



# KL Allocation Fund

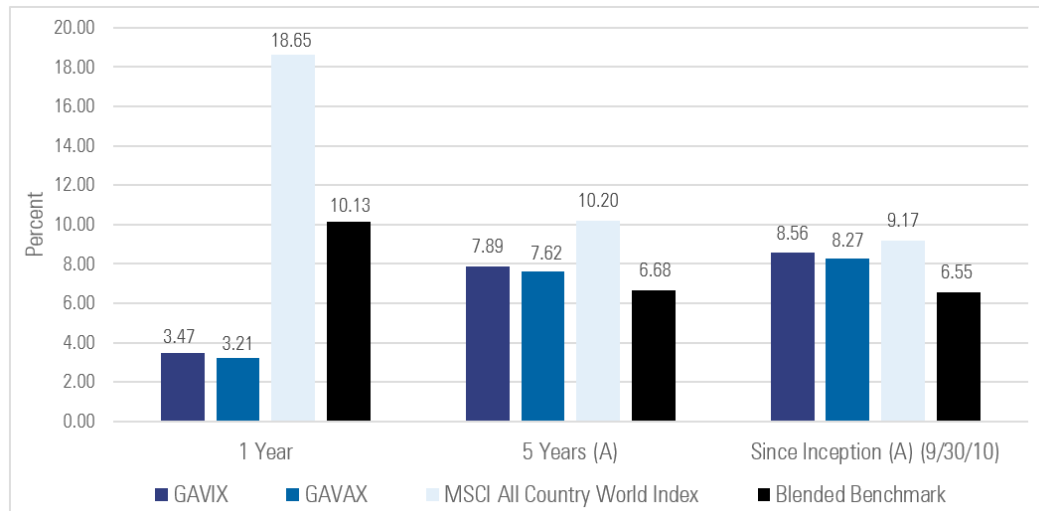
I-share: GAVIX A-share: GAVAX

QUARTERLY REPORT

## Q3 2017 Performance Update & Commentary

The fund appreciated by 4.41% (I-shares) for the quarter. This performance trailed slightly the 5.18% appreciation of the MSCI All Country World index by 77 basis points (bps). But, compared to our blended benchmark (60% MSCI ACWI and 40% Bloomberg Barclays US Treasury Bond Index), which rose 3.25% in the quarter, we outpaced the performance by 1.16%. Performance of the blended benchmark was dragged down by the fixed income component, with the Bloomberg Barclays US Treasury Index only up 0.38% over the quarter.

Third quarter performance of the MSCI All Country World Index was driven by several trends. First, the emerging markets outperformed the developed markets. Second, in the developed world, international stocks outperformed domestic equities. Third, on a sectoral basis, performance in the developed world was driven by cyclical sectors like energy and materials. In North America, these trends were applicable as well with the materials and energy sectors leading performance. Fourth, while larger cap stocks outperformed mid-cap stocks in North America, this was not the case among developed international regions, where mid-cap stocks outperformed larger caps.



As of 9/30/2017	GAVIX	GAVAX	MSCI All Country World Index	Blended Benchmark*
1 Year	3.47	3.21	18.65	10.13
5 Years (Annualized)	7.89	7.62	10.20	6.68
Since Inception (Annualized)	8.56	8.27	9.17	6.55

The performance data quoted here represents past performance. Past performance is no guarantee of future results. Investment return and principal value will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information quoted. To obtain performance information current to the most recent month-end please call 888.998.9890 or visit our website at [www.KnowledgeLeadersFunds.com](http://www.KnowledgeLeadersFunds.com).

The total annual operating expenses of the Fund are 1.46% and 1.21% and net expenses are 1.47% and 1.22% for the Advisor and Institutional Classes, respectively. The inception date for the KL Allocation Fund is 9/30/10.

Please consider the Fund's investment objectives, risks, charges and expenses carefully before investing. The prospectus or summary prospectus that contains this and other information about the Fund, is available by calling 888.998.9890 and should be read carefully.

\*The blended benchmark is comprised 60% of the MSCI All Country World Index and 40% of the Barclays US Treasury Bond Index.

