



Kopernik Global All-Cap Fund

Fourth Quarter 2018

Dear Kopernik Investor,

Below, please find the mutual fund performance of the Kopernik Global All-Cap Fund (“GAC” or “Fund”) as of December 31, 2018.

Fund Performance
As of December 31, 2018

Class	December 2018	Q4 2018	YTD	1 Year	Since Inception ¹
I	-1.02%	-1.85%	-11.07%	-11.07%	0.57%
A (NAV)	-1.16%	-1.99%	-11.34%	-11.34%	0.32%
A (max sales charge)	-6.85%	-7.59%	-16.47%	-16.47%	-0.82%
MSCI ACWI (Net)	-7.04%	-12.75%	-9.42%	-9.42%	4.82%

¹Annualized

Class A and Class I inception date: 11/1/13.

MSCI ACWI Since Inception period in table above begins on inception date 11/1/13.

Past performance does not guarantee future results. The performance data quoted represents past performance and current returns may be lower or higher. 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 the original cost, and current performance may be lower or higher than the performance quoted. For the most recent month-end performance please call Kopernik Funds at 1-855-887-4KGI (4544) or visit www.kopernikglobal.com.

Maximum sales charge for the Class A shares is 5.75%.

Expense Ratios: 1.30% (Class A), 1.05% (Class I).

WHY KOPERNIK?

Philosophically, we view ourselves as owners of businesses. Our job is to appraise these businesses and take advantage at times when an inefficient, emotional marketplace offers securities at a price that is significantly different from our appraisal. Like our namesake, Kopernik (better known by his Latin name – Copernicus), we trust the results of our own analysis even when (especially when) it generates vastly different conclusions from those of the crowd and/or those taught by many academics. Similarly, we commonly question the data issued by governments, central bankers, and companies themselves. We understand that bargains appear often because people focus on fear or panic, and other forms of risk that are not relevant to the investment portfolio. High tracking error, bad headlines or unpopular stocks/countries/regions/industries can present a degree of risk to a manager's career, while often lowering the potential of permanent loss of capital (due to lower initiation prices and higher potential upside) to the portfolio. Similarly, Kopernik believes volatility and other measures of past price movements are not relevant to long-term investors' assessment of risk. It can be indicative of potential risk to short-term speculators or to highly levered players, but can often present opportunity for true long-term investors.

QUARTER REVIEW

During the fourth quarter of 2018, the NAV of Class I Shares of the Kopernik Global All Cap Fund decreased -1.85% compared to a -12.75% decline for the MSCI All Country World Index.

Given the volatile recent market conditions, we are pleased with several contributors in our portfolio over the past quarter and year. On the other hand, we are disappointed with our negative absolute performance over those periods. Several of our energy holdings detracted during the fourth quarter, a period when fossil fuel prices globally suffered a rout to end their multi-year run. The price of West Texas Intermediate





(WTI) Crude fell -40% and natural gas gave back almost all its intra-quarter gains. Despite its strong performance for most of 2018, large holding Range Resources particularly impeded fourth quarter results, as the stock fell -43.6% during the quarter. Range is an independent exploration and production company primarily engaged in natural gas production in the United States. Despite the recent broad selloff in fossil fuels, we maintain our long-term positive view on the value of Range's vast natural gas resource base and relatively low cost of production. We opportunistically trimmed Range on strength earlier in the year. Then, we used Range's late fourth quarter weakness as a buying opportunity to round up our still sizeable position.

