Third Quarter 2017 Newsletter

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Firm News

As a follow up to last quarter's firm news, we are very happy to announce that **Groupe Herez**, a leading group of French financial advisors that supervise approximately €1.2 billion of assets for high-net-worth clients, wholly acquired our Paris-based sister company, FOURPOINTS Investment Managers, and purchased a 34% ownership stake in New York-based FOURPOINTS Asset Management at the end of September. The FOURPOINTS teams in both Paris and New York will remain in place through what we expect to be a seamless integration.

Béatrice Philippe, President & CIO
FOUR*POINTS* Asset Management, Inc.
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If you would like further information about **FOUR***POINTS*, our products or people, or would like to comment on the *Spotlight,* please let us know.

Spotlight:

Economics Trump Politics

Béatrice Philippe
President
FOUR*POINTS* Asset Management

Equity markets around the world were strong during the third quarter, with the S&P 500 and the MSCI Europe Indexes rising 4.5% and 6.5%, respectively. Year-to-date, the S&P 500 has gained 14.2%, while the MSCI Europe has increased 23.5% (partially aided by the U.S. dollar's 11% decline versus the euro so far this year). In the U.S., growth stocks continued to outperform during the quarter, while value stocks lagged the broader market.

Strong market performance continued to be driven by improving earnings outlooks both at home and abroad due to a synchronized global economic recovery that appears to be accelerating. Until Hurricanes Harvey, Irma, and Maria, economic activity in the U.S. had been accelerating in the third quarter. Over the longer-term, however, public and private reconstruction efforts following these tragic and unfortunate natural disasters will likely boost infrastructure spending.

On the political front, the Trump administration continues to face challenges passing legislation. German Chancellor Angela Merkel was re-elected to a fourth term, but the right wing gained seats in Parliament, which somewhat weakens Ms. Merkel's heretofore very strong position. Meanwhile, French President Emmanuel Macron has begun implementing much needed reforms, particularly with regard to the country's labor laws. Following Macron's election, France took a more prominent leadership role in the European Union. We believe strong Franco-German leadership will help define more unified fiscal and defense policies, among others, and hopefully reduce bureaucratic red tape in Europe. Finally, China is having its 19th National Congress in late October, which will likely underscore the extent of President Xi Jinping's power over the next five years.

Of course, not everything is rosy. There are major issues at hand (nuclear tensions with North Korea, political gridlock in Washington), as well as specific changes on the horizon (the shrinking of the Fed's balance sheet) that come with liquidity implications for the markets. Despite these uncertainties, we believe underlying market fundamentals are strong and we continue to look for opportunities to put cash reserves to work.

Thank you for your continued support,

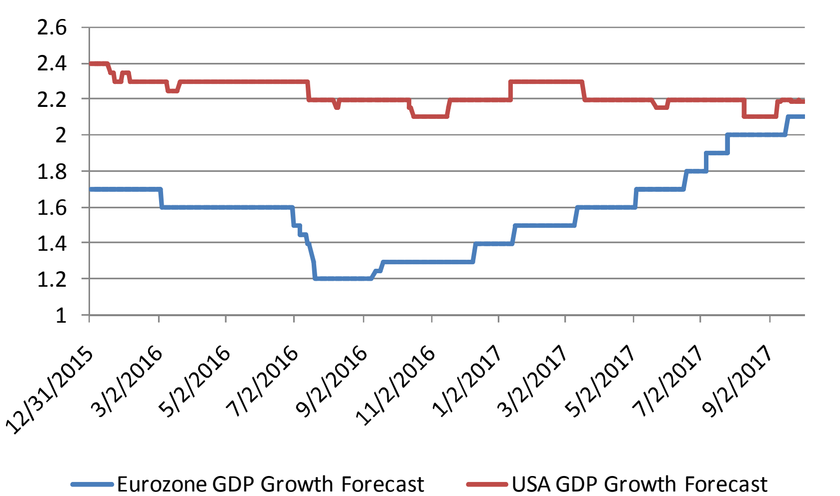
Philippe
Euro Global Leaders

Effective January 2017, The FOURPOINTS AM Euro Global Leaders, LLC and The Philippe Fund International Equities, LLC merged in order to better focus on our competitive advantage managing European equities. The new commingled fund, which is called The Philippe Fund Euro Global Leaders, LLC, continues to serve as a vehicle for U.S.-based, high net worth individuals and endowments/foundations to invest in leading European companies.

