Ancora/Thelen Small Mid Cap Strategy

Dear Clients:

For small cap stocks, the third quarter of 2015 was the worst quarter since the third quarter of 2011 and the 12th worst quarter since 1979. The market was responding to a fairly sharp slowdown in large global countries such as China and Brazil and frustratingly slow growth in the U.S. The slowdown caused the Federal Reserve to delay (again) an interest rate increase. Economic uncertainty, coupled with the rise of exchange traded funds (ETFs) and the growth of high frequency traders resulted in very volatile trading in small and mid-cap stocks where disappointments in a specific stock lead to extreme price corrections. Typically, the strategy does well in difficult market conditions; however the magnified volatility hurt certain holdings and, in turn, overall performance.

On a broad scale, the best performing sectors were Consumer Staples, Health Care and Energy. Worst performing sectors included Materials, Financial Services and Consumer Discretionary.

Given the heightened activity in the quarter, the attached addendum discusses the best and worst performing stocks in more detail. Briefly, best performing stocks included Post Holdings, a specialty foods company, which reported better than expected sales of private label cereals and received better pricing on liquid eggs due to the Avian flu outbreak; Remy, International, an automotive part supplier which accepted a buyout offer from Borg Warner at a 40% premium to its stock price prior to the offer; and Blackhawk Network Holdings, Inc., an international supplier of gift cards, which continues to grow rapidly as acceptance has grown.

The worst performing stocks during the quarter were concentrated in basic materials where the worldwide slowdown, particularly China and Brazil, hurt pricing. The slowdown was coupled with a strong dollar which hurt dollar denominated earnings. Disappointing stocks included Rayonier Advanced Materials, a specialty cellulose company; Platform Specialties, a fast growing chemical company; and specialty steel company, Timken Steel. In each case, we have sold or severely trimmed our holdings on the disappointing developments.

Year to date, the strategy has generated uncharacteristically disappointing investment returns, due in some cases to self-inflicted mistakes by certain companies or surprising developments which caught managements (and us) by surprise. In each case, in hindsight, we carefully evaluated our decision making process. The common characteristic of each of the stocks that disappointed was that each was a recent spinoff or underfollowed stock. Over time, both areas have been very good investments for the strategy and we will continue to look for opportunities there. Early fourth quarter performance of recent additions support this view. Two portfolio companies purchased since mid-year have already received takeover proposals. Specialty biopharma company, Baxalta, Inc. received a buyout offer from Shire, Plc. in August after we purchased our position in July and Media General received a buyout offer from Nexstar Broadcasting Corporation in September. We had purchased our shares of Media General in September when the stock was punished after announcing a poorly timed offer for another publicly traded company.

Though the market has been very difficult year to date, the decline in small and mid-cap stocks has resulted in attractive valuations. While we are disappointed with YTD results, we are excited for the future as historically, very difficult periods have led to strong relative performance for long periods of time. We remain committed to our three bucket approach, special situations, underfollowed stocks, and franchise companies. The current uncertain market environment has resulted in more attractive opportunities in each of these areas, particularly franchise companies, than we have seen in quite a while.

We are grateful for your support and continue to work to earn your business every day.