## Key Facts (as of 9/30/2017)

NAV (GAVIX/GAVAX):	\$14.92/\$14.72
Ticker:	GAVIX/GAVAX
I-share CUSIP:	461418659
A-share CUSIP:	461418667
Inception Date:	9/30/2010
Morningstar Category:	Allocation - 70% to 85% Equity
AUM:	\$470,549,440
Gross Expense Ratio:	1.21%/1.46%
Distribution Frequency:	Annually



The fund earned 4 stars for the 3-year period. Class I shares among 319 Allocation-70% to 85% Equity funds as of 9/30/2017, based on risk-adjusted performance.

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**Past performance is no guarantee of future results.** Ratings may reflect fee waivers in effect; in their absence, ratings may have been lower. Ratings for other share classes may vary. As of 9/30/2017, the KL Allocation Fund (GAVIX) was rated against the following numbers of U.S.-domiciled Allocation- 70% to 85% Equity Funds over the following time periods: 319 funds in the last three years, 284 funds in the last five years and 319 funds overall. With respect to these Allocation - 70% to 85% Equity Funds, the KL Allocation Fund (GAVIX) received a Morningstar Rating of 4 stars, 2 stars and 3 stars for the three-year, five-year and overall periods, respectively.

The Fund's advisor has contractually agreed to waive its fees and/or pay for operating expenses of the Fund to ensure that total annual fund operating expenses (excluding any taxes, leverage interest, brokerage commissions, dividend expenses on short sales, acquired fund fees and expenses (as determined in accordance with SEC Form N-1A), expenses incurred in connection with any merger or reorganization, and extraordinary expenses such as litigation expenses) do not exceed 1.50% and 1.25% of the average daily net assets for Advisor Class and Institutional Class shares of the Fund, respectively. This agreement is in effect until December 31, 2017, and it may be terminated before that date only by the Trust's Board of Trustees. The Fund's advisor is permitted to seek reimbursement from the Fund, subject to limitations, of fees waived for payments made to the Fund for a period of three years from the date of the waiver or payment.

## For More Information

[www.KnowledgeLeadersFunds.com](http://www.KnowledgeLeadersFunds.com)

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## Risk Metrics

As our investors are aware, the fund's dual objectives of capital appreciation and capital preservation seek to facilitate the production of peer leading risk-adjusted returns and drawdown mitigation. Over the trailing five years, the fund ranks well for risk-adjusted return and risk metrics relative to our peers in the Morningstar Allocation 70-85% Equity category. Importantly, the fund ranks in the first percentile for both beta and max drawdown, demonstrating our commitment to achieving our mandate.

Risk Metric	GAVIX	MSCI ACWI	GAVIX % Rank
Beta	0.56	1.00	<b>Morningstar Category % Rank 5 Year</b> <b>1</b> Best=1 Worst=100
Alpha (%)	2.02	0.00	<b>Morningstar Category % Rank 5 Year</b> <b>19</b> Best=1 Worst=100
Standard Deviation (%)	7.11	9.94	<b>Morningstar Category % Rank 5 Year</b> <b>14</b> Best=1 Worst=100
Max Drawdown (%)	-6.31	-13.45	<b>Morningstar Category % Rank 5 Year</b> <b>1</b> Best=1 Worst=100
Treynor Ratio	13.64	9.97	<b>Morningstar Category % Rank 5 Year</b> <b>10</b> Best=1 Worst=100
Up/Down Capture Ratio	1.40	1.00	<b>Morningstar Category % Rank 5 Year</b> <b>4</b> Best=1 Worst=100

Source: Morningstar. Trailing 5 years as of 9/30/2017

### Why GAVIX?

- Seeks to capture the Knowledge Effect – the excess returns of highly innovative companies – in your portfolio
- History of superior risk-adjusted returns
- A satellite asset that may help investors improve portfolio performance, efficiency and downside protection



Seeks to:

**CAPTURE THE KNOWLEDGE EFFECT**  
in your portfolio

### Q: What is the Knowledge Effect?

A: A market inefficiency that leads the stocks of highly innovative companies to experience excess returns. The KL Allocation Fund was designed to capture these excess returns.

### Q: What is the Knowledge Leaders Strategy?

A: The Knowledge Leaders Strategy seeks to transform the Knowledge Effect into portfolio alpha.

