

LITMAN GREGORY

MASTERS FUNDS

QUARTERLY WEBINAR FEATURING EVERMORE GLOBAL'S DAVID MARCUS

PORTFOLIO MANAGER
LITMAN GREGORY MASTERS INTERNATIONAL FUND

This information is authorized for investment advisors, broker/dealers, and other registered financial professionals only.

Each fund's investment objectives, risks, charges, and expenses must be considered carefully before investing. The prospectus and summary prospectuses contain this and other important information about the investment company, and it may be obtained by calling (800) 970-0188 or visiting www.mastersfunds.com. Please read it carefully before investing.

Mutual fund investing involves risk. Principal loss is possible. Diversification does not assure a profit nor protect against loss in a declining market.

Multi-investment management styles may lead to higher transaction expenses compared to single investment management styles. Outcomes depend on the skill of the sub-advisors and advisor and the allocation of assets amongst them.

Each of the funds may invest in foreign securities. Investing in foreign securities exposes investors to economic, political, and market risks and fluctuations in foreign currencies. Each of the funds may invest in the securities of small companies. Small-company investing subjects investors to additional risks, including security price volatility and less liquidity than investing in larger companies. Investments in emerging market countries involve additional risks such as government dependence on a few industries or resources, government-imposed taxes on foreign investment or limits on the removal of capital from a country, unstable government, and volatile markets. The Alternative Strategies and HIA funds may invest in debt securities, derivatives, master limited partnership units, and may make short sales of securities. Investments in debt securities typically decrease when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in mortgage-backed securities include additional risks that investor should be aware of including credit risk, prepayment risk, possible illiquidity, and default, as well as increased susceptibility to adverse economic developments. Investments in lower-rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. Derivatives may involve certain costs and risks such as liquidity, interest rate, market, credit, management, and the risk that a position could not be closed when most advantageous. Investing in derivatives could lose more than the amount invested. Investing in MLP units may expose investors to additional liability and tax risks. Short sales of securities involve the risk that losses may exceed the original amount invested. Merger arbitrage investments risk loss if a proposed reorganization in which the fund invests is renegotiated or terminated.

Investment in absolute return strategies are not intended to outperform stocks and bonds during strong market rallies.

Leverage may cause the effect of an increase or decrease in the value of the portfolio securities to be magnified and the fund to be more volatile than if leverage was not used.

References to other mutual funds should not be deemed an offer to sell or solicitation of an offer to buy shares of such funds. Fund holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security.

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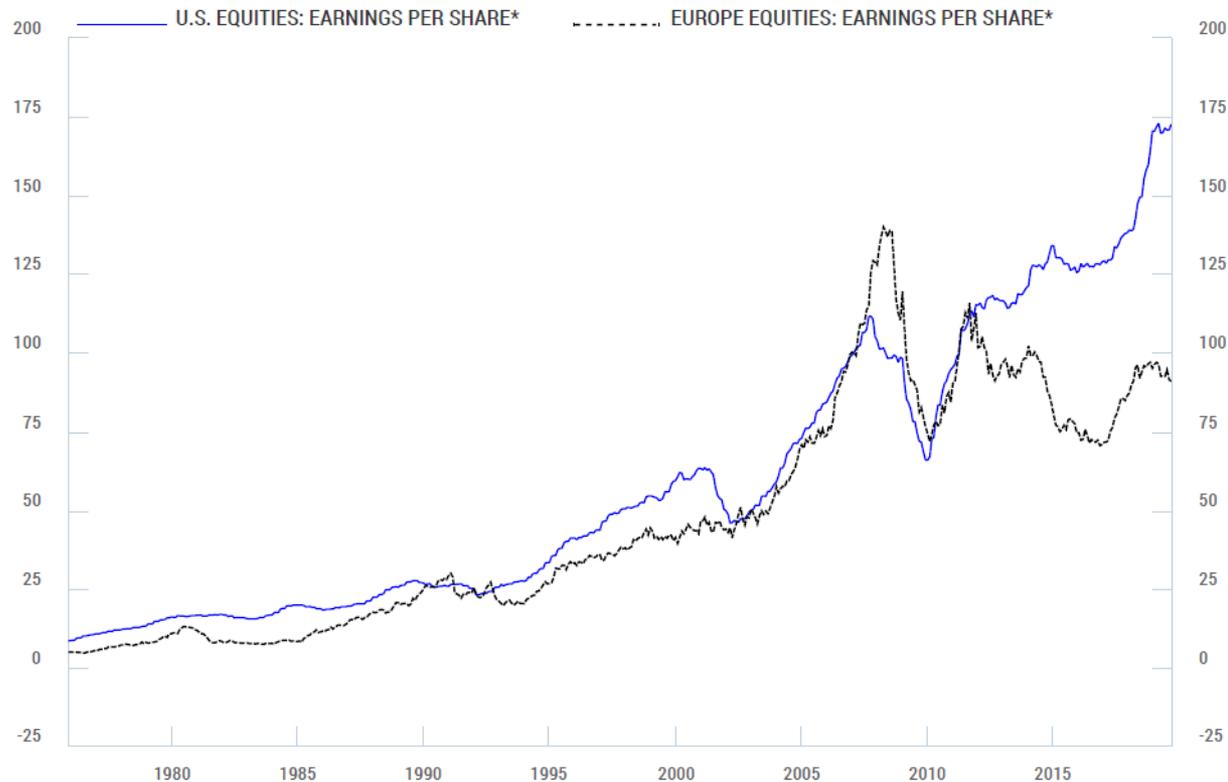
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WHY EUROPE IS INTERESTING

