Dear Shareholders:

Meta Platforms (formerly known as Facebook) is the most recent addition to the Union Street Partners Value Fund. After years of strong revenue and earnings growth, Meta's stock price carried the weight of impossibly high investor expectations. As doubts surrounding the company's revenue growth and investment spending developed early in 2022, the narrative shifted sharply from unbridled optimism to short-sighted pessimism, leading to a 65% drop in share price year to date.

It is our opinion that Meta will maintain its dominant position as the world's leading social media conglomerate and, at its current price, is a high-return long-term investment opportunity forged in the fire of short-term controversy.

Meta Platforms in brief

Odds are you are familiar with Meta Platforms and use at least one of its apps: Facebook, Instagram, WhatsApp, and Messenger. Meta is the largest online social media platform in the world and generated $115 billion in revenue in 2021, of which 98% was advertising related.

Facebook and Instagram, Meta's two primary drivers of revenue, are dominant social media platforms with close to 3 billion global monthly active users representing more than 35% of the global population. For Facebook's estimated 10 million advertisers, the company's massive user base is an irresistible goldmine of potential customers for businesses of any size.

Three themes drive our optimistic view for the company and its potential for well-above-average long-term returns:

1. Digital advertising growth is maturing but will continue to grow faster than GDP into 2030.
2. A former darling of growth investors, Meta now trades at a deeply discounted valuation.
3. The company's large investment in the "metaverse," a term for the next iteration of the Internet, has not damaged the quality of Meta's core advertising business.

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The outlook for digital advertising growth

Digital advertising growth has been robust since 2009. While total advertising spending has remained relatively stable as a percentage of GDP since the early 1900's (roughly 2.5% of GDP), digital advertising has taken significant market share from traditional outlets like newspapers, outdoor and radio advertising, and network and cable television.

As the digital ad industry continues to mature, it should come as no surprise that prior expected growth rates in a once nascent industry will more closely correlate to economic growth. Consequently, growth rates for large scale digital advertising firms like Meta should no longer be viewed as largely insulated from periods of slowing economic growth. Economic cycles matter, and as we enter a period of slower economic growth, we expect digital ad spending to slow in the near-term—this was not the consensus view coming into 2022.

Looking past the current economic period, we think digital advertising spending will continue to take market share from traditional sources and benefit from global growth. Reasonable projections show digital advertising spending growing from roughly $600 billion to $1.2 trillion by 2030. Facebook and Instagram are well-positioned to benefit from this long-term trend in industry growth considering 98% of revenue is advertising spend. WhatsApp (2 billion-plus users) and Messenger (roughly 1 billion users) ranked number one and three, respectively, among most popular global messaging apps. Both WhatsApp and Messenger have not been fully monetized and possibly represent new pillars of Meta's future opportunity.

Despite advertising growth at Meta falling to an estimated -2% year over year, we are convinced Meta is well positioned to resume growth at above average rates once economic conditions normalize.

A former darling of growth investors, Meta now trades at a deeply discounted valuation

As growth-focused investors finally admitted Meta's business was not immune to the business cycle, their thesis for owning the company was no longer intact and many chose to sell, leading to a 65% drop in share price year to date. As detailed below, shares are deeply discounted by many common valuation metrics:

	2019 - 2021 Average	Current Estimate	*% Change*
Price to Earnings Ratio	29.4x	10.6x	*-64%*
Price to Sales Ratio	9.2x	2.6x	*-72%*
Enterprise Value to EBIT Ratio	22.2x	8.0x	*-64%*

Source: Morningstar

At the current valuation, we believe that most of the negative news is more than reflected in the share price.

As forced selling subsides and a new narrative takes hold, we believe a reasonable earnings-based multiple of 16x is merited, resulting in a fair value of roughly $150 per share versus our cost of less than $100 per share.

Controversy in the metaverse

Deep skepticism by pundits and Wall Street about Meta's investments in the metaverse have shifted the narrative for Meta's outlook and pushed down its share price in 2022.

Like him or not, Mark Zuckerberg, Meta's CEO and controlling shareholder, has a compelling track record when it comes to navigating the evolving environment of the Internet. In October 2021, Zuckerberg made his vision of the Internet clear when he changed the company name from Facebook to Meta Platforms. According to Zuckerberg, the next iteration of the Internet will be the metaverse, and he is willing to invest heavily to be a leader in its development. Meta describes the metaverse as "the next evolution in social connection and the successor to the mobile internet."