The third quarter ended on a positive note for the world economy. In most regions, leading economic indicators continued to advance, particularly in the Eurozone.

Following some summer turbulence, European manufacturing activity rebounded to its highest level since April 2011, while the services sector reached a high since May 2017. Moreover, in spite of the euro's sharp appreciation, business and consumer confidence indicators have recovered to their 2007 peaks. Although unemployment is struggling to fall below the 9% threshold, hiring expectations in the Eurozone for both the manufacturing and services sectors continue to rise, which indicates an acceleration in job creation to come.

Despite pessimism in the beginning of the year, the Eurozone has been closing the GDP growth gap with the United States, and is now expected to grow more than 2% in 2017.



Sources: FOURPOINTS Investment Managers, Bloomberg

After a muted summer, European markets welcomed an acceleration in leading economic indicators and rebounded sharply in September, with the MSCI Europe index rising 3.3% to close out the third quarter with a 6.5% gain.

Market performance in the third quarter was primarily driven by cyclical sectors, including energy (+13.9%), materials (+13.0%), information technology (+9.2%), and consumer discretionary (+7.9%).

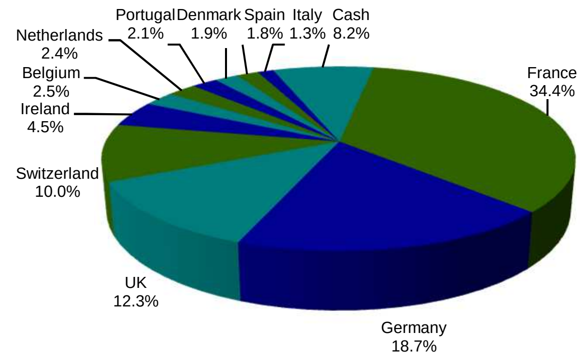
Continued on page 4

Stocks held in the portfolio are bold and underlined. All stock and index performance is in USD.

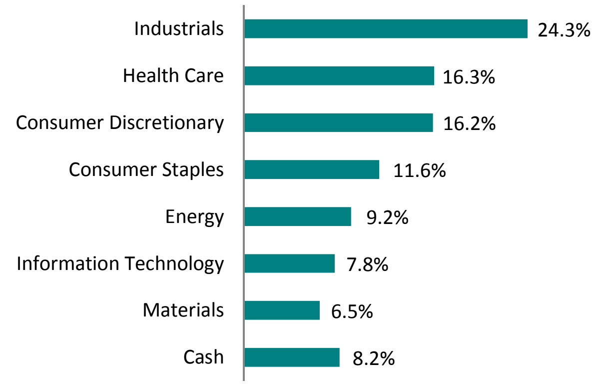
Market Cap Allocation as of 9/30/17

Mega Cap (Greater than $50 billion)	29.4%
Large Cap ($7.5 billion - $50 billion)	37.7%
Mid Cap ($750 million - $7.5 billion)	26.1%
Small Cap (Less than $750 million)	6.7%

Geographic Breakdown as of 9/30/17



Sector Breakdown as of 9/30/17



Top Ten Holdings as of 9/30/17

Française de l'Energie	4.2%
Wirecard	3.3%
Intertek Group	3.1%
Schneider Electric	2.8%
Norma Group	2.7%
Thales	2.6%
Michelin	2.6%
Danone	2.6%
Diageo	2.5%
Anheuser-Busch InBev	2.5%
Total:	**28.9%**

