AlphaOne™ Small Cap Opportunities Fund

Portfolio Commentary

In 2016, the Fund has gained 25.60% while the Russell 2000 (R2) gained 21.31% (as of 12/31/16)**.**

Since inception (March 31, 2011), the Fund is up a cumulative 86.50%, the R2 is up 73.74%.

The AlphaOne Small Cap Opportunities Fund's objective is to achieve higher returns than the R2 with less volatility through active management. Through the years, the team has applied a consistent core (value and growth) process that targets companies that demonstrate earnings and earnings growth, return on capital and management that exhibits an ownership mentality. Since inception, the Fund has managed to outperform its benchmark with below-average volatility compared to peers and to the Russell 2000 Index. The Fund typically holds 50-70 domestic common stock positions and a targeted holding period of 3-5 years.

AlphaOne Small Cap Opportunities Fund (12/31/16) Annualized Returns	AOMAX	Russell 2000® Index	AlphaOne Advantage
Trailing 1-Year	25.60%	21.31%	**4.30%**
Trailing 3-Year	9.00%	6.74%	**2.25%**
Trailing 5-Year	15.15%	14.46%	**0.69%**
Inception-to-Date	11.45%	10.16%	**1.29%**
Inception-to-Date (Cumulative Return)	86.50%	74.40%	**12.09%**

The performance quoted herein 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, and current performance may be higher or lower than the performance quoted. For performance data current to the most recent month end, please call 1-855-4-ALPHAONE. *Gross Expenses for Small Cap Opportunities Fund I Shares are 1.29%. Returns do not reflect the effect of a 2.00% redemption fee which is incurred on shares held less than 90 days. The expense ratio does not reflect the ability of the Adviser to recover all or a portion of prior waivers, which would result in higher expenses for the investors. This option is available contractually to the Adviser until April 1, 2017. Other share classes are available, which would have different results.*

We are especially pleased that our Small Cap Opportunities Fund produced superior results in both 2016, a year that small cap value stocks performed strongly; and in 2015, a year that small cap growth stocks led the way. As you can see from above, the Fund delivered 429 bps of outperformance vs. the Russell 2000 in 2016. This follows the Fund's top 1% ranking vs. peers in 2015 as evaluated by Lipper and Morningstar. During 2016 the themes that produced our outperformance were different from the alpha producers in 2015. In 2016, value outplayed growth by 2,042 bps while in 2015, growth outperformed value by 609 bps. In 2015, Healthcare and Technology stocks within our portfolio drove performance. In 2016, our more value oriented holdings, Financials, and Producer Durables led our alpha generation. We believe our long-term performance makes the case for an actively managed small cap core approach.

Focusing on 2016, two of the biggest macro challenges were Brexit and the US election. In both cases markets went down but almost as quickly turned positive. Many money managers changed portfolio positions rapidly trying to stay close to newer perceived market opportunities. Some found success, others not so much. **The Alpha One Small Cap Opportunities Fund remained steadfast in its portfolio construction and philosophy throughout the year**. We did not construct a portfolio predicated on outcomes in either event. Rather, we continued to invest in companies we felt had strong balance sheets, superior profitability, and sustainable competitive advantage via a significant market share. These attributes manifest themselves, more precisely, in the form of low leverage, excess capital, abundant return on capital and pricing power. These traits have been hallmarks of quality companies whose shares should continue to provide above average return with lower risk.

With the benefit of hindsight, we are as convinced about the viability of our process today as we were 20 years ago when we took on our first clients within the strategy. Looking back, since the Great Recession and the quantitative easing (QE) programs many lower quality companies have enjoyed share price appreciation as the market discount mechanism was willing to reward companies lacking earnings or discounting their long-term earnings at a very low rate. Thus, the risk/reward paradigm for stock selection was muted by investors purchasing future earnings streams of growth companies for a reduced price. Valuations, however, for consistent earners remained approximately in line with history.

