AlphaOne™ Small Cap Opportunities Fund

Portfolio Commentary

4Q 2017

In Q4 2017, the Fund gained 0.04% while the Russell 2000 (R2) gained 3.34% (as of 12/31/17).

Since inception (March 31, 2011), the Fund is up a cumulative 102.47%, the R2 is up 99.95%.

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 (6/30/17) Annualized Returns	AOMAX	Russell 2000® Index	AlphaOne Advantage
Trailing 1-Year	8.57%	14.65%	**-6.08%**
Trailing 3-Year	11.75%	9.96%	**1.79%**
Trailing 5-Year	14.28%	14.12%	**0.16%**
Inception-to-Date	11.02%	10.81%	**0.21%**
Inception-to-Date (Cumulative Return)	102.47%	99.95%	**2.52%**

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 1.30% Returns do not reflect the effect of a 2.00% redemptions 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, 2018. Other share classes are available, which would have different results.

Wow, 2017, what a year. And I don't mean politics, The New England Patriots amazing win, or the social upheaval in the entertainment world. I'm speaking about the incredible year in the US stock market. Though we normally focus, and will in a moment, our attention on the Russell 2000 (R2); the S&P 500 advanced 19% without a month of negative performance, nary a 5% decline, and posted almost 80 new single day highs. This unprecedented positive performance may have been driven by the compounding effect of ETF driven flows into a market capitalization weighted index plus other ETF flows into similarly composed investment vehicles. In other words, strength begat strength. Plus, certain sectors (biotech, biopharma) within the index significantly outperformed their own weighting thereby having outsized influence on the index's performance. Investors either owned winners or found themselves as relative investment losers.

The R2 results and behavior were similarly composed. The R2 returned approximately 15% last year. Investment flows to small cap were primarily to ETFs instead of active managers. As such, a bias towards larger market cap within the R2 were relative winners. The Fund's average market capitalization is approximately half of the R2 index. Furthermore, one sector and one industry had a very strong year. To wit, health care (sector) increased 36%, and biotech/pharma increased 55%. Thus, contributing 25% to the overall index return despite a weighting of 14% in the benchmark. This market behavior is not necessarily anomalistic. For example, twice during the past decade ('07-08 and '13-14) energy stocks had outsized appreciation/depreciation. Exposure, or the lack thereof, to this group may have been the difference between relative out/underperformance for an investor.

To that last point, for the Fund, we believe our underexposure to the biotech/pharma industries was the key reason to our underperformance of 6.08%. This sector was 75% of our underperformance. We tend not to expose our investors through stock selection to companies without GAAP earnings or positive EBITDA. Furthermore, stock selection within the bio industry is fraught with investment decisions based on binary outcomes. We tend to focus on companies with positive earnings or EBITDA, sustainable business models, and solid management. Broadly, the bio industry has a plethora of non-earnings, with non-sustainable business models, if the binary outcome is negative.

Two other points about last year's underperformance. In outsized positive performance years, cash is a larger drag on earnings. The Fund tends to have more cash owing to its' exposure to smaller market capitalizations, our desire to have readily available cash when price discovery is positive, and to fund new ideas. The other 25% of relative underperformance was due to a cash drag versus the R2.

And a final word about underperformance. In the end, stock selection is the key to winning the investment game over time. Outsized help or hindrance from a sector, industry or cash may influence a single year's performance. However, the ability to purchase, add/trim, and most importantly, sell an individual stocks' exposure to risk is the paramount influencer on long-term performance (relative and absolute). Last year, we allowed a few stocks to remain in the portfolio longer than we should have. We should have sold some of the companies more quickly. Historically, we have bought more of a security on weakness if we believed the business model was viable over time. In positive toned markets, however, selling first and asking questions second, has been a more appropriate investment decision. We will be more vigilant towards eliminating names that we have questions about, but within our portfolio construction guidelines concerning single stock position size, sector concentrations, and cash levels.

As we look forward to 2018 we begin with a new tax code. There will be winners and losers. The corporate tax rate has been reduced benefitting banks and some parts of the consumer discretionary sector. Some individuals will benefit and others less so from the changes to the individual rate. Lower wage earners will see an increase in their after-tax paychecks, while the broad mid-to-upper middle will see a decrease. Mortgage interest deduction has dropped 25% to $750,000. HELOCs tax deduction are eliminated on new mortgages. These changes will have influence on the housing industry. The immediate expensing of capital equipment could pull forward demand for new equipment just as the average age of equipment pushes towards its highest in over 40 years. Together, we could see a 20-40 basis points (bps) increase in GDP towards a sustainable three percent for the year. Could this be a reason for the positive tone to market since the beginning of the year?

Yes, it could. And more to the point, holding the tax rate at prior levels, the R2 would earn approximately $75. With the new tax rate, the R2 may earn $85 all else equal. In other words, the P/E on the R2 dropped from 20 plus times to 18 times. And this estimated earnings multiple exists before any of the multiplier effects occur from increased order flow for new equipment, repatriation of offshore dollars employed in buying new equipment, new factories, or new employees, and consumers repay debt before spending again.

The potential winners in this environment should be capital equipment providers (industrials and some technology companies), financials (banks), and consumer discretionary (retailers and restaurants). These groups should be winners because of some combination of increased demand, reduced credit risk, and pricing power driving improved earnings visibility and profitability. Your portfolio has exposure to these beneficiaries through an overweight in financials and producer durables. The new tax code is meant to be US-focused. Banks, consumers, and manufacturers are the ultimate in local. They lend, they consume, and they make products and services here for each other. The manifold combinations of these outcomes may leverage behavior into a virtuous circle.

To that end, we are constructive on the R2 and your portfolio. We believe valuations are reasonable, earnings prospects are good, and investment opportunities available. The positive dynamic economic backdrop should benefit well-managed, economically strong, and market leading companies and your portfolio is positioned for this opportunity.

We will continue to endeavor to escort your capital towards positive absolute and relative returns.

Sincerely,

Daniel Goldfarb, CFA
Senior Portfolio Manager

Christopher Crooks, CFA
Senior Portfolio Manager

Disclosures

Top 10 holdings as of 12/31/2017 are Novanta, Inc.; Invacare Corporation; Sterling Constructions Company, Inc.; CRA International, Inc.; Enterprise Financial Services Corp.; Supernus Pharmaceuticals, Inc.; GTT Communications, Inc.; CalAmp Corp.; On Assignment, Inc.; Columbia Banking Systems, Inc. Top 10 holdings represent 24.12% 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.

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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; does not reflex any management fees; and cannot be purchased directly by investors.

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.