The Morningstar percentile ranking is based on the fund's beta relative to all funds that have the same category for the same time period. The KL Allocation Fund (GAVIX) was in the 91 percentile for the 1 year period among 359 peers in the Morningstar Allocation–70% to 85% Equity Category; 2% in the 3 year period among 319 peers, and 1% in the 5 year period among 284 peers. The Morningstar percentile ranking is based on the fund's alpha relative to all funds that have the same category for the same time period. The KL Allocation Fund (GAVIX) was in the 97 percentile for the 1 year period among 359 peers in the Morningstar Allocation–70% to 85% Equity Category; 3% in the 3 year period among 319 peers, and 19% in the 5 year period among 284 peers. The Morningstar percentile ranking is based on the fund's standard deviation relative to all funds that have the same category for the same time period. The KL Allocation Fund (GAVIX) was in the 90 percentile for the 1 year period among 359 peers in the Morningstar Allocation–70% to 85% Equity Category; 7% in the 3 year period among 319 peers, and 14% in the 5 year period among 284 peers. The Morningstar percentile ranking is based on the fund's max drawdown relative to all funds that have the same category for the same time period. The KL Allocation Fund (GAVIX) was in the 99 percentile for the 1 year period among 359 peers in the Morningstar Allocation–70% to 85% Equity Category; 1% in the 3 year period among 319 peers, and 1% in the 5 year period among 284 peers. The Morningstar percentile ranking is based on the fund's Treynor ratio relative to all funds that have the same category for the same time period. The KL Allocation Fund (GAVIX) was in the 97 percentile for the 1 year period among 359 peers in the Morningstar Allocation–70% to 85% Equity Category; 2% in the 3 year period among 319 peers, and 10% in the 5 year period among 284 peers. The Morningstar percentile ranking is based on the fund's up/down capture ratio relative to all funds that have the same category for the same time period. The KL Allocation Fund (GAVIX) was in the 95 percentile for the 1 year period among 359 peers in the Morningstar Allocation–70% to 85% Equity Category; 2% in the 3 year period among 319 peers, and 4% in the 5 year period among 284 peers. The highest (or most favorable) percentile rank is 1%, and the lowest (or least favorable) percentile rank is 100%. Rankings listed are for the period September 30, 2017. Ratings for other share classes may differ due to different performance characteristics. The Fund's ratings reflect fee waivers in effect; in their absence, ratings may have been lower. Multiple share classes of a fund have a common portfolio but impose different expense structures.



## Allocation Analysis

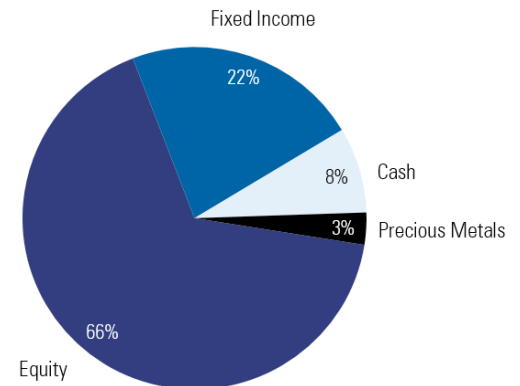
The fund experienced some small changes in asset allocation during the quarter. Equity exposure was reduced from just over 73% at the end of last quarter to just over 66% as of September 30, 2017. At the same time, cash was increased from a little over 4% to a little more than 8%. Lastly, we established an almost 3% exposure to gold.

From a sector standpoint, the fund continues to be overweight the later-cyclical sectors such as energy, materials and industrials. The energy weight was reduced slightly in the quarter from a little over 13% to a little more than 10%. At the same time, the weighting in the materials sector was increased from about 12.5% to just under 19%. The fund's combined exposure to the later-cyclical sectors was over 44% of total assets as of the end of the third quarter.

