securities with maturities longer than 3 years compared to an average of 58% over the previous 5 quarters. We concluded that even though the Fed was tapering its purchases they were still in fact easing monetary conditions as they remained a significant source of demand for the Treasury’s net supply issuance. In the current July-September quarter, we estimate the Fed will purchase just 26% of net Treasury issuance of securities with maturities greater than 3 years. This reduced demand from the Fed could place upward pressure on long term rates during the quarter. Further, the Federal Reserve is expected to complete its tapering program as soon as October 2014. Consequently, we expect the Fed to represent only a nominal amount of demand for the October-December, which should place further upward pressure on long term rates.

We continue to see a steady increase in longer term rates as a positive for the domestic economy. We believe an increase in rates would steepen the yield curve and encourage banks to increase lending as margins widen. We have long argued that QE3 has acted as a hindrance rather than as a support to the recovery as it reduced banks incentive to make loans. Also, we do not believe that moderately higher rates would be a negative for housing activity as homes remain affordable by historic standards even when adjusting for higher rates, as noted in previous commentaries.

Clearly, increased lending would add inflationary pressures to the economy but, over the near-term, should be manageable given the apparent slack in the economy. The Fed’s preferred metrics for inflation are the personal consumption expenditures index (PCE) and the PCE excluding the volatile fuel and food components, called core PCE. The Fed has communicated its long term inflation target of 2% for the PCE index. Over the past 30 years, the PCE has averaged 2.36% and its average since the recession ended has been 1.55%. Its current reading shows a 1.59% yoy inflation figure. We will continue to monitor bank lending and monetary velocity as leading indicators for building inflationary pressures in the economy but to date remain constructive on a fairly stable pricing outlook. This should support continued accommodative monetary policy and a healthier economic recovery overall.

1Distressed properties are usually bank owned real estate (REO) that are in or near foreclosure which typically sell at below market value prices in all cash transactions.
In conclusion, we remain constructive on the outlook for the US economy. Our portfolio is positioned for a cyclical rebound as we believe the rate of growth in the US economy is set to accelerate over the near to medium term. Unfortunately, our thesis has taken longer to play out than we anticipated but we continue to monitor the data and it points to a strengthening economy that is operating in an accommodative monetary environment and at worst a benign fiscal environment. Our holdings that are most sensitive to the recovery include our positions in real estate development, consumer retail, and commercial banking companies. On balance, these holdings have underperformed the broader market in 2014 but we continue to believe they represent great opportunities to capitalize on the accelerating growth in the US economy. As described above, our thesis is underpinned by a strengthening household sector on the back of a steadily improving job market and decade low HH leverage ratios. Further, residential construction could steadily begin to contribute to GDP growth over the coming periods as favorable demographic trends support demand growth for US housing.

FOURPOINTS America Investment Review:

In July, the FOURPOINTS Funds America fund's performance was -4.4% in USD, while the performance of the S&P 500 was -1.4%, or 3% of relative underperformance. YTD, also in USD, the fund was down -1.6% vs. the positive performance of 5.30% for the S&P 500, or 6.9% of relative underperformance. In July, the Russell 2000 (mid cap index) was -6.1% in USD while the S&P 500 lost 1.42% (in USD). In July, 11 out of 41 fund holdings outperformed the market, while 17 holdings lost more than 5% relative to the S&P 500 (15 mid cap, 1 large cap and 1 mega cap).

The top 5 contributors in July (12.74% of the portfolio), in USD, were:

1. Bed Bath and Beyond (large cap) + 0.25 bps + 10.30% MTD
2. Urban Outfitters (mid cap) + 0.17 bps + 5.52% MTD
3. Whiting Petroleum (large cap) + 0.16 bps +10.27% MTD
4. Citigroup (XL cap) + 0.10 bps + 3.86% MTD
5. CF Industries (large cap) + 0.08 bps + 4.08% MTD

The bottom 5 contributors (13.12% of the portfolio), in USD, were:

1. WPX Energy (mid cap) - 0.36 bps - 13.97% MTD
2. Howard Hughes (mid cap) - 0.31 bps - 7.86% MTD
3. Laredo Petroleum (mid cap) - 0.29 bps - 12.40% MTD
4. Simpson Manufacturing (mid cap) - 0.29 bps - 16.05% MTD
5. Pentair (large cap) - 0.29 bps - 10.79% MTD