With the end of QE in 2014 things began to change. The biotech bubble burst in the summer of 2015 and by end of year (EOY), the Federal Reserve (FRB) had raised interest rates suggesting rate normalization had begun. In a dramatic reaction to the realization that normalization could include rising interest rates, a stronger dollar, and reduced dollar liquidity, the stock market, generally, and the Russell 2000 (R2), specifically, sold off 14% in the first six weeks of 2016. The transition from growth at "no-cost" to companies at a reasonable price was now fully engaged.

Given these large market swings, bending but not breaking was critical. The Fund returned 25.60% vs 21.31% for the R2 for the full year 2016. Driving the outperformance was strong stock selection, particularly our exposure to bank stocks, health care, and producer durables. For the past several years, these sectors have been our primary investment. We believe these sectors, generally, have companies that are more domestically focused, that can have meaningful market share in small markets, and have pricing power. Given these characteristics, we continue to believe these sectors will be the primary drivers of positive performance going forward.

2016 Year in Review a bit more detailed

Broadly, the first three quarters of 2016 were marked by concerns over economic growth ex-the US, the value of the dollar, the rate of short-term interest rate increases, and of course, the Presidential election. These macro events were weighing on investors ability to establish an investment theme

Through the 3rd quarter, performance was relatively underwhelming on a relative basis. The Fund lagged the Russell 2000 by 4.72%. A major culprit contributing to this underperformance came from not owning REITs and Utilities. Historically, this portfolio has eschewed ownership of these sectors owing to their large appetite for capital, low growth, and/or low return on equity. Additionally, given ownership in these sectors tends to be driven by income or yield seekers, the potential for increased portfolio volatility rises with movements in the fixed income market.

With that said, during **3Q16** the Fund performed admirably rising 7.64% versus the R2 of 9.05%. To put our underperformance into a more universal perspective, Furey Research Partners reports only 20% of small cap core managers outperformed the R2 and the average underperformance was 2% within the 3rd quarter.

4Q16 performance was rewarding. Demonstrating how stock selection can be the key to performance, your portfolio's **4Q** performance was aided by names as disparate as an economic consultant, a watch retailer, and an oil and gas company. The economic consultant, CRA International, is a leading international consultant specializing in providing expert opinion on Mergers & Acquisitions, regulatory matters, and general management consulting. Increased demand for their services and expansion into new industries continues to drive earnings growth. The watch company, Movado, is a brand unto itself. Movado designs and sells high quality watches throughout the US. The combination of valuation and a turn in sales led us to this name a few months ago. And finally, our oil and gas company, Panhandle Oil and Gas, is an Oklahoma-based exploration and production company. We like their low cost production model, low levels of debt, and solid cash flow.

Looking Forward to 2017

While individual stock picking will remain our focus, the new political and economic environment is expected to bring with it benefits and challenges to specific sectors. These changes and challenges will cut across sectors from financials to energy, industrials, and technology.

As we previously stated, we think the 2017 environment sets up nicely for smaller companies that have the quality characteristics (good balance sheet, solid revenue and earnings growth, realistic pricing) that define our investment process. In 2017 investors will have their eye on policy follow-through and its implications on their companies:

- **Corporate Tax Rate Reduction** – particularly how and when these reductions impact small companies

- **Regulatory Rollback** – particularly as the rollbacks apply to small and regional banks and small to medium sized corporations

- **Infrastructure Spend** – follow-through on pledges to make America's infrastructure and Defense "great again".

- **Energy Policy** –follow-through on commitments for looser regulatory and policy regime with impacts on small drilling and logistics companies

- **Affordable Care Act Restructuring** – Not an easy task, however, a potential repeal and replacement of the ACA will have varied and considerable implications for different segments within the Healthcare Industry.