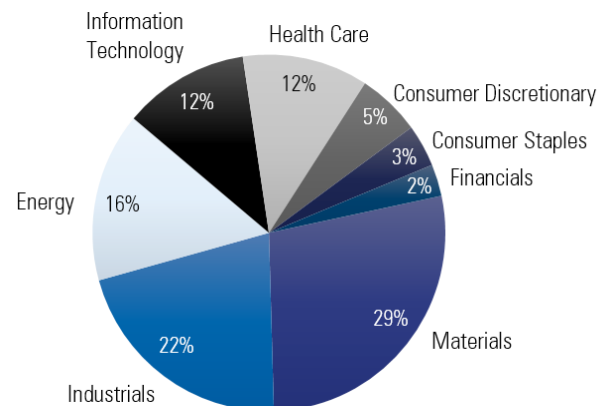
The regional equity allocation of the fund changed somewhat during the quarter as well. The fund's allocation to North America fell from about 33.5% of total assets to just under 23%. At the same time, total international equity allocation rose to just over 41.5% from under 40% at the end of the second quarter.

On the fixed side, our overall allocation remained just over 22%. We pared our exposure to some shorter-dated US Treasury bonds in favor of establishing a position in some TIPS, a shorter-dated US Dollar denominated Mexican bond and shorter-dated Australian bonds. The overall performance of Australian bonds is influenced much more heavily by currency trends than interest rate trends. As can be seen in the chart on the next page, the JP Morgan Australian Government Bond Index has experienced a -87% correlation over the last five years. So, as the Australia Dollar rises, as we expect, we would anticipate our position in Australian bonds to appreciate.