- Challenges posed by Europe's debt crisis are real
 - In this cycle there have been unique and uncontrollable factors that have further depressed Europe – Brexit, escalation of trade wars
- The region has not wasted a good crisis – some examples and insights
- On a normalized basis, Europe is historically attractive relative to US stocks

CHALLENGES POSED BY EUROPE'S DEBT CRISIS HAVE BEEN REAL

U.S. and Europe Earnings

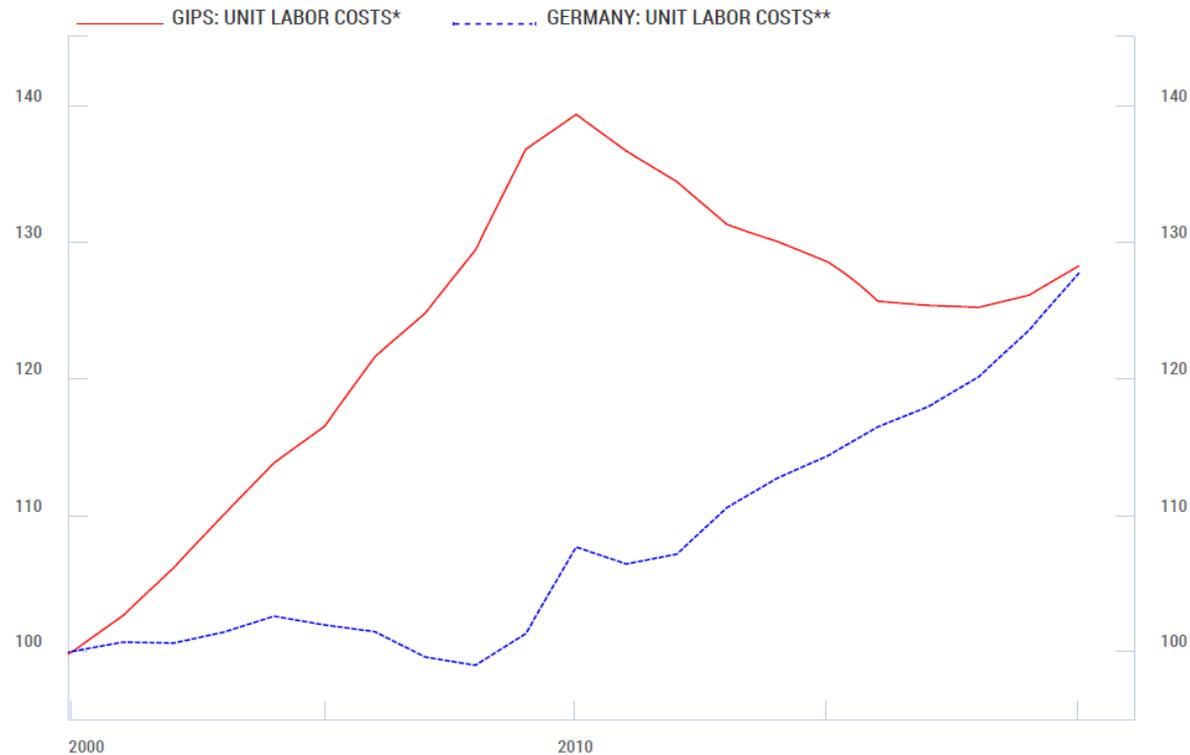


* REBASED TO JAN. 2007 = 100.