The results of all this may force investors to ask what is a reasonable range of earnings multiples to apply to the R2. We think revenue growth is likely to be close to 3% which is a bit lower than consensus estimates and a Baseline estimate of 5%. With slower revenue growth, we think earnings growth for the R2 in 2017 is closer to 5-7%. The last time the R2 earnings growth year-over-year was broadly 5-10% (2012-14), the range of earnings multiples were 16-26 times on a forward twelve-month basis (FTM). If we apply these ranges to our approximation of $45-47 2017 R2EPS estimate versus $41 in 2016, the resulting R2 range is 750-1250. Certainly this is a wide estimate for a 2017 valuation range. If we take the mid-point, we get an R2 value around 1100. Given the potential for a pro-growth economic agenda from single party rule, we suggest this is a floor on valuation, not a ceiling.

This valuation could be pushed higher, however, if we get either an increase in interest rates to help bank earnings grow slightly faster from 10% to 12% and/or maintenance in energy prices to reduce their drag on R2 earnings from a decline in earnings of 25%+ to a contribution which could push our earnings estimate north of $50. Applying the same mid-point earnings multiple to the R2 then suggests 1150 as a fair value point for the R2. Assuming fair value is 10% on either side of the mid-point, which is of course open to debate, gives us a range for the R2 of 1000-1300. As a result, we believe the R2 is fairly valued on 2017 EPS estimates.

However, if a Republican congress and a pro-business President are able to legislate a reduction in corporate tax rates than the potential earnings power of the R2 in the year following the legislation (we are assuming the first full year will be 2018) could be $75 versus $64 (using Baseline EPS estimate) assuming a 35% tax rate, today, and 25%, in the future. Thus, the R2 could be considered undervalued on a 2018 potential earnings multiple range of 18-21 times on a FTM basis using a modified CAPE (cyclically adjusted price earnings) multiple and adjusting for expected higher long term rates.

To summarize, we hope you are pleased with our 2016 results. We are optimistic that with our continued focus on quality companies through a time tested fundamental screening process, the Fund may be in a position to best ride the tide of a tricky but potentially more sanguine, domestic environment.

We appreciate your support and confidence in our team and AlphaOne Capital Partners.

Sincerely,

Daniel Goldfarb, CFA
Senior Portfolio Manager

Christopher Crooks, CFA
Senior Portfolio Manager

Disclosures

Top 10 holdings as of 12/31/2016 are Enterprise Financial Services Corp.; CRA International, Inc.; Novanta, Inc.; CECO Environmental Corp.; GTT Communications, Inc..; Supernus Pharmaceuticals, Inc.; Cross Country Healthcare, Inc..; Renasant Corp.; WSFS Financial Corp.; Pacific Continental Corp. Top 10 holdings represent 22.4% of the portfolio. Holdings are subject to change. Current and future holdings are subject to risk.

Mutual fund investing involves risk including possible loss of principal. In addition to the normal risks associated with investing, investments in smaller companies typically exhibit higher volatility.

As of 12/31/16, the Lipper % rank for AOMAX was as follows: 15% for the 1 year period and 25% for the 5 year period. The Morningstar % rank was as follows: 14% for the 1 year period and 22% for the 5 year period. Rankings are for the investor share class only; other classes may vary. ©2017 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

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The Russell 2000® (R2) Index are a trademark/service mark of the Frank Russell Company. The Russell 2000® Index represents the smallest 2,000 companies within the Russell 3000® Index of the 3,000 largest U.S. companies.

Indices are unmanaged (R2); includes only U.S. companies; is market-value weighted; includes reinvestment of dividends; is shown for illustration only; and cannot be purchased directly by investors.

Alpha- a measure of performance on a risk-adjusted basis.

EPS (Earnings per Share)- the portion of a company's profit allocated to each outstanding share of common stock.

To determine if this Fund is an appropriate investment for you, carefully consider the Fund's investment objectives, risk factors, charges, and expenses before investing. This and other information can be found in the Fund's prospectus, which may be obtained by calling (855) 4-ALPHAONE. Read the prospectus carefully before investing or sending money.