We are not technologists or futurists. However, the current narrative by pundits and growth investors alike would have you believe that Meta's investment in the metaverse is a life-or-death moment for the business. Considering the strength of Meta's balance sheet and strong cash flow generated by its advertising business, we do not believe that to be the case.

Our investment case in Meta is not predicated on the success of Meta's current investments in the metaverse. We believe the two most probable outcomes relating to metaverse investments, funded primarily by internally generated cash flows, are:

1. **Zuckerberg is right**. His vision for the metaverse is accurate and current investments result in a compelling new business creating massive new growth opportunities. If this scenario is ultimately true, Meta could be a generational investment opportunity at current valuations.

2. **Zuckerberg is wrong**. Current investments in the metaverse prove to be worthless and the company is forced to cut its losses and stop current large scale metaverse investments. Cash flows from ad revenue return to shareholders, resulting in renewed focus on the company's dominant social media platform and long-term cash flow growth. For reference, over the trailing 12-month period, Meta generated free cash flow of over $26 billion after accounting for metaverse investments.

In either case, we see a path forward leading to compelling long-term returns for shareholders.

Just as sure as trees don't grow to the sky, stocks don't go to the moon

As investors, it is important to understand that a business' stock price carries the weight of investors' expectations. The weight of lofty market expectations can crush the share prices of wonderful businesses like Meta as consensus narratives shift.

After careful and deliberate consideration of Meta's core businesses and long-term fundamentals, we are optimistic regarding the company's competitive and financial position, long-term digital advertising revenue growth, and current valuation.

We look forward to being long-term shareholders.

Don't bet against the USA!

Sincerely,

Bernie McGinn, CFA, and McCoy Penninger, CFA
Portfolio Managers for the Union Street Partners Value Fund

Fund holdings are subject to change at any time and should not be considered recommendations to buy or sell any security.

As of December 12, 2022, Meta Platforms represented 2.69% of the Fund's net assets, respectively.

There can be no guarantee that any strategy will be successful. All investing involves risk, including the potential loss of principal. There are risks associated with investing in the Fund that may adversely affect the Fund's performance. The principal risks associated with an investment in the Fund include market risk, non-diversification risk, risk of investing in undervalued securities, REITs, Master Limited Partnerships ("MLPs"), investment companies and ETFs. Factors such as domestic economic growth and market conditions, interest rate levels, and political events affect the securities markets and may affect the value of the fund. Non-diversification increases the risk that the value of the Fund could go down because of the poor performance of an individual security in the Fund's portfolio. Undervalued securities are, by definition, out of favor with investors, and there is no way to predict when, if ever, the securities may return to favor. REITs may be subject to, among other factors, certain risks associated with the direct ownership of real estate, including declines in the value of real estate, risks related to general and local economic conditions, overbuilding and increased competition, increases in property taxes and operating expenses, and variations in rental income. MLPs are generally considered interest-rate-sensitive investments. During periods of interest rate volatility, these investments may not provide attractive returns. To the extent the Fund invests in other investment companies, the Fund will indirectly bear its proportionate share of any expenses (such as operating expenses and advisory fees) that may be paid by certain of the investment companies in which it invests. Investment in ETFs carry specific risk and market risk. If the area of the market representing the underlying index or benchmark does not perform as expected, the value of the investment in the ETF may decline. Read the prospectus carefully for more information about these and other risks associated with investing in the Fund.

Before investing, you should carefully consider the Fund's investment objectives, risks and charges and expenses. The Fund's prospectus contains this and other important information and should be read carefully before investing. To obtain a current copy of the Fund's prospectus, call 1-800-673-0550.

****Price to earnings ratio; P/E: A ratio equal to a stock's market capitalization divided by its after-tax earnings over a 12-month period.***

****Price to sales ratio; P/S: A ratio equal to a stock's market capitalization divided by its total revenue over a 12-month period.***

****Enterprise Value to EBIT Ratio: A ratio equal to a firm's enterprise value (EV) and earnings before interest and taxes (EBIT).***

Enterprise Value: Measures a company's total value including the market capitalization of company' stock and also short-term and long-term debt less the company's cash balance.

Free Cash Flow: A company's net cash flow provided by operating activities less capital expenditures.

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