Source: BCA Research
As of 8/31/19

THE REGION HAS NOT BEEN WASTING THIS CRISIS

Reforms Are Working



* SOURCE: EUROPEAN COMMISSION. NOTE: BOTH SERIES REBASED TO DECEMBER 1999 = 100. GREECE, IRELAND, PORTUGAL, AND SPAIN.

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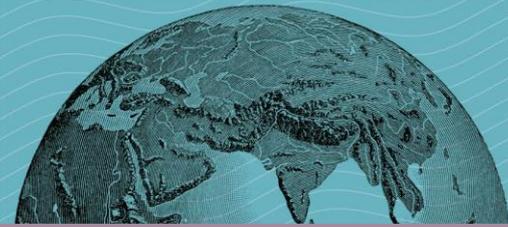
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EUROPE IS NOT WASTING A GOOD CRISIS

Litman Gregory Masters Funds Quarterly Webinar

September 10, 2019



International Investing is becoming a “Today” Story - After 30 Years of Being a “Tomorrow” Story

Perfect Storm: confluence of concerns

- Trade Wars
- Protests in Hong Kong (escalating violence and airport shutdowns)
- Brexit / No deal Brexit
- Argentina political issues, currency devaluations and stock market crash
- German economic slowdown
- Global economic slowdown
- US Treasury yield curve inversion
- Interest rates at record lows

Investors tend to avoid Europe due to:

- Negative headlines relating to political environment and economic conditions
- Low growth environment

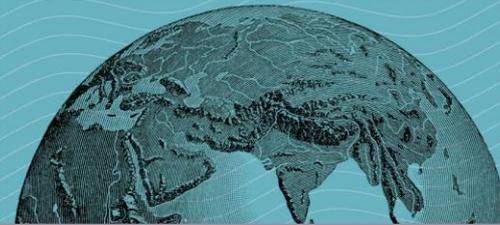
Many of the problems that investors highlight as to why they avoid Europe are precisely the reasons why we believe European companies are in a position to create value

- Cost cuts have been actually going to the bottom line (improved profitability)
- Companies have been taking advantage of low rates to refinance debt
- European companies have become acquisition targets
- Companies have been buying out competitors
- Private equity firms have raised enormous amounts of capital to invest in Europe and Asia
- Shareholder activism has been exploding. Boards have been pushing for changes
- Investors need to better understand that we have been buying companies based in Europe, but many are truly global players
- Conglomerates have been breaking up, bulking up with smart bolt-on acquisitions and refocusing core strategies
 - Radical wave of refocusing within Media and Industrials