Elsewhere within energy, Cloud Peak Energy, a coal miner in the Powder River Basin in the United States, was a headwind. The stock dropped -84.1% in the quarter. We purchased Cloud Peak at a third of our estimated net asset value and it is one of the only miners that can export Powder River Coal to Asian markets, where coal from the basin has been a popular alternative to Indonesian coals of dubious quality. Powder River Basin Coal is competitive with natural gas and stands to take share from Appalachian coal in a declining U.S. coal market. The company's cash flow has been reduced this year as its biggest producer, Antelope Mine, experienced flooding that halted its operations. After assessing Cloud Peak's latest financial position, we are somewhat allayed by the fact that the company has no payments due until 2021 on its \$400 million debt load, had about \$100 million in cash at the end of the third quarter, and free cash flow has been about breakeven for most of the year, but not negative. However, Cloud Peak's bonding requirements for mine reclamation could put more immediate pressure on the company's solvency. As is typical in mining, Cloud Peak must post surety bonds to ensure they can clean up their mines upon closure. There is fear that Cloud Peak will be unable to renew its surety bonds and would have to post the full amount of reclamation costs (\$400 million), which could make Cloud Peak insolvent as it does not have the cash to pay upfront for this expense. Although an immediate requirement to pay the entire reclamation obligation would be a devastating outcome, we think the obligation likely overstates the true expense, as it assumes immediate closure of all mines, instead of the costs occurring over 20 years, a more realistic scenario. Cloud Peak indicated it is considering strategic alternatives, including a sale. As part of a larger, higher credit rated company, the bonding costs would be minimal, and the interest costs would drop materially. Although there is now significantly increased risk, we are attracted to the fact that Cloud Peak's \$25 million market capitalization seems to dramatically undervalue the company's 1 billion tons of reserves. We continue to monitor the company's liquidity.

Likewise, Rushydro's -26.2% decline negatively impacted results. Rushydro is the largest hydro-electric generation company in Russia. Hydroelectric is arguably the cheapest and cleanest form of energy in existence, but Rushydro seems overly penalized for the risk associated with operating in Russia. Amid the U.S. sanctions on Russia and other sources of short-term volatility, we maintain our focus on investing in companies that trade significantly below their intrinsic value, which we discount heavily for geopolitical (amongst other) risks. We opportunistically added to Rushydro, which trades at less than half of book value and meaningfully below our estimate of the replacement cost of its assets. At these levels, we estimate we are well compensated for the associated geopolitical risk.

Another headwind to the Fund's performance was Turquoise Hill Resources Ltd., which dropped -22.2%. While the stock has disappointed over the past year, it previously rallied +44.0% in the back half of 2017. Turquoise Hill owns a world class deposit of gold, copper, and silver reserves at its Oyu Tolgoi mine in Mongolia. In October, it was announced that sustainable production at Oyu Tolgoi would occur two quarters later than anticipated, by the third quarter of 2021. We continue to view Turquoise Hill as trading at a significant risk-adjusted discount to our estimated value of its high-grade reserves, a value which we do not deduce from quarterly production timing. Our investment process gives us comfort in waiting for the opportunity to harness the upside potential embedded in our portfolio, since we often estimate that upside is many multiples of current share prices. We added to the stock this quarter.

While the aforementioned obstacles had a hand in the Fund's negative absolute return for the quarter, we are encouraged by several tailwinds within our portfolio amid the volatile market environment that saw the S&P 500 Index sell off -14%. Our put option on the S&P 500 contributed nicely in that context. We purchased the put because it was one of the most attractive investment opportunities available, with implied volatility at multi-year lows in the face of an exorbitantly priced U.S. stock market. The put detracted for most of the year as the market continued to march upward, but we rolled our put position into new options with increasingly higher strike prices, allowing the Fund to benefit from the S&P 500 Index's subsequent fourth quarter drop. With implied volatility still low (though much less so than during most of the year) in conjunction with an expensive market, we continued to see significant risk-adjusted upside in the put option. The Fund seems quite well-positioned should the S&P decline further, an event that seems long overdue. Meanwhile, if the option market were to begin pricing in heightened volatility, our put security may no longer screen so cheaply, and we would likely put money to work elsewhere.





Centrais Eletricas Brasileiras (“Eletrobras”) also helped performance. The stock bounced +61.0%. Eletrobras is the largest utility in Brazil and is involved in electricity generation, transmission, and distribution. The stock was previously down -49.9% in the second quarter. We took advantage of the stock’s weakness earlier in the year to add to our position. Eletrobras shares offered significant risk-adjusted return potential as its hydro-electric assets were trading at a large discount to our estimated replacement cost. We have since trimmed on strength.

