

CROMWELL TRAN SUSTAINABLE FOCUS FUND

Portfolio Managers Quoc Tran and Michael Im provide insight into the market volatility in the first half of 2022, their high-quality, ESG-oriented growth strategy, and opportunities as a result of the market decline.

▶ Would you please comment on the market's volatility over the first half of 2022?

There were plenty of macro surprises led by the Federal Reserve's rate increases to battle inflation, Russia's continued invasion of Ukraine, and China's Covid policies that led to an aggressive lockdown and created persistent supply chain disruptions, that fueled market volatility. This volatile environment led to indiscriminate declines in the market: The S&P 500 Index declined 20%, which was the worst start to the year since 1970. Valuation multiples of most stocks, especially longer duration growth companies, have declined significantly.

While these market declines are painful, historically, the subsequent returns have been strong, and generally the market anticipates the recovery faster than economic indicators and bottoms before economists have identified a recession.

Importantly, we believe our portfolio companies are successfully navigating these volatile times and continue to generate strong revenue and earnings growth. We believe our companies will emerge from this period of disruption relatively stronger than their competitors. While stock prices may be down, we believe intrinsic values are growing.

▶ Would you please discuss Tran Capital's investment strategy and how your team applies an ESG lens?

With an actively managed, concentrated approach, we conduct intensive research to uncover reasonably priced companies we believe have the most favorable long-term appreciation potential. First and foremost, we believe that our potential holdings need to produce superior returns over time. We determine this appreciation potential primarily on a company's long-term earnings growth and return on equity metrics.

Yet, evaluating companies through an ESG lens is also an integral part of our investment approach. We apply this approach with the intention to reduce the portfolio's tail risk over the long term.

While some investors think an ESG framework is overly restrictive and can limit returns, we believe companies that focus on their stakeholders and have proper governance can provide a better long-term return potential with less risk. This is especially true of companies that do not initially



Cromwell Tran Sustainable Focus Fund became the successor fund to the Tran Capital Focused Fund on August 8, 2022.

CLASS	INCEPTION	TICKER
Investor	9/6/07	LIMAX
Institutional	9/6/07	LIMIX

Fund Facts

Asset Class: **Large Growth**
 Net Assets: **\$43M**
 Benchmark: **S&P 500 Index**
 Active Share: **84.3%**
 Holdings: **23**

Sub-Advisor



Tran Capital Management is a research-driven, growth-oriented asset management firm with an ESG orientation. Founded in 1974, Lateef Investment Management, L.P., was the predecessor firm before Chief Investment Officer Quoc Tran and President Eric Winterhalter led a buyout.

PORTFOLIO MANAGERS



Quoc Tran
Chairman and Chief Investment Officer



Michael Im, CFA
Co-Portfolio Manager and Director of Research

appear to be an ESG candidate. Yet, when we apply our thorough analysis, we often find the rate of ESG improvement within the company is not being recognized.

Given the fact that the Fund holds only 23 holdings, we can critically analyze each company's business and chart their progress toward their ESG goals. Many companies include language on how they plan to reduce their environmental impact or increase diversity and inclusion. Yet some lack concrete steps or specific criteria that help measure progress. As a result, a complete analysis is required to determine the clarity and specificity of a company's ESG goals as well as its commitment toward those goals.

▶ How do you adjust the portfolio's positioning in times of increased volatility?

As part of our research and stock selection approach, during periods of drawdowns, we employ a 3-step process:

1. We reassess the fundamental strength of current positions.
2. We sell positions that no longer meet our investment thesis.
3. We opportunistically buy high-quality companies trading at more attractive valuations.

Importantly, as active managers that embrace concentrated, high active share portfolios, we are not forced to invest in the entire market. Rather, we only hold our best ideas that we believe can produce superior returns over time as compared to the overall market.

▶ What opportunities do you see as a result of this significant market decline?

With declining stock prices and contracted valuations, high-quality businesses with strong balance sheets and robust business models are selling at a multiple that is the same as the market. Therefore, in this environment, we are able to purchase exceptional businesses with high recurring revenue, high return on capital and a high level of organic growth at significantly discounted prices.

As a result, following the market decline in the first half of the year, we believe the Tran Fund are attractively priced with earnings and revenues that have grown faster than the market. As of June 30, 2022, the Cromwell Tran Sustainable Focus Fund traded at 17.4x 2022 forward earnings, only slightly higher than the S&P 500's 16.5x with a return on equity (ROE) that is approximately 40% higher than the overall market.

Attractive Valuations with More Growth Potential

	P/E (2022e)	ROE
Fund	17.4x	29.0%
S&P 500	16.5x	20.6%

Source: Bloomberg

About Cromwell Funds

Headquartered in Baltimore, MD, the Cromwell Funds provide Financial Advisors with high-quality, differentiated and actively managed strategies in a mutual fund format. The Funds are sub-advised by asset managers who have built a national reputation managing their investment strategies.

Cromwell Funds' Sub-Advisors:

- » CenterSquare Investment Management
- » Marketfield Asset Management
- » Tran Capital Management

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Investors should carefully consider the Fund's investment objectives, risks, charges and expenses before investing. For this and other information, please call 855.625.7333 or visit thecromwellfunds.com for a prospectus. Read it carefully before investing or sending money.

Mutual fund investing involves risk. Principal loss is possible. The Fund normally invests its assets in the common stocks of approximately 15 to 25 mid- and large-cap companies with a sustainable competitive advantage. In addition, the Fund may from time to time purchase a common stock that does not meet this criteria if, in the investment advisor's opinion, the stock represents a particularly attractive investment opportunity. While most assets will be invested in U.S. common stocks, other securities may also be purchased in keeping with the Fund's investment objectives. The Fund is non-diversified, which means that a significant portion of the Fund's assets may be invested in the securities of a single or small number of companies and/or in a more limited number of sectors than a diversified mutual fund. The Fund is subject to greater risk and could fluctuate in value more than other mutual funds diversified across a greater number of securities and industries. The Sub-Adviser's use of its ESG framework could cause it to perform differently compared to funds that do not have such a policy. The criteria related to this ESG framework may result in the Fund forgoing opportunities to buy certain securities when it might otherwise be advantageous to do so, or selling securities for ESG reasons when it might be otherwise disadvantageous for it to do so.

Active Share measures the percentage of stock holdings in a fund that differ from a benchmark. ESG refers to environmental, social and corporate governance. Price to earnings (P/E) is the market price per share divided by earnings per share. Return on equity (ROE) is the measure of a company's net income divided by its shareholders' equity.

The S&P 500 Index is a capitalization-weighted index of 500 stocks. An investment cannot be made directly into an index.

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