Fear + Desperation + Catalysts = Compelling Opportunity



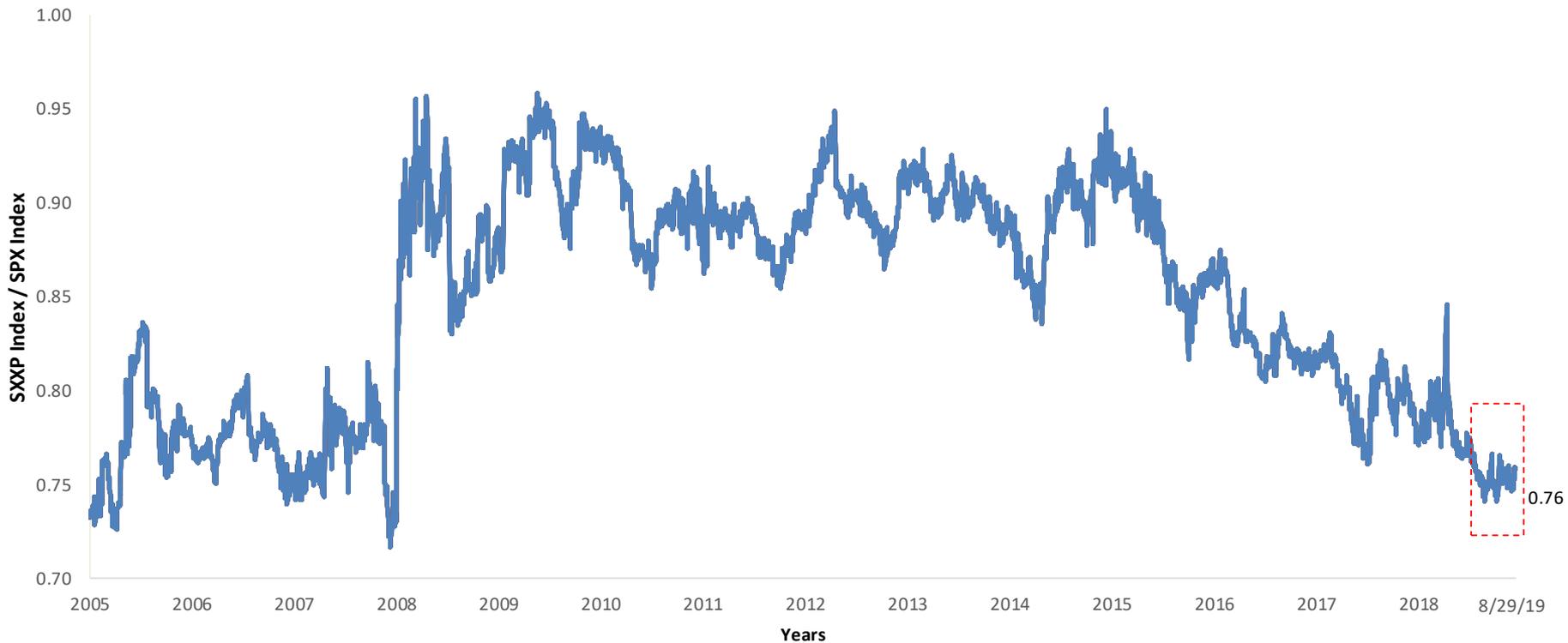
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We believe it's a compelling time for Value Investing ... especially in Europe

European stocks (all caps) are trading at record discounts to U.S. equities

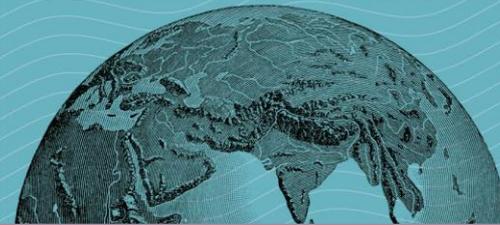
Euro Stoxx 600 vs. S&P 500: EV/EBITDA current year estimate



Source: Bloomberg.