## Overall Asset Allocation

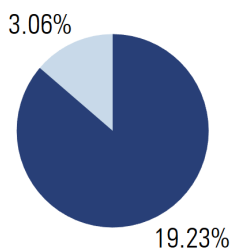


## Equity Allocation by Sector



## Fixed Income

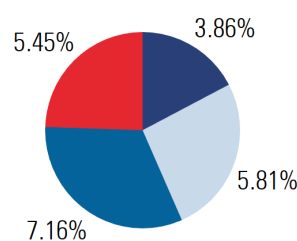
### Sector Breakdown



### Fixed Income Type

- Government Bonds
- Government Bonds - TIPS

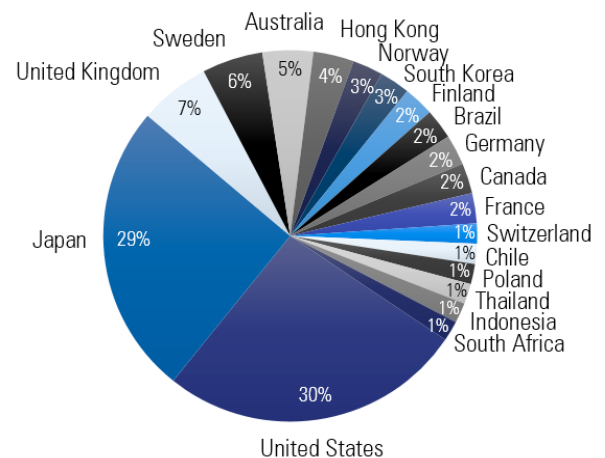
### Duration Breakdown



### Fixed Income Duration

- 0-3 Years
- 7-10 Years
- 10-20 Years
- 20+ Years

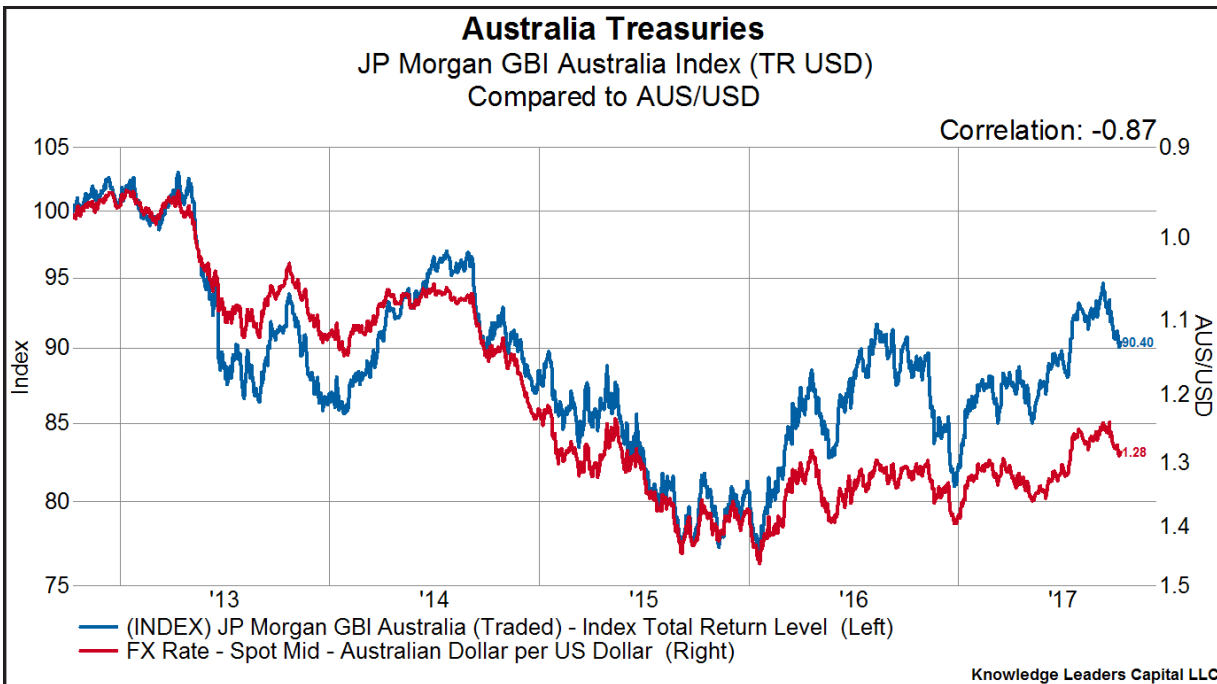
## Equity Allocation by Country



Allocations are subject to change. As of 9/30/2017

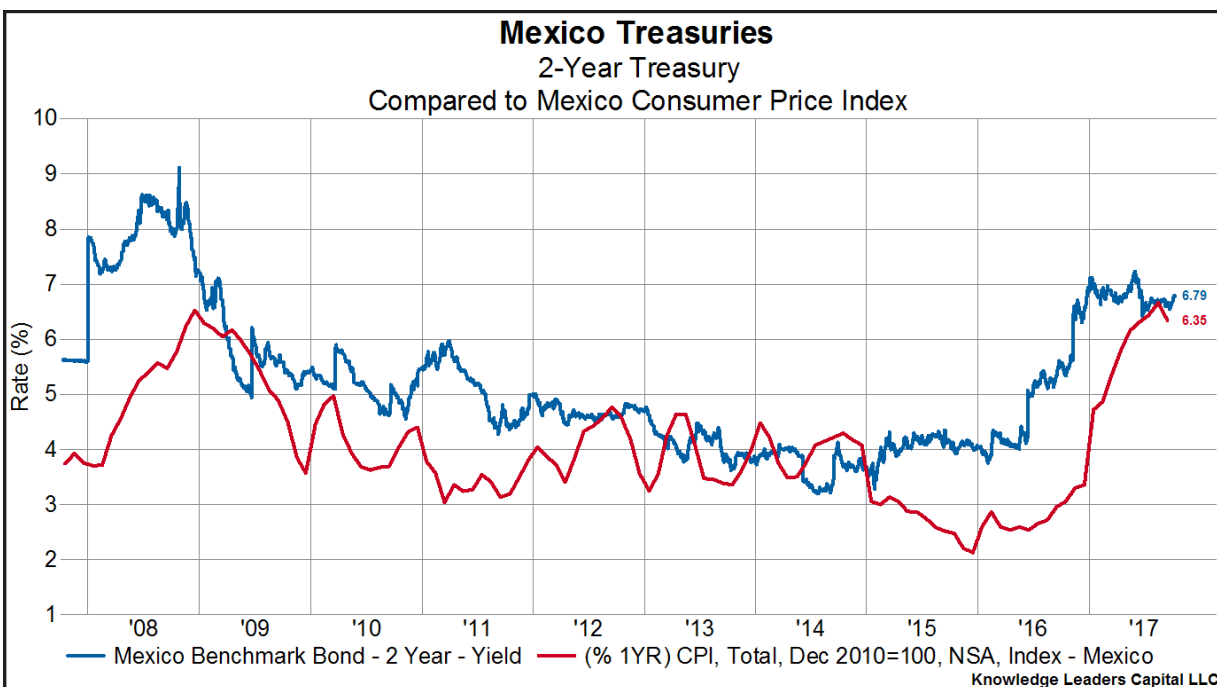


## Allocation Analysis - cont.



Source: Knowledge Leaders Capital. Data as of 9/30/2017.