Performance as of 9/30/17 in USD

	Philippe Gross Return	MSCI Europe
Quarter	6.9%	6.5%
Year-to-Date	28.7%	23.5%

Inception date: January 3, 2017

Sources: Northern Trust, Zephyr Style Advisor

Philippe
U.S. Equities

In the second quarter, U.S. real GDP grew 3.1%. In spite of disruptions from Hurricanes Harvey, Irma, and Maria, economic activity continued to improve during the third quarter (and was even stronger abroad). Domestic markets were impressively resilient despite no or slow progress on pro-growth initiatives (health care and tax reform, respectively), geopolitical tensions (North Korea in particular), as well as the announcement that the Federal Reserve would begin unwinding its $4.2 trillion balance sheet in October. Indeed, market volatility has been low, with the S&P 500 adjusting more than +/- 1% on only 5% of trading days so far this year.

The S&P 500 was up 4.5% in the third quarter and has risen 14.2% year-to-date through the end of September. In the third quarter, ten of the S&P 500's eleven sectors posted positive total returns. Information technology (+8.3%), energy (+6.0%), and telecom (+5.4%) led the index, while consumer staples was the only sector to end the quarter in the red (-2.0%). After being the worst performing sectors in the first half of the year, energy and telecom surprised positively in the third quarter. The energy sector benefited from higher oil prices, while telecom investors now appear less concerned about the profitability of unlimited data plans and have instead switched focus to the much-anticipated iPhone 8 and iPhone X launches, which are expected to be growth catalysts for the sector in the fourth quarter.

The **Philippe U.S.** portfolio gained 1.5% in the third quarter and has increased 9.8% year-to-date. Stocks that contributed meaningfully to fund performance in the first half of the year lagged the index in the third quarter. Furthermore, positive single-digit performance by our information technology holdings (**PTC**, **Ansys**, **Corning**, and **Genpact**) underwhelmed compared to the double-digit rally by index constituents not held in the fund, namely internet software, electronic equipment, and semiconductor companies. Relative performance was also negatively impacted by weakness in select industrial (**Wabtec** and **United Technologies**) and materials (**RPM International** and **Ecolab**) holdings. **Wabtec**, a provider of value-added, technology-based products and services for the rail industry, missed sales and earnings estimates in the most recent quarter due to a large change order on a commuter rail signaling project. In addition, the expected recovery in freight aftermarket spending has not yet materialized. The revised timing of certain projects led management to reduce full-year guidance. Despite these headwinds, industry dynamics would indicate that the North American freight cycle is poised to improve. Finally, we believe **Wabtec**'s integration of **Faiveley Transport**, which further diversifies its geographic and end-market exposure to the faster growing transit markets of Europe and Asia, will generate significant synergies and drive margin expansion. A sharp rise in raw materials costs and shortages in a few key product areas pressured **RPM International**'s operating margins and top line growth, thereby causing the company to miss consensus earnings expectations in the most recent quarter. We believe **RPM**'s industrial segment will continue to benefit from favorable dynamics in North American construction markets in fiscal 2018, particularly its roofing and flooring businesses, while year-over-year sales comparisons will ease next year for its consumer segment.

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Stocks held in the portfolio are bold and underlined. All stock and index performance is in USD.

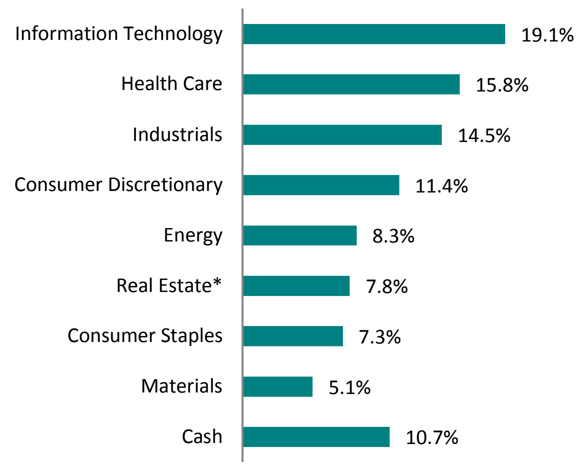
Market Cap Allocation as of 9/30/17

Mega Cap (Greater than $50 billion)	41.1%
Large Cap ($7.5 billion - $50 billion)	33.9%
Mid Cap ($750 million - $7.5 billion)	25.0%
Small Cap (Less than $750 million)	0.0%