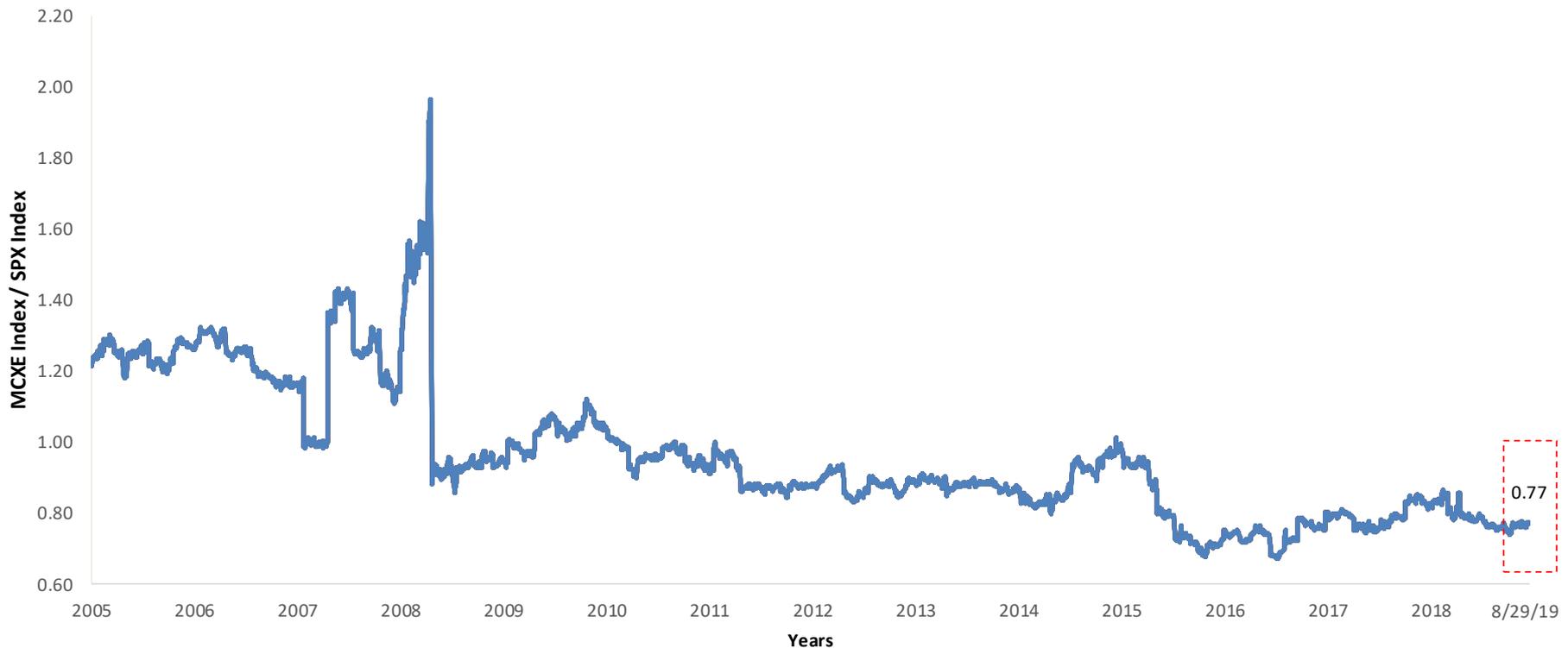
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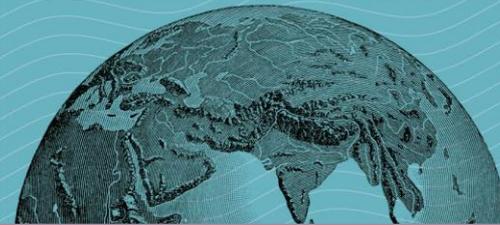
We believe it's a compelling time for Value Investing ... especially in Europe

European stocks (mid cap) are trading at record discounts to U.S. equities

Euro Stoxx Mid Cap vs. S&P 500: EV/EBITDA current year estimate



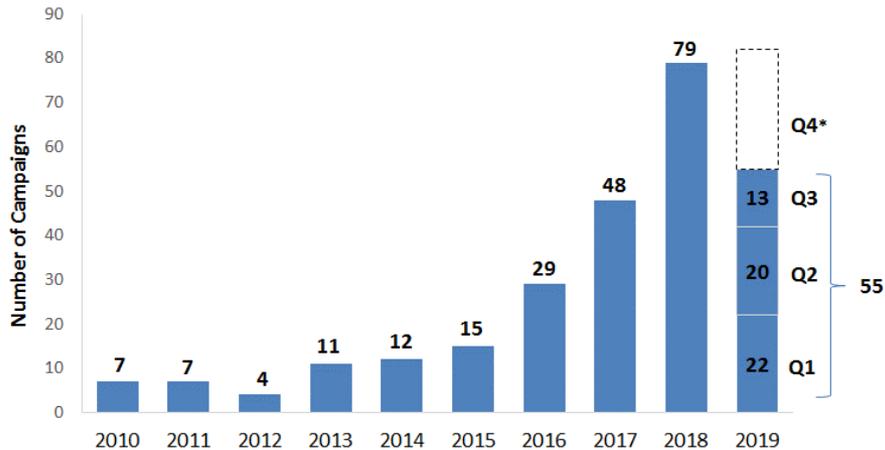
Source: Bloomberg.



Crisis Creates Opportunity...

