

# SCHWARTZ VALUE FOCUSED FUND

## Q4 2019 COMMENTARY

For the three months ended December 31, 2019, the total return on the Schwartz Value Focused Fund (RCMFX) was 9.15%, compared to the S&P 1500<sup>®</sup> Index at 8.92%. The Fund's performance versus its benchmark as of December 31, 2019 is as follows:

	1 Yr.	3 Yrs.^	5 Yrs.^	10 Yrs.^	Prospectus Gross/Net Expense Ratio
Schwartz Value Focused Fund	18.67%	7.42%	4.36%	6.24%	1.68%/1.26%
S&P 1500 <sup>®</sup> Index	30.90%	14.65%	11.46%	13.52%	

^ Annualized

**Performance data quoted represents past performance, which is no guarantee of future results. Investment return and principal value are historical and may fluctuate so that redemption value may be worth more or less than the original cost. Current performance may be lower or higher than what is quoted.** Call 1-800-449-9240 for the most current month-end performance.

The adviser has contractually agreed to limit the Fund's ordinary operating expenses to an amount not exceeding 1.25% of the Fund's average daily net assets until at least May 1, 2020.

The bull market resumed in 2019. Somewhat paradoxically, it was a great year for almost all asset classes, as domestic stocks, foreign stocks, Treasuries, corporate bonds, real estate, and precious metals all recorded strong gains. It was a particularly good year for U.S. equity investors, with the major stock market indices posting their biggest gains since 2013. Nearly everything worked, as small-caps, mid-caps, and especially large-caps all rose in tandem.

The multi-year cycle of large-cap stocks outperforming small-caps continued last year. In the S&P 1500, returns were highly stratified by market capitalization - the larger the market cap, the greater the price appreciation, as shown in the table below:

<u>Index</u>	<u>Market Cap</u>	<u>2019 Total Return</u>
S&P 500 Index	Large-caps	31.49%
S&P 400 Index	Mid-caps	26.20%
S&P 600 Index	Small-caps	22.78%

Likewise, growth mutual funds continued their outperformance over value funds. According to Morningstar, the best performing fund category was large-cap growth, with the average fund up 31.91%. In contrast, the worst performing category was small-cap value with the average fund up 21.53%. In the S&P 500, the best performing sectors were the growth-oriented technology (+50.3%), communication services (+32.7%), and financials (+32.1%). Meanwhile, traditional value-oriented sectors lagged: energy (+11.8%), health care (+20.8%), and materials (+24.6%). In this environment, the Fund's small-cap exposure, along with its risk averse approach, hurt our relative performance. As you know, the Fund is non-diversified, holds several concentrated positions, and thus does not resemble a broadly diversified index like the S&P 500.

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The Fund's largest holding remains Texas Pacific Land Trust (TPL or "the Trust"), which represents 19.1% of Fund assets. TPL's share price appreciated substantially during 2019 with a 45.73% return. During Q3 of last year, the Trust formed a special committee to explore the possibility of converting the Trust to a corporate structure. We believe a such conversion is likely in 2020 and would benefit TPL shareholders in numerous ways. We continue to believe the intrinsic value of TPL far exceeds its current share price. The Fund's five best performing stocks in 2019 were:

<u>Company</u>	<u>Industry</u>	2019 <u>Performance</u>
Avid Bioservices, Inc.	Biopharmaceuticals	+87.07%
Garmin Ltd.	Scientific & Technical Instruments	+ 71.55%
Moody's Corporation	Business & Financial Services	+71.35%
Pan American Silver Corporation	Metals & Mining	+ 63.59%
Mastercard Incorporated	Credit Services	+59.18%

The Fund's worst performing security last year was Qurate Retail, Inc., a leading TV, video, and e-commerce retailer. As we noted in last year's semi-annual report, we had reduced the position size due to the company's lackluster operational performance, owing to the challenging retail environment and the decline in traditional TV viewing. In the third quarter, we determined that our thesis was going to take longer to play out than we had expected, and we subsequently sold the remaining position, in favor of more attractive investment opportunities. The Fund's five worst performing stocks in 2019 were:

<u>Company</u>	<u>Industry</u>	2019 <u>Performance</u>
Qurate Retail, Inc.	TV & Internet Retail	-52.66%
Gildan Activewear, Inc.	Apparel & Textiles	-11.22%
Apache Corporation	Oil & Gas Exploration/Production	- 9.56%
Pioneer Natural Resources Co.	Oil & Gas Exploration/Production	- 7.78%
American Airlines Group, Inc.	Airlines	- 1.17%

During the second half of 2019, the Fund also liquidated shares of Cognizant Technology Solutions Corp. and Gildan Activewear (due to deteriorating fundamentals), and Corteva Agriscience and Dupont DeNemurs, Inc. (due to concerns regarding potential litigation). Cash was redeployed into our best existing positions, which we believe have outstanding appreciation potential. Their businesses are continuing to produce excellent operational results, which will likely be reflected in their shares prices.