Top Ten Holdings as of 9/30/17

PTC	3.3%
Alphabet	3.3%
Thermo Fisher Scientific	3.1%
Zoetis	2.9%
United Technologies	2.9%
Procter & Gamble	2.9%
Genpact	2.8%
Howard Hughes Corp	2.8%
Xylem	2.7%
Home Depot	2.7%
Total:	**29.3%**

Sector Breakdown as of 9/30/17



**Effective September 1, 2016, MSCI added Real Estate as a GICS sector classification. Previously, real estate investments were classified as Financials.*

Performance** as of 9/30/17 in USD

	Philippe Gross Return	S&P 500	Russell 1000
Quarter	1.5%	4.5%	4.5%
Year-to-Date	9.8%	14.2%	14.2%
1 Year	9.8%	18.6%	18.5%
3 Years	4.8%	10.8%	10.6%
5 Years	9.0%	14.2%	14.3%
Since Inception	5.2%	5.9%	6.2%

***Performance greater than 1 year is annualized.*
Inception date: January 29, 1999

Sources: Northern Trust, Zephyr Style Advisor

Philippe Euro Global Leaders (*Continued from page 2*)

In this risk-on environment, defensive stocks underperformed, led by consumer staples (+1.0%), health care (+2.1%), and real estate (+3.4%).

The Philippe Fund Euro Global Leaders, LLC was up 6.9% in the third quarter and slightly outperformed the MSCI Europe index. The fund's industrial (+13.0%), consumer staples (+7.1%), and health care (+4.8%) holdings were the greatest contributors to relative performance, helping offset our absence from financials (+7.6% during the quarter) as well as underperformance from our consumer discretionary (+1.6%) and energy (+4.7%) holdings.

Year-to-date, **Philippe Euro Global Leaders** has appreciated by 28.7% versus an increase of 23.5% for the MSCI Europe. Despite our absence from financials, which rose 27.7% in the first nine months of the year, outperformance was driven by our industrial (+39.7%), energy (+44.0%), and health care (+27.3%) holdings.

Even though the fund's industrial holdings have already gained nearly 40% year-to-date, we continue to believe that these stocks offer further upside potential.

For a long time, industrials faced numerous challenges: a sluggish European market after the sovereign debt crisis, a challenged Chinese market, especially for companies exposed to construction, turbulent emerging markets, and the collapse of raw material prices. Throughout 2016, global industrial markets showed signs of stabilization, which are finally starting to materialize in 2017, thereby driving outperformance.

Industrials have experienced a significant upturn in 2017, as evidenced by manufacturing PMIs around the world. For instance, the Eurozone manufacturing PMI reached 58.1 in September, a six-and-a-half year high, while the U.S. manufacturing PMI surpassed 60, the highest reading in thirteen years. Meanwhile, China's Caixin index, which also measures manufacturing activity, struck a six-month high of 51.6 in August, suggesting that perhaps the worst is now behind us. Furthermore, Eurozone industrial production has accelerated to an annualized rate in excess of 3%, which has provided a boost to business confidence that is driving increased financing activity and capital expenditures. Moreover, the rebound in raw material prices for inputs like oil, copper, and aluminum is also favorable for increased industrial investment.

As a result, volumes are improving and companies are benefitting from greater operating leverage. For example, utilization rates at graphite specialist **Mersen**'s plants have risen above 80% compared to 75% in the first half of the year, which has contributed to an incredible 320 basis points of margin expansion for its advanced materials business. As industry peer **Schneider Electric** outlined, price increases taken to offset commodity inflation should drive further margin expansion in 2018. Finally, productivity and other cost saving initiatives, which were initially intended to preserve margins, should amplify leverage effects now that operating conditions have improved.

Midway through 2017, sell-side analysts were surprised by the degree to which **Mersen** and **Schneider Electric** each increased their annual sales and margin guidance. Despite upwardly revising their earnings estimates, we still believe the Street is underestimating profit growth potential not only for **Mersen** and **Schneider Electric**, but also for a number of other industrial stocks held in the portfolio.