Shareholder Activism

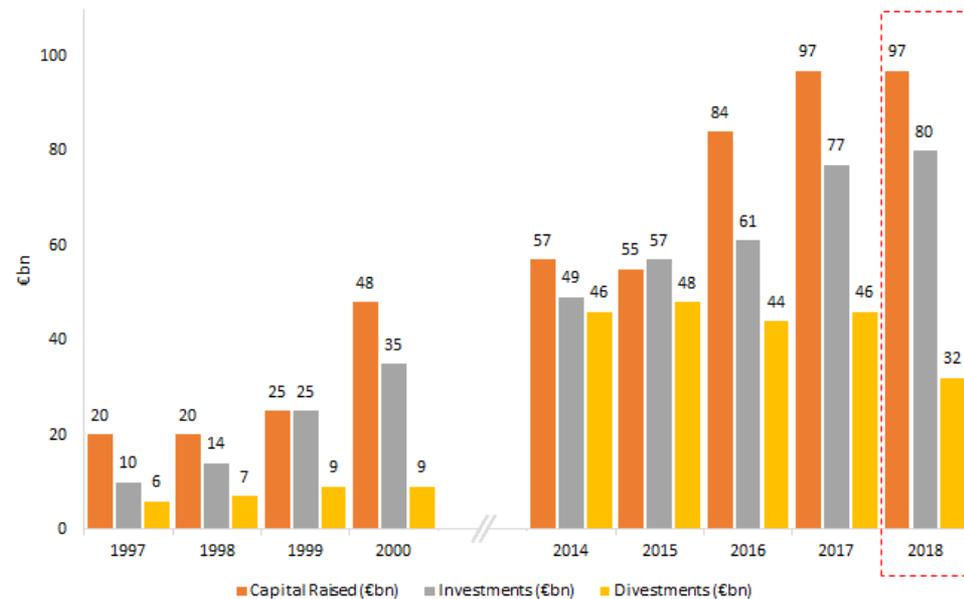
Total Number of Activist Campaigns in Europe



*Q4 based on annualized YTD 2019 run rate.

Increasing private equity activity in Europe

European Private Equity: Hitting New Highs



Source: Invest Europe / Thomson Reuters (2000-2006) & Invest Europe / EDC (2007-2018).

Source: Bloomberg.



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... Especially Special Situations in Europe

Characteristics of special situations

- Company going through strategic change
- Disconnect between a company's market price and its intrinsic value
- Misunderstood and/or under-researched
 - As market cap decreases, there is less attention from analysts and often from investors
- Missed earnings estimates or suspended dividends
- Disparate businesses or hidden/underutilized assets
- Management changes (or upgrade to higher caliber)
- Forced sellers
- Identifiable catalysts to unlock value to shareholders
- Overcapitalized balance sheet
- Hidden gems
- As conglomerates break up, opportunities to “create” certain business segments for “free”

Types of Opportunities

Breakups & Spinoffs



Restructurings (financial and/or operational)



Compounders / Family-controlled Businesses



Other special situations



WHAT'S BEING PRICED INTO EUROPEAN AND US STOCKS

- **In the US** you'd have to assume margins stay at levels that historically you'd give less than 5% chance. *And* you'd have to assume valuation multiples much higher than historical averages. (A passive investor in US stocks is paying an additional premium.)
- **In Europe**, we haircut historical trend cash-earnings by 30% and assume 40% valuation discount vs ~25% historical average.
 - We factor *zero* benefit from reforms and company-level restructuring we just discussed
- Still, over the medium to long term expected returns from Europe are extremely attractive vs the US.

Q&A

Email us at lg-fa@lgam.com or call (925) 254-8999 with any questions.

www.mastersfunds.com



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David Marcus



Mr. Marcus has more than 25 years of experience in the investment management business. Beginning his investment management career in 1987 as an intern at Mutual Series Fund, where he was mentored by renowned value investor Michael Price, Mr. Marcus rose to manage the Mutual European Fund and co-manage the Mutual Shares and Mutual Discovery Funds, representing over \$14 billion in assets. He also served as Director of European Investments for Franklin Mutual Advisers, LLC. After leaving Mutual in 2000, Mr. Marcus founded Marcstone Capital Management, LP, a long-short Europe-focused equity manager, largely funded by Swedish financier Jan Stenbeck. After Mr. Stenbeck passed away in 2002, Mr. Marcus closed Marcstone, co-founded a family office for the Stenbeck family, and advised on the restructuring of a number of the public and private companies the family controlled. He later founded and served as managing partner of MarCap Investors L.P., which was seeded by Reservoir Capital. At MarCap, Mr. Marcus managed a European small cap special situations fund from 2004 to 2009. Additionally, Mr. Marcus has gained significant operating experience from his active involvement on a number of corporate boards. Mr. Marcus graduated from Northeastern University in 1988 with a B.S. in Finance.



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