Elsewhere, Impala Platinum Holdings, one of the largest platinum producers in the world, increased +31.2%. Impala operates in South Africa and Zimbabwe, and both regions have faced geopolitical challenges this year. Changes to the South African mining charter have been a drag on mining stocks in the region, and the currency crisis in Zimbabwe has created increased uncertainty. While we monitor changes to the geopolitical landscape for each of our holdings, we are comfortable holding and adding to names like Impala on weakness, as we have already heavily discounted our valuation for the risks associated with operating in South Africa and Zimbabwe, amongst other risks. We continue to find the stock’s potential risk-adjusted upside to our valuation enticing. Earlier this year, we opportunistically added to many of our precious metals holdings such as Impala, which was down as much as -53.7% since the beginning of 2018. More broadly within the metals space, the spot price of gold declined -10.0% during the year and the GDX Gold Miner Index dropped an even steeper -25.0%. Then in the fourth quarter, the spot price of gold bounced +7.7% and the GDX Gold Miner Index rose +13.6%. We continue to view gold as profoundly underpriced compared to the incentive cost that would encourage adequate future supply. Moreover, the gold miners trade at a historically wide discount to the already cheap precious metal.

Finally, we initiated positions in Crescent Point Energy, General Electric (“GE”), and NAC Kazatomprom JSC (“Kazatomprom”); we sold our position in Barrick Gold. Crescent Point is a Canadian exploration and production company operating in the U.S. and Canada. Crescent Point has reserves of high-quality oil with long lives, in areas with good transportation infrastructure. At half its book value, Crescent Point trades well below our estimate of its net asset value. We believe we are well compensated for the risk of continued low Canadian oil prices relative to oil globally. The stock’s -37.0% November decline gave us a chance to continue building our position.

We also added GE, a global industrial conglomerate. After a wave of divestitures, GE’s remaining businesses include: aviation, healthcare, power, renewables, and aircraft financing. Additionally, GE recently installed a new CEO with a strong long-term track record. We were pleased the market gave us the opportunity to purchase a company that is the number one player in several concentrated, oligopolistic industries, at about a 30.0% discount to our risk-adjusted intrinsic value and 0.6 times trailing revenues. We derive our theoretical value using a sum-of-the-parts valuation for each of GE’s businesses. The company’s margins have been overstated historically as evidenced by a slew of impairment charges. Therefore, our valuation incorporates more conservative margins than have been reported. We believe we are compensated for the associated risks, including: continued earnings management, capital allocation missteps, and an aviation cycle that is likely in later innings. While we employed our typical long-term investment horizon in assessing GE’s potential upside, we have also taken advantage of near-term volatility by using weakness as an opportunity to round up our position and strength as a chance to trim.

Additionally, we purchased Kazatomprom, the newly public, largest uranium mining company in the world, which accounts for about 20% of global supply. The company’s mines are all located in Kazakhstan and are among the lowest cost uranium mines in the world. We are attracted to Kazatomprom’s large uranium reserves, low operating costs, and exposure to the spot price of uranium, a price that we think is still depressed, even after its rally in 2018. In fact, the uranium spot price remains at an 80% markdown to its prior peak. We were able to purchase Kazatomprom at less than a third of our estimated net asset value of its reserves. We view this discount as more than adequate to compensate us for the risk associated with operating in Kazakhstan and being a newly public company, amongst other risks.

We exited our position in Barrick Gold. Barrick announced a merger with Randgold, using its undervalued shares to buy one of the best performing gold stocks. Additionally, its Pascua-Lama reserves were reclassified as resources, to which we attribute a lower value compared to reserves due to the increased uncertainty of being realized. Given these fundamental changes, Barrick no longer traded at as compelling a discount compared to other opportunities. We eliminated our holding and rotated into more attractive investments in the precious metals space.





In closing, we look to the year with optimism because we believe: the portfolio is extremely under-valued; money seems to be starting to migrate out of the very expensive, mega-cap, momentum stocks; and the return potential appears outsized. You can count on us continuing to employ our disciplined, long-term approach that has worked so well over the past four decades.