Regards,

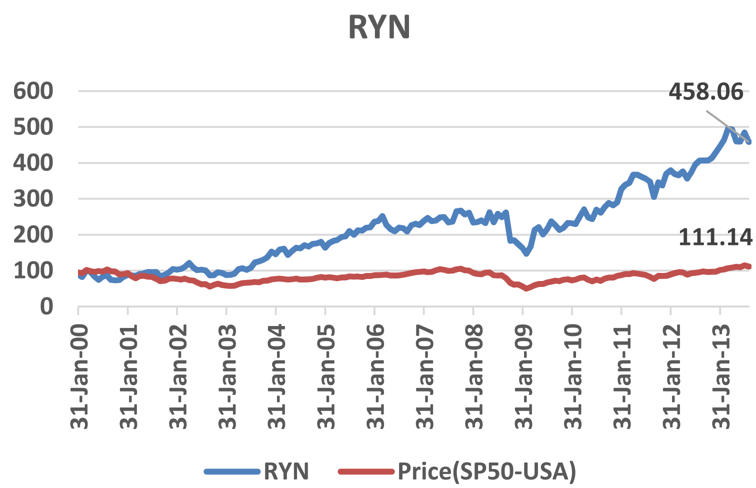
Dan Thelen, CFA

Addendum

3Q15

Best performing sectors were Consumer Staples, Health Care and Energy. Consumer Staples was strong for the third quarter in a row driven primarily by specialty foods company, Post Holdings which reported better than expected results in the third quarter and projected continued strength in the fourth quarter. Post's results were driven by relatively strong sales in private label cereals and cost controls in the recently acquired egg products division. Consumer Staple results were also helped by strong initial performance of Energizer Holdings, the international battery manufacturer, which declared an aggressive share buyback equal to 10% of the outstanding shares the day after its spinoff in early July. Health Care performance was aided by the addition of Baxalta, Inc., a specialty biopharmaceutical company, which was a recent spin-off from specialty health care company Baxter International, Inc. on July 1st. In early August, Baxalta received a takeover offer from Shire Group Plc. at a 30% premium to its previous selling price. We sold some shares on the announcement and we continue to hold a decent sized position as notwithstanding a buyout, Baxalta is well positioned for future growth. Finally, Energy was a relatively strong sector where concerns over falling oil prices and growing crude supplies lead us to hold an underweight position. The Energy sector, as a whole, was down more than 32% in the quarter. On the individual stock level, a significant contributor was Remy, International, an automotive part supplier focused on electrical components. Remy accepted a buyout offer from Borg Warner, the international auto parts manufacturer, at a 40% premium to its stock price prior to the offer.

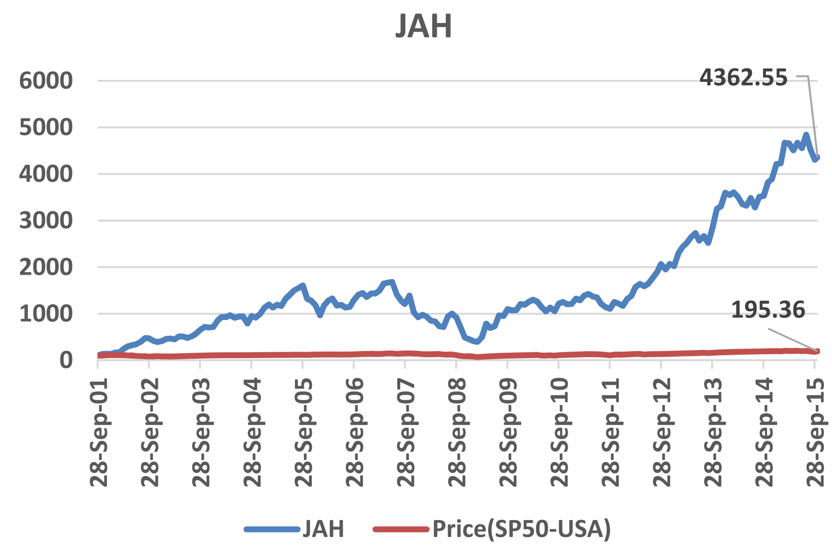
Worst performing sectors were Materials, Financial Services and Consumer Discretionary sectors. The most disappointing sector was Materials where Rayonier Advanced materials, a specialty pulp company; Platform Specialties, a fast growing chemical company; and Timken Steel, all underperformed for different reasons. We received Rayonier Advanced Materials in the spinoff from Rayonier, Inc. Rayonier built a strong record prior to breaking into two companies as shown in the attached price graph.



Main members of the management team went with Rayonier Advanced Materials. The company reported two relatively strong quarters and actually raised annual estimates before the announcement that the largest customer was suing to break the terms of its long term contract. The customer had been with the company for over 60 years and there were no outward signs that the two companies were having issues. A recent oversupply in specialty cellulose had been worked through and it appeared that both companies would be benefitting from wholesale sales catching up to end market sales. We had lowered the weight due to the strange underperformance of the stock prior to the announcement but still held a meaningful enough position that it hurt overall performance. More surprising, the CEO, CFO, head of HR and one director had purchased shares of the company in the open market in the months prior to the lawsuit announcement which all indicate that the news was a surprise to all. We sold the remaining positon on the lawsuit news and will look for some clarity on a settlement.