In Mexico, after experiencing a currency depreciation driven surge in inflation in 2016, price trends appear to be rolling over. As inflation continues to recede, we would expect shorter interest rates to fall back as well.

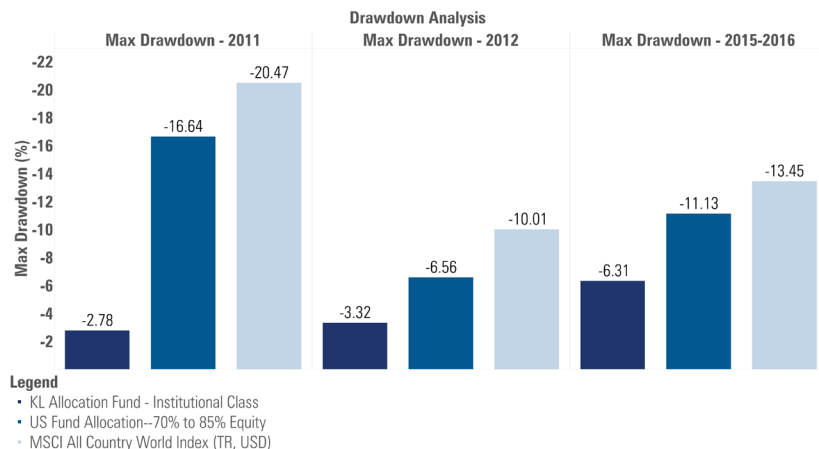


Source: Knowledge Leaders Capital. Data as of 9/30/2017.



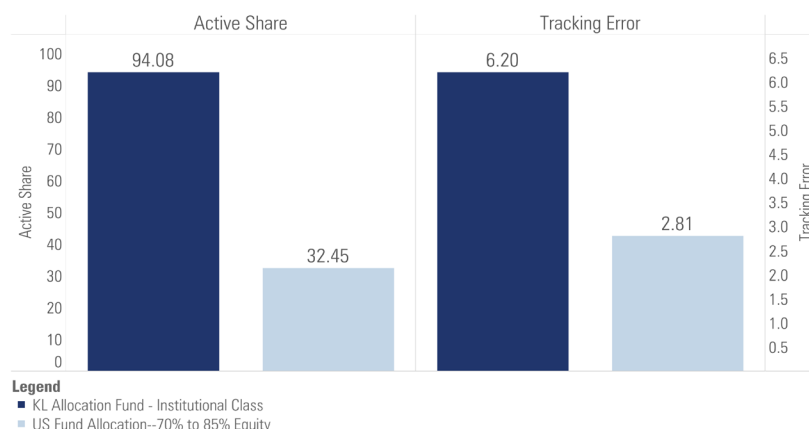
## Historic Drawdowns

Analysis of GAVIX's performance during historic drawdowns reveals that the fund has managed to largely avoid the more significant declines witnessed in the benchmark MSCI ACWI as well as among its peers in the Morningstar Allocation--70-85% Equity Category. In 2011, the fund fell less than 3% while the benchmark tumbled more than 20%. A year later, the fund was down just over 3% while the MSCI ACWI declined 10%. And, over the last couple years, the fund fell less than half of the overall market which is down more than 13%.



