

Dear Investors,

Below, please find the mutual fund performance of the AlphaOne NextGen Technology Fund as of September 30, 2018.

Total Returns (9/30/2018)	3Q18	YTD	Since Inception (12/29/17)	Since Inception (1/23/18)
Investor Shares	3.55%	N/A	N/A	3.46%
I Shares (Institutional)	3.64%	10.90%	10.90%	N/A
S&P Global 1200 Information Technology	6.72%	15.06%	15.06%	6.93%

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 performance quoted. Gross Expenses for AlphaOne NextGen Technology Fund Investor Shares are 4.01%. Net Expenses are 1.66%. Gross Expenses for AlphaOne NextGen Technology Fund Institutional Shares are 3.76%. Net Expenses are 1.41%. The adviser has contractually agreed to waive fees until February 28, 2021. Returns do not reflect the effect of a 2.00% redemption fee which is incurred on shares held less than 90 days. Other share classes are available, which would have different results.

The AlphaOne NexGen Technology Fund (Investor Shares) returned 3.55% in Q3 with Software & Service and the Technology Hardware & Equipment subsector contributing most to our gains. The extra profits from tax cuts, a strong domestic economy and the continuing investment in areas such as Artificial Intelligence, Autonomous Driving and the Internet of Things drove these sectors. Also, the resurgence in unit growth in the PC market for the first time since 2012 added some extra juice.

Microsoft benefitted from these trends and was our biggest profit contributor during the quarter and contributed more than 1% to our returns as the stock gained 16%. Enterprise spending seems to be picking up in 2018 and hyperscale spending also is inflecting higher. Workloads also continue to be outsourced to the cloud. Microsoft is benefitting from both strong cloud demand in their Azure business and positive PC unit growth for the first time since 2012. Intel, despite positively pre-announcing Q2 results and guiding the full year higher is struggling as their 10nm production is now expected in the second half of 2019 with server production expected in 2020. The stock was down 5% in Q3. This seems to validate AMD's expectations of getting from 1% server unit market share to 5% by the end of 2018 and double digits by 2020. This is also why AMD's stock more than double during Q3 despite estimates having to be cut for their September quarter as their crypto revenues collapsed to near zero. This position contributed over 1% as well. As we mentioned earlier, PC units also grew on a quarterly basis year-over-year for the first time since early 2012 which also benefits these legacy vendors. Oracle also was a solid contributor and up 17% during the quarter even though their actual earnings results were not the greatest. The company's low valuation and large cash flow is however enabling them to buyback roughly 5% of the company per quarter.

Our large underweight in Apple, was very costly on a relative basis given its 22% gain in the quarter and its double-digit weighting in the technology index. We are baffled by this given smartphone industry unit shipments for the first time in history are declining year-over-year (y/y). Even for Apple, in CQ2:18 iPhone units were down 13% from CQ2:15 with revenues (revs) down 5%. Services (18% of revs) and Other revenues (7%) have grown over that time 73% and investors are enamored with that. But we would note that roughly half of services revenues is still driven by iPhone units which have clearly stalled. Services revenues decelerated from up 31% y/y in the June quarter to up 28% in the June quarter and we believe will drop further in the September and December quarters as the benefits of the new search agreement struck with Google in 2016 start to even out. There is admittedly a strong capital return profile and the positive market sentiment from Warren Buffett increasing his position. But with more than half of Apple's revenues coming from international markets, and the issues in some of those economies, currencies and stock markets, we have our doubts whether holiday sales will live up to expectations. Three phones are now priced at over \$1,000 versus just one a year ago. Time will tell.

We do like investments in companies supplying new technologies going into the new smartphones such as more powerful application processors, 3D sensing technology and OLED screens. Lumentum, which supplies almost all the VCSEL lasers for Apple's 3D sensing technology was up 4% in Q3. Qualcomm which supplies the application processor was up 28%. LG Display which should join Samsung as a second source supplier of OLED displays was up 5% in the quarter.

Conversely, we have stated in numerous industry presentations since the beginning of the year that the semiconductor industry is likely to go into a multi-quarter correction. NAND prices started to decline earlier in the year followed by DRAM prices and semiconductor capital equipment orders. We believe the next shoe to drop will be the industrial and automotive demand later this year. In general, the semiconductor space is one that we are actively underweighting or avoiding with a few company specific exceptions.