Timken Steel, the specialty steel producer, was also a large decliner during the quarter. We held a fairly small position that we had received in the spinoff from The Timken Company in the Fall of 2014. Though business is difficult, particularly in their energy end markets, we thought the value of the company's unique assets would provide some support for the stock. Despite having a book value of assets that was greater than $16.50 per share (which understates the value as replacement cost is much higher than book value) the stock declined to a low of under $10.00 at quarter end. Like Rayonier Advanced Materials, the Timken Steel management team felt the shares were significantly undervalued as evidenced by the purchase of shares by the CEO and three other directors – all at prices greater than $18.00 per share. We have trimmed the position back to a small weighting until end markets begin to show some improvement.

The third disappointing stock in the Materials sector was Platform Specialties, a specialty chemical company. We purchased the shares after meeting with the management in the spring. The well regarded management team was in the process of integrating some international chemical companies using the strength of the U.S. dollar to purchase assets at more attractive prices. The chief architect and Chairman of the Board of Platform Specialties also holds the same position with another company, Jarden Corporation. He built Jarden through complimentary acquisitions. His track record while being Chairman of the Board of Jarden is excellent as shown on the price graph shown.



Economic weakness, particularly in Brazil, along with weak foreign exchange and a change in product distribution patterns caused the Company to lower 2015 guidance. We have trimmed our position to reflect the increased risk. Consistent with the previous two companies, management in Platform Specialties is highly confident on the long-term outlook as supported by the open market purchase of almost $7 million of stock by the Company's Chairman of the Board at prices 25% higher than the current trading price.

We underperformed slightly in the Financial Services sector as banks rallied late in the third quarter on expectations of a rate increase by the Federal Reserve in September. Banks generally would benefit from an increase in interest rates as lending rates would rise faster than borrowing costs. We were slightly underweight banks as we do not see rates rising meaningfully. The delay in the rate increase has already led to a pullback in some bank stocks.

Finally, the underperformance in Consumer Discretionary was due primarily to a sharp pullback in long-term holding, Cherokee, Inc., the licensor of specialty apparel brands. The stock declined sharply on the news that the largest customer, Target Corporation would not be renewing the clothing license after it expires at the end of 2016. The news was surprising as Target had been a customer for more than 20 years. We had trimmed some of our position earlier in the year as it approached our price target. The remaining position is quite small awaiting news on replacing Target. The company has a strong history of adding retailers as evidenced by the replacement of Target Canada and Tesco PLC. Discussions with management indicated that talks with major department store chains and online retailers have already begun.

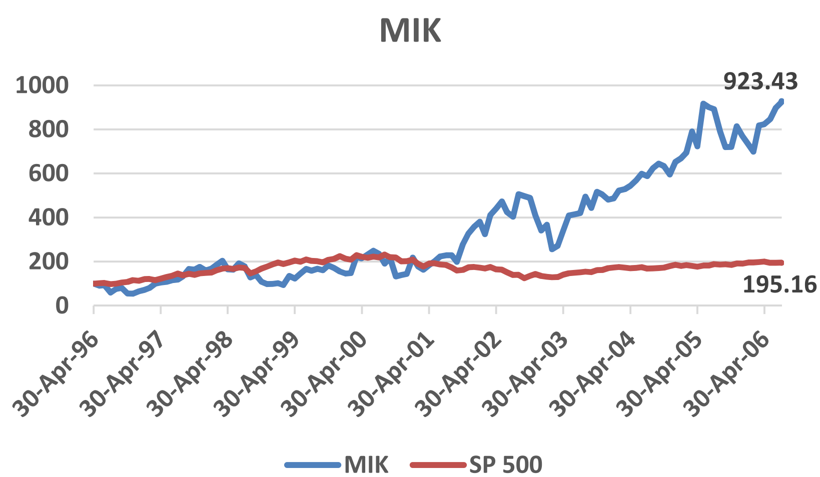
YTD 2015

Year to date, the Ancora/Thelen Small Mid Cap Strategy finished the first three quarters of 2015 with a decline of 12.04% net of fees versus a decline of 5.98% in the Russell 2500 Index. The uncharacteristic underperformance was due primarily to extreme volatility in certain holdings where disappointments were met with extreme price declines. By sector, best performers were Consumer Staples, Energy, and Information Technology. The biggest detractors of relative value were Consumer Discretionary, Materials, and Financial Services. Weakness in these three sectors more than offset positive or flat contribution in all other sectors.