## Active Share

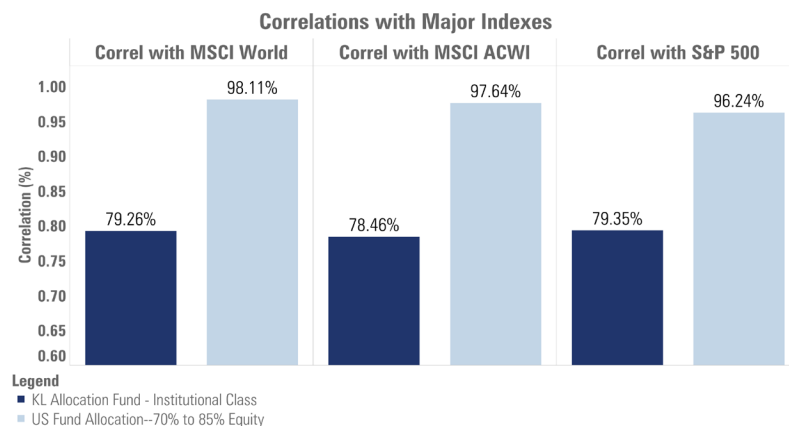
In order to have the chance for returns that are different from a benchmark, a fund must have holdings that are significantly different than that benchmark. Using active share—a number on a scale of 0-100% with a higher percentage indicating a more differentiated set of holdings relative to a benchmark—we find that GAVIX is indeed meaningfully different from the MSCI ACWI while the average peer in the Allocation--70%-85% Equity category is much less so. The higher tracking error exhibited by GAVIX is another indication that the portfolio's returns do not closely follow those of the benchmark.



Tracking error trailing 5 years. Data as of 9/30/2017

## Correlations

Finally, in examining GAVIX's correlation with major indexes like the MSCI World, MSCI ACWI, and S&P 500, it is evident that, compared to the average of other funds in the category, the returns of GAVIX are significantly less aligned with those of the benchmarks. While peer funds' correlations are 96% or higher, GAVIX remains, at most, 79% correlated to these indexes.



Trailing 5 years. Data as of 9/30/2017





## KL Allocation Fund Holdings

<b>Consumer Discretionary</b>	<b>3.05%</b>
Sekisui Chemical Co Ltd	1.01%
Suzuki Motor Corp	1.00%
S.A.C.I Falabella	0.52%
Samsonite	0.52%
<b>Consumer Staples</b>	<b>2.07%</b>
Ambev SA	1.05%
China Resources Beer Co Ltd	1.02%
<b>Energy</b>	<b>10.64%</b>
Inpex Corp	1.61%
National Oilwell Varco Inc	1.58%
Origin Energy Ltd	1.51%
Subsea 7	1.13%
Chevron Corp	1.04%
Suncor Energy	1.04%
Statoil ASA	1.04%
China Shenhua Energy	0.91%
UTD Tractors	0.27%
Empresas Copec SA	0.27%
Kunlun Energy Co Ltd	0.24%
<b>Financials</b>	<b>1.02%</b>
BlackRock	1.02%
<b>Health Care</b>	<b>7.86%</b>
Elektro AB	1.63%
Tsumura & Co	1.40%
Baxter Intl Inc	1.02%
Waters Corp	0.99%
Becton Dickinson & Co	0.97%
Laboratory Corp	0.93%
Hoya Corp	0.92%
<b>Industrials</b>	<b>14.54%</b>
Sandvik AB	1.60%
Komatsu Ltd	1.54%
Rolls-Royce Holdings Plc	1.40%
Asahi Glass Co	1.30%

Metso Oyj	1.10%
Siemens AG	1.05%
Stanley Black & Decker Inc	1.04%
Dover Corp	1.03%
Fuji Electric	1.00%
Ingersoll-Rand Plc	0.99%
Mitsubishi Electric Corp	0.98%
Schindler	0.98%
Saab	0.53%
<b>Information Technology</b>	<b>8.28%</b>
Horiba Ltd	1.32%
Microchip Technology Inc	1.05%
Intuit	1.01%
FLIR Systems	1.01%
Alphabet Inc	1.01%
Atos	1.00%
Microsoft Corp	1.00%
Ibiden Co Ltd	0.88%
<b>Materials</b>	<b>18.92%</b>
Ube Industries Ltd	1.60%
Antofagasta Plc	1.52%
Rio Tinto Ltd	1.48%
BHP Billiton Plc	1.45%
LG Chem	1.10%
JSR Corp	1.07%
DowDuPont Corp	1.05%
Celanese Corp	1.04%
Newmont Mining Corp	1.01%
Sumitomo Metal Mining Co Ltd	1.01%
The Scotts Miracle-Gro Co	0.98%
JFE Holdings	0.93%
POSCO	0.89%
Nitto Denko Corp	0.88%
Denka Co Ltd	0.53%
KGHM Polska Miedz	0.47%