In spite of strong performance thus far in 2017, we continue to have high conviction in the fund's industrial holdings. While valuation multiples for industrials have increased since the beginning of the year due to strong year-to-date performance, we believe current metrics are exaggerated by underestimated earnings growth. Given our positive outlook for the sector, we continue to be overweight industrials (24% of the portfolio), which have contributed significantly to the fund's outperformance so far in 2017.

Philippe U.S. Equities (*Continued from page 3*)

Conversely, our health care holdings performed well, with **Gilead**, **Biogen**, and **LivaNova** outperforming, while strong performance from consumer staples holdings **McCormick** and **Procter & Gamble** helped offset a weak quarter for **TreeHouse Foods**, which corrected following disappointing quarterly earnings results that led management to lower full-year guidance. Unfortunately, **TreeHouse**'s integration of **Conagra**'s Private Brands business has proven to be more complicated than initially anticipated. This is compounded by the fact that the company has been subject to increased rebate activity. Despite continued volume pressure and delays offsetting/recovering commodity cost inflation through increased pricing, we're encouraged by the fact that management has finally outlined a clearer path to margin expansion with its "TreeHouse 2020" restructuring program. Moreover, as the clear market leader in North American private label, we continue to believe **TreeHouse** stands to benefit from improved volumes over the medium-to-longer term as customers continue to develop their private label programs based on changing consumer preferences (increasingly brand agnostic and price sensitive, particularly millennials).

As we approach year-end, focus in the United States will be on fiscal policy and tax reform. In September, small- and mid-cap stocks rallied (Russell 2000 +6.1% versus the S&P 500 +1.9%) after the Trump administration unveiled its preliminary roadmap for tax reform. With that said, it is important to keep in mind that tax reform will not be easy. As POLITICO observed: "Six Republicans crafted the tax blueprint behind closed doors. Now 535 lawmakers with opinions will have a say in the details. And thousands of lobbyists looking to protect their carve outs will get in on the action"[1]. In the meantime, we believe growth potential for both U.S. and multinational companies will continue to improve, driven by increased capital investments, a weaker U.S. dollar, a strong domestic labor market, and a resilient U.S. consumer.

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[1] "Republicans' messy day." *Politico.com*. Capitol News Company, 27 Sept. 2017. Web. 12 Oct. 2017.

DISCLOSURES

LLC Descriptions

The **Philippe Fund Euro Global Leaders, LLC** is a commingled fund suitable for U.S.-based, high net worth individuals and endowment/foundation clients. The minimum investment in the LLC is $250,000. The minimum time frame recommended for investment in the LLC is two years. The LLC is officially valued at the end of each month. Further information is available in our Confidential Memorandum, which can be obtained from **FOUR***POINTS* Asset Management, Inc. The benchmark is the MSCI Europe Index. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. A fee schedule is available upon request and is described in Part 2 of the firm's Form ADV. The fund is available to qualified investors only. Accounts are included from the first full month under management. Leverage is not used. Past performance is not indicative of future results. The fund's assets under management as of September 30, 2017 were $30.7 million.

The **Philippe Fund U.S. Equities, LLC** is a commingled fund suitable for U.S.-based, high net worth individuals and endowment/foundation clients. The minimum investment in the LLC is $250,000. The minimum time frame recommended for investment in the LLC is two years. The LLC is officially valued at the end of each month. Further information on the LLC is available in our Confidential Memorandum, which can be obtained from **FOUR***POINTS* Asset Management, Inc. The benchmark is the S&P 500 Index. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. A fee schedule is available upon request and is described in Part 2 of the firm's Form ADV. The fund is available to qualified investors only. Accounts are included from the first full month under management. Leverage is not used. Past performance is not indicative of future results. The fund's assets under management as of September 30, 2017 were $25.3 million.

Performance Disclosures

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All returns shown in this publication assume the reinvestment of dividends.

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A complete list and description of FOUR*POINTS* Asset Management, Inc.'s LLCs is available upon request.

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