Due to the continuing popularity of passive investing with billions of new money flowing into ETFs and index funds, the mega-cap stocks (Apple, Microsoft, Facebook, Amazon, Alphabet, etc.) continue to drive the S&P higher. During this passive investing craze, traditional measures of valuation have lost their relevance, as ETFs and Index Funds must purchase these same mega-cap stocks when the money comes in, regardless of

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price. Many investors don't realize that the outperformance of growth stocks over value stocks represents a departure from the long-term norm. As famed economist Herb Stein said, "If something cannot go on forever, it will stop." At some point, very high-quality value stocks of prospering businesses will regain favor with investors, and the Schwartz Value Focused Fund will likely benefit. It's overdue. Now more than ever, we remain confident in our approach and steadfast in our belief in the merits of value investing to generate favorable long-term results and minimize risk. It's important to be aware of risk.

No capital gains distribution was made at year-end and the net asset value of the Fund finished the year at \$28.03 per share.

Thank you for being a shareholder in the Schwartz Value Focused Fund.

### IMPORTANT INFORMATION FOR INVESTORS

As of 12-31-19, the holding percentages of the stocks mentioned in this commentary are as follows: Texas Pacific Land Trust (19.1%), Avid Bioservices, Inc. (2.0%), Garmin Ltd. (2.2%), Moody's Corporation (3.2%), Pan American Silver Corporation (3.7%), Mastercard Incorporated (2.7%), Apache Corporation (0.6%), Pioneer Natural Resources Co. (1.3%) and American Airlines Group, Inc. (1.9%). Fund holdings are subject to change and should not be considered purchase recommendations. There is no assurance that the securities mentioned remain in the Fund's portfolio or that securities sold have not been repurchased. The Fund's top ten holdings as of 12-31-19: Texas Pacific Land Trust (19.1%), Delta Air Lines, Inc. (10.4%), Barrick Gold Corp. (6.6%), Rosetta Stone, Inc. (6.4%), The Madison Square Garden Co. (5.2%), Berkshire Hathaway, Inc. - Class A (4.5%), Pan American Silver Corporation (3.7%), AMERCO (3.3%), Moody's Corporation (3.2%) and Valvoline, Inc. (2.9%). The most current available data regarding portfolio holdings can be found on our website, [www.schwartzvaluefocusedfund.com](http://www.schwartzvaluefocusedfund.com).

This Fund is a non-diversified fund. Because the fund may invest in securities of smaller numbers of issuers, the Fund may be more exposed to the risks associated with and developments affecting an individual issuer than a fund that invests more widely. This may, therefore, have a greater impact on the Fund's performance. Performance can be affected by market and investment style risk. Mutual Fund investing involves risk and principal loss is possible. The Fund's investments in small- and mid-capitalization companies could experience greater volatility than investments in large-capitalization companies.

The investment performance assumes reinvestment of dividends and capital gains distributions. The quoted performance for the Fund includes performance of RCM Partners Limited Partnership for periods prior to July 20, 1993. It should be noted that: (1) the Fund's performance includes performance for periods before the Fund's registration statement became effective; (2) the Fund was not registered with the Securities and Exchange Commission and, therefore, was not subject to the investment restrictions imposed by law on registered mutual funds; and (3) if the Fund had been registered during such periods, performance may have been adversely affected. The S&P 1500<sup>®</sup> Index includes all stocks in the S&P 500<sup>®</sup>, S&P 400<sup>®</sup>, and S&P 600<sup>®</sup>. This index covers 90% of the market capitalization of U.S. stocks. Indexes do not incur fees and it is not possible to invest directly in an index.

***Prospective investors should read the prospectus carefully and consider the Fund's investment objectives, risks, charges and expenses carefully before investing. The prospectus, which can be obtained by calling 1-800-449-9240 or online at [www.schwartzvaluefocusedfund.com](http://www.schwartzvaluefocusedfund.com), contains this and other important information. Distributed by Ultimus Fund Distributors, LLC.***