Time Spent Online vs. Watching TV continues to Grow Benefitting Facebook and Google over the long-term. The time that used to be spent watching linear TV is now being spent online. In 2017, internet advertising was for the first time bigger than traditional television advertising becoming the world's biggest advertising medium, accounting for 37% of total ad expenditure. Global advertising expenditure is expected to grow 4.1% in 2018 and reach a total spend of \$578 billion by year's end with internet advertising growing at nearly triple that rate. With some of the recent controversy around consumer privacy, Google and Facebook trade at only a small price to earnings valuation premium to the overall market despite growing revenues at over double the rate with incredibly profitable business models.

In the short-term, Facebook is facing a toxic brew of slowing revenue growth, contracting margins and increasing threats of regulation. The stock declined 15% during the quarter and was our most costly mistake. Unfortunately, we believe expenses are still modeled too low for 2019 and this is likely to come out when the company reports Q3. We have minimal exposure to the name currently as a result. Google is our favorite name on a longer-term basis for probably the first time since Facebook launched their mobile advertising product in 2012. We think Google margins are likely to expand for the first time in years as their Traffic Acquisition Costs decelerate. Google's Traffic Acquisition Costs paid to distribution is finally starting to grow less quickly at 47% in June after ramping from 6% y/y in June of 2015 to 61% in March of 2018. They beat revenues and operating profit both for the first time in three quarters as a result in June. In sharp contrast for Apple, China was 18% of revenues in CQ2 and was up 19% y/y versus 17% for the entire company.

We believe Chinese internet stocks will eventually become attractive, but the threat of further trade war escalation had us buy a basket of holdings in the group and subsequently sell those positions. We bought a basket of Chinese internet companies during the month but subsequently sold them as we became convinced the trade situation with the US would get worse before getting better. We would note that the most shorted stock in the US markets is currently Alibaba. Due to the difficulties in directly shorting the Chinese market, these US listed ADRs have been the easiest way to do it. We lost just over 1% in our holdings which could have been much worse given the CQQQ (China Tech ETF) was down 14% for the quarter.

On a long-term basis, China's internet market has even better trends than that of the US and we anticipate a very aggressive position in these names in late 2018 or early 2019 when the trade situation gets resolved. In the US, 96% of the population is online but this is only 312M users. In China, only 55% of their population is online but this is 772M users and it continues to grow each year by nearly 40M users. The US e-commerce market is about \$340B and was up 16% at 9% of total retail sales in 2017. China's e-commerce market is almost double the size of the US at \$670B and is growing 2x faster at over 30% and is 23% of total retail sales.

A separate catalyst for Tencent and NetEase will be Chinese regulators restarting game approvals which should be a major catalyst for all names in the gaming sector including Electronic Arts and Activision. We currently own both Electronic Arts (down 15% in Q3) and Activision (up 9%) as we believe both will benefit from increasing subscription revenues, the popularity of E-sports, as well as a better environment in China. We made close to 1% in the combined position by effectively trading around the issues EA has when they reported the quarter and subsequently delayed the release of Battlefield V later in the quarter. On a pullback we plan to buy Take Two which has a very strong game line-up this year led by Red Dead Redemption 2. We believe the longer-term trends in gaming are some of the most powerful in all of technology. Players are switching from buying discs to downloading games which increases the margins. They are also switching to subscription models which increases the stickiness of users and the multiples of the stocks. And finally, we think E-sports will become as big as traditional sports over time. Online gaming and social media is where most young people are spending their time today versus playing sports when I was a child and this will translate into viewing habits as they get older.

Finally, we have more of a defensive long in AT&T whose stock seems to have finally stabilized in the low-\$30s as Time Warner investors who received shares of AT&T when they merged seems to be finally finished selling. Looking back to July 2015 around when the DTV deal closed, there was about a month of pressure with a ~10% drawdown (TWX closed June 15 and T was \$33.15 but hit \$30.25 after earnings on July 25th), which was followed by a monster ~50% rally off the lows over the following few months. AT&T gained 5% during the quarter. One concern, however, is the debt to EBITDA ratio at AT&T which is currently over 4x with a ratio over 3.5x typically considered high. In a rising rate environment, this does concern us.