DIC Corp	0.45%
Fresnillo Plc	0.45%
OZ Minerals	0.41%
PTT Global Chemical	0.34%
Gold Fields Ltd	0.26%
<b>Bonds</b>	<b>22.29%</b>
US Treasury Note 2.00% 15-AUG-2025	3.33%
US Treasury Note 1.625% 15-FEB-2026	2.49%
US Treasury Bond 3.125% 15-AUG-2044	2.40%
US Treasury Bond 2.25% 15-AUG-2046	2.39%
US Treasury Bond 3.00% 15-NOV-2045	2.39%
US Treasury Bond 2.50% 15-MAY-2046	2.37%
Australia Bond 2.75% 21-OCT-2019	1.94%
Mexico Bond 5.125% 15-JAN-2020	1.92%
US Treasury TIPS 0.75% 15-FEB-2045	1.03%
US Treasury TIPS 1.00% 15-FEB-2046	1.03%
US Treasury TIPS 0.875% 15-FEB-2047	1.00%
<b>Precious Metals</b>	<b>2.97%</b>
Central Fund Canada LTD-A	0.99%
ZKB Gold ETF AA USD	0.99%
Sprott Physical Gold	0.99%
<b>Cash</b>	<b>8.37%</b>



## Risk Disclosures & Definitions

**The KL Allocation Fund is distributed by IMST Distributors, LLC.** The value of the securities held by the Fund will change due to general market and economic conditions and industry perceptions. Investments in non-US issuers may involve unique risks. Currency fluctuation, adverse political, economic or social developments could undermine the value of the Fund's investments. The securities of mid-cap companies may be subject to more abrupt or erratic market movements and may have lower trading volumes. Many of the risks with respect to foreign investments are more pronounced for investments in issuers in developing or emerging market countries. An investment in a fund that is less diversified across countries or geographic regions is generally riskier than an investment in a more geographically diversified fund.

### Morningstar Rating™

The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

**Active Share** is the percentage of stock holdings in a portfolio that differ from the benchmark index. Active Share determines the extent of active management being employed by mutual fund managers: the higher the Active Share the more likely a fund is to outperform the benchmark index. Researchers in a 2006 Yale School of Management study determined that funds with higher Active Share will tend to be more consistent in generating high returns against the benchmark indexes. **Beta** is a measure of the funds sensitivity to market movements. A portfolio with a beta greater than 1 is more volatile than the market and a portfolio with a beta less than 1 is less volatile than the market. **Alpha** is a measure of the portfolio's risk adjusted performance. When compared to the portfolio's beta, a positive alpha indicates better-than-expected portfolio performance and a negative alpha worse-than-expected portfolio performance. **Standard Deviation** is a calculation used to measure variability of a portfolio's performance. **Treynor Ratio** is a risk-adjusted measure of return based on systematic risk. It is similar to the Sharpe ratio, with the difference being that the Treynor ratio uses beta as the measurement of volatility. **Correlation** is the extent to which the returns of different types of investments move in tandem with one another in response to changing economic and market conditions. Correlation is measured on a scale of -1 (negatively correlated) to +1 (completely correlated). Low correlation or negative correlation to traditional stocks and bonds may help reduce risk in a portfolio and provide downside protection. **Max Drawdown** is the maximum single period loss incurred over the interval being measured. **Up/Down Capture Ratio** shows whether a fund has outperformed a broad market benchmark during periods of market strength and weakness. **The MSCI All Country World Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance in 46 developed and emerging markets. **The Morningstar Allocation—70% to 85% Equity** portfolios seek to provide both capital appreciation and income by investing in multiple asset classes, including stocks, bonds and cash. These portfolios are dominated by domestic holdings and have equity exposures between 8) to 85%. **Basis point** is one hundredth of one percent. **Price-to-book value ratio** is a ratio used to compare a stock's market value to its book value. **The MSCI World Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. **The Barclays US Treasury Bond Index** is a market capitalization weighted index that is often used to represent investment grade bonds being traded in the United States. **The S&P 500** is an American stock market index based on the market capitalization of 500 large companies having common stock listed on the NYSE or NASDAQ. The S&P 500 index components and their weightings are determined by S&P Dow Jones Indices. **The JP Morgan Australia Index** tracks fixed rate issuances from Australia.

Indexes are unmanaged and it is not possible to invest directly in an index.