Considering the holdings and the performance contribution, one will notice mid caps penalized performance. 78% of the underperformance came from small/mid caps ($900mm to $5.2bn) which represent 44.7% of the FOURPOINTS America portfolio.
Let's take a look at real-estate stocks: Howard Hughes (-7.9%), Alexander & Baldwin (-7.9%), Brookfield Residential (-10.9%), and Corelogic (-10.4%). Looking closely at these stocks we see that there was no specific news or quarterly earnings surprises that impacted performance, however the common denominator for them is capitalization (they are all mid caps). We believe there was profit taking on certain companies, such as Howard Hughes (+31% from January to June), but nevertheless the upside for these stocks based on our analysis remains significant. The value of real estate stocks are dependent on their assets (land, buildings, etc.), so they do not react to results but to changes in the value of their assets and the prices of recent transactions. Thus, we remain convinced real estate in the United States has potential.

The portfolio was overweight industrials, which also impacted performance (-1.6bps). Stocks like Pentair (-10.7%), Simpson Manufacturing (-16.05%), SPX (-8.4%) and Xylem (-9.7%) suffered. We believe there was profit taking on stocks that disappointed, such as Pentair, as well as on stocks that posted strong results, such as Simpson.

Pentair: Slightly missed 2Q14 consensus estimates on revenue (mainly driven by weakness in the flow technologies segment, while valves & controls and process technologies segments were strong). Management reduced 2014 EPS guidance. While top line weakness was well anticipated, the market reaction was still negative following quarterly results.

Simpson Manufacturing: Management sees improving housing starts and improving homebuilder activity in many regions of the U.S., which drives ~55% of total wood product sales. Sales in Europe were up 9% and up 6% in North America. Asian sales (only 2% of total sales) continue to improve for concrete products (from a small base). These positive results are not in line with the under performance of the stock, which we believe is due to the low liquidity of mid caps.

Xylem: The company announced strong results, with organic sales growth of 4% and an improvement in operating margins by 2.2% in the second quarter. Sales are not expected to grow as much in the third quarter (due to seasonality in some segments), which might explain the current lack of enthusiasm for XYL in the market. We also believe there was profit taking on the stock, which had risen by 15% from January to the end of June 2014.

The fund’s performance also suffered from a lack of exposure to the technology sector (-0.41bps in relative performance), which rose by 1.28%. Historically, we have never had an exposure in the sector. Weak exposure to healthcare (3.29% vs. 13.22% in index) for valuation reasons affected portfolio performance (-0.25bps in relative performance).

Consumer discretionary holdings contributed positively (+31bps) to performance thanks to Coach (+1.1%), Bed Bath & Beyond (+10.3%), and Urban Outfitters (+5.5%). These stocks rose in July after having suffered since the beginning of the year.
Several companies in the portfolio launched massive buy-back programs this month, finding their own stock prices very attractive (Caterpillar, Bed Bath & Beyond, UPS, Urban Outfitters). This point reinforces our convictions regarding such stocks.

Moreover, continued U.S. economic improvement confirms our investment outlook and we therefore patiently maintain our position, even though we would prefer to beat the index! Our exposure to domestic stocks (50% of the portfolio) is relevant to the extent that we believe that the U.S. economy is accelerating and that lower unemployment and higher wages should support increased U.S. consumption, the first pillar of growth.

Second quarter earnings were better than expected. Of the 410 companies that have reported quarterly earnings (88% of S&P 500 market cap), average sales growth increased 4.3% year-over-year, better than the 2.7% year-over-year growth in the first quarter. Second quarter earnings were up 9.2% year-over-year. 73% of companies beat market expectations in terms of earnings, and 65% beat in terms of revenue, which is much better than in the last two quarters.

Thus, we believe that the appreciation potential of the U.S. market is not exhausted, and that continued U.S. economic improvement will help dispel doubts across the Atlantic about the strength of the recovery (following the Q1 GDP announcement). We believe all segments of the market will benefit, particularly small and mid cap growth companies (50% of the portfolio), which have greatly suffered despite satisfactory results.

• Stocks held by the fund as of July 31, 2014 are in bold underlined
• Funds weightings, unless otherwise mentioned, are as of July 31, 2014
• All stock and index performance are, unless specified, in local currency; index performance, unless specified, includes net dividends

Portfolio management company regulated by AMF No. GP94004