On a fundamental basis, the four national wireless carriers and cable MVNOS added a total of 1.2M postpaid phone subscribers in 2Q18, up from 900k in 2Q17. This is the 5th consecutive quarter of higher y/y net adds and the first time every major provider has had positive 2Q postpaid phone net adds. The expansion seems to be from prepaid customers, roughly 70M today, switching to unlimited postpaid plans with many having bundled video. This trend could continue for a while. Also, the lowest smartphone upgrade rate in history is helping margins. Verizon with their lower net debt to EBITDA ratio of 2.6x may make more sense in the future given their low valuation relative to the market despite their higher valuation relative to AT&T. We would also note that telecom services companies should hold up better during a market correction.

For the market, over 20% earnings growth year-over-year in Q1 and Q2 for the S&P has helped keep valuations on a short-term basis only slightly above their one year forward average of 17x. On a longer-term basis, valuations are still the highest since the time periods around the tech bubble and 1929. The Shiller Cyclically Adjusted PE (CAPE), which is an inflation adjusted measure over 10 years, has risen from 15x at the beginning of 2009 to 34x today. An optimist can note that this is still lower than 44x at the peak of the tech bubble.

We believe that a global economic expansion, multi-decade lows in unemployment, rising wages, year-over-year gains in energy prices, rising home prices/rents and the recently enacted tax cuts driving more growth will drive treasury yields higher through the year. As a result, the Fed may raise rates more quickly than the market expects. The bout of volatility seen in February and March is a dramatic departure from the environment seen in 2017 and we feel is here to stay as interest rates head higher and trade tensions continue.

On a positive note, we believe a true recession is not on the near-term horizon and therefore, any downdraft in stocks will be limited. The obvious exception would be if the US engages in an all-out trade war with China which is not our base case but cannot be ruled out. We believe a permanent resolution is not likely until the US mid-term elections in November. We would also note that the US stock market set a record all-time high in September while the Chinese stock market is down over 20% from its highs in January. The market has correctly concluded that China with a \$350B trade surplus has much more to lose than the US in a tariff war. Hopefully the pain is getting great enough that this will lead to a willingness to renegotiate on China's part.

However, we believe that as interest rates approach the highest levels in seven years, that we may be reaching a tipping point. Bond yields have been consistently on a trend line lower since the early 1980s. This seems to be finally changing as bond yields hit levels that may cause issues for many companies that have become highly levered through acquisitions, aggressive buybacks and over expansion. We would also note that debt servicing costs are also rising for governments across the globe, while global central banks are unwinding their own balance sheet expansions in combination with raising rates as inflation picks up. This could cause a lot of damage to market multiples and economic growth. When a multi-decade trend that investors have come to count on is finally broken, who knows what the ramifications could be.

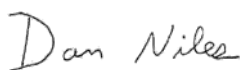
Looking forward, we believe that fundamental stock picking and downside protection is finally increasing in value as investors once again realize that it is possible to lose money in the stock market and volatility is not dead. Record accommodation by Central Banks continues to reverse as well. This should put an end to increasing market multiples when treasury yields become a viable alternative to chasing dividend yields and stock prices. Every dip has been viewed as a buying opportunity in such a long-lived bull market for growth-oriented names. The ability to expand profits or generate cash flow has not been that relevant to stock price performance. We hope this is starting to finally change given the market action in February and March.

My strongest attributes over the past 14 years of managing a portfolio and the past 27 years of being on Wall Street have been flexibility and adaptability. Now that investors are once again concerned about losing money in 2018, stock moves around fundamental information seems more consistent. I have for a long time drawn inspiration from Charles Darwin who said, "It's not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change." After nine years of a relentless bull market, we believe change may be upon us later this year with the recent correction being a taste of what the future may hold. I continue to do work on promising investment ideas, and have confidence in the philosophy and investment process that has served me well for over two decades on Wall street.

In summary, I anticipate that fundamental analysis will be more valuable to alpha generation in an environment less distorted by Central Bank policy and more by economic/fundamental prospects. This environment has historically been the one that I operate the best in. I therefore remain optimistic about the opportunities for generating profit going forward, while containing drawdown risk.

I thank all of you who continue to put your faith in me and the AlphaOne organization.

Sincerely,



Daniel T. Niles
Senior Portfolio Manager

Disclosures

Top 10 holdings as of 9/30/2018 are Microsoft Corp.; AT&T Inc.; Facebook, Inc. Class A; Electronic Arts, Inc.; Yandex NV Class A; Apple, Inc.; Alphabet Inc. Class A; Activision Blizzard, Inc.; Applied Materials, Inc.; Vodafone Group Plc Sponsored ADR. Top 10 holdings represent 63.53% 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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