As always, thank you for your continued support.

Kind Regards,

Kopernik Global Investors, LLC

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This report may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve inherent risks and uncertainties, and we might not be able to achieve the predictions, forecasts, projections and other outcomes we may describe or imply. A number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions we express in these forward-looking statements. We do not intend to update these forward-looking statements except as may be required by applicable laws.

Forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and are difficult to predict. As a result, actual results could differ materially from those expressed, implied or forecasted in the forward-looking statements.

The holdings mentioned herein represent the following percentage of net assets of the Kopernik Global All-Cap Fund as of December 31, 2018: Barrick Gold 0.00%, Centrais Eletricas Brasileiras (Eletrobras) 2.32%, Cloud Peak Energy Inc. 0.10%, Crescent Point Energy Inc. 0.73%, General Electric Co. 1.95%, Impala Platinum Holdings Ltd. 2.35%, NAC Kazatomprom JSC 0.83%, Range Resources Corp. 2.88%, RusHydro PJSC 2.50%, S&P 500 Index 3.69%, Turquoise Hill Resources Ltd. 1.98%. These positions may change over time without notice. The holdings listed should not be considered recommendations to purchase or sell a particular security. It should not be assumed that securities bought or sold in the future will be profitable or will equal the performance of the securities in this portfolio. Current and future portfolio holdings are subject to risk.

Please consider all risks carefully before investing. An investment in a Kopernik Fund, or any other vehicle using the same strategy, is subject to many risks including sudden changes in general market valuations and market liquidity. Investments in small and mid-capitalization companies also tend to involve greater risk and portfolio price volatility than investments in larger capitalization stocks. Further, investing in non-U.S. markets, including emerging and frontier markets, involves certain additional risks, including potential currency fluctuations and capital controls, restrictions on foreign investments, less governmental supervision and regulation, less liquidity, less disclosure, and the potential for higher market volatility, share expropriation, confiscatory taxation, and social, economic and political instability. Further, investments in energy and other natural resources companies tend to be greatly impacted by developments in global commodities markets, which can be more volatile than equity markets.

The Fund may purchase or sell options, which involve the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk. For instance, a long put position would ordinarily realize a gain if, during the option period, the value of the underlying securities decreased below the exercise price sufficiently to cover the premium and transaction costs. However, if the price of the underlying instrument does not fall enough to offset the cost of purchasing the option, a put buyer would lose the premium and related transaction costs.

Past performance herein should not be construed as an accurate indication of future returns.

The MSCI All Country World Index (MSCI ACWI) is an un-investable index of over two thousand primarily large and mid-cap companies across 23 developed and 24 emerging market countries as of December 31, 2018. The MSCI indices returns do not reflect any management fees, transaction costs or expenses. Individuals cannot invest directly in an Index. Additionally, MSCI ACWI's implied investments have differed from GAC's strategy in a number of material respects, including: 1) GAC's investments in specific businesses, industries and countries have tended to be more concentrated than shares comprising the MSCI ACWI; 2) GAC has tended to have more exposure to emerging markets and companies with smaller market capitalizations than the MSCI ACWI, and; 3) consistent with its mandate, GAC has made minority allocations to other asset classes and derivative instruments not included in the MSCI ACWI. MSCI ACWI performance includes theoretical dividends distributed.

Mutual fund investing involves risk, including possible loss of principal. There can be no assurance that the Fund will achieve its stated objectives. Equity funds are subject generally to market, market sector, market liquidity, issuer, and investment style risks, among other factors, to varying degrees, all of which are more fully described in the Fund's prospectus. Investments in foreign securities may underperform and may be more volatile than comparable U.S. securities because of the risks involving foreign economies and markets, foreign political systems, foreign regulatory standards, foreign currencies and taxes. Investments in foreign and emerging markets present additional risks, such as increased volatility and lower trading volume. For more information on the Kopernik Global All-Cap Fund, call our toll free number at 1-855-887-4KGI or email funds@kopernikglobal.com.



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