Consumer Staples was led by strong relative performance in its four largest holdings: SpartanNash Company, a large Midwestern wholesaler and retailer of groceries, Post Holdings, Inc., a diversified food producer, and White Wave Foods Company, a specialty dairy company, and Energizer Holdings, Inc. We have trimmed our positions in SpartanNash, Post Holdings and White Wave Foods as each of these stocks approached our price targets. Strong relative performance in Energy was due to the decision to maintain an underweight in this sector as oversupply concerns and a worldwide economic slowdown has continued to hurt overall demand for oil. Information Technology was led by strong performance of Autobytel, Inc., an automotive related digital advertising company, Blackhawk Networks Holdings, Inc., a distributor of gift cards and Exelis, Inc., a defense contractor. Autobytel has benefitted from reporting very strong results year to date as it gains market share with auto dealers and the announcement of two very accretive acquisitions.

Blackhawk Networks has benefitted from the growth in the popularity of gift cards and substantial international growth. Finally, Exelis accepted a buyout from Harris Corporation in early February at a significant premium to its previous trading price. One other portfolio holdings was acquired in 2015. Zep Inc., a specialty soap producer and distributor, agreed to be acquired by an affiliate of New Mountain Capital, L.L.C.

The strength in these sectors was more than offset by weakness in Consumer Discretionary, Materials, and Financial Services. Consumer Discretionary has historically been the best performing sector but has been uncharacteristically weak in 2015 due to the poor performance of certain media related holdings and some surprisingly weak results at certain retail related holdings. The largest disappointment was Tribune Publications, a large newspaper company, as the company has reported surprisingly weak earnings as announced cost cuts were slow to be initiated. The Company's profit margins are less than half of the industry average. Typically, cost cutting is an area of strength and opportunity with recent spinoffs such as Tribune Publishing. However, management has been very slow to implement. Compounding the margin issues was a poorly timed acquisition of a San Diego newspaper group. We had been decreasing our weighting throughout the year as cost cuts failed to materialize and sold the remaining position in the third quarter. A second disappointment was Land's End, Inc. the specialty apparel company focused on catalog and internet retailing. The company reported disappointing results as this year's sales were matched up against very strong sales due to the cold winter in 2014. A new management team has been brought in and the company has initiated an effort to work with investors. We continue to hold a positon, albeit smaller than average as we await signs of improved fashions from the new chief executive officer that has strong background in the apparel industry. Finally, Tuesday Morning, the closeout retailer a long-term holding reported their first disappointing quarter in terms of same store sales. The investment thesis was based on the excellent long-term track record of the management team that was brought in to improve operations in 2012. The management team's previous record at Michaels store is shown in the graph.



After missing the most recent quarter we trimmed most of our position and sold the remainder at the announcement of the retirement of the well regarded CEO.

Given the YTD performance, we have carefully reviewed all our Consumer Discretionary holdings-where the outlook has been lowered we have sold our positions. Where the price decline is overdone and there are catalysts to unlock the intrinsic value, we have used the stock weakness to add to positions. For example, we have added to diversified media company, Tribune Media Company. Company specific catalysts include monetizing its large real estate portfolio, monetizing the spectrum in some of its TV stations in the FCC auction in 2016, and upcoming political advertising which may be very large given the presidential election cycle.

The Consumer Discretionary sector has been one of the strongest performing sectors for the strategy over the long-term. Our focus on this area has not diminished and we expect that this sector will provide significant value going forward.

Finally, as discussed in the third quarter review, underperformance in Financial Services was due to a slight underweight in banks and within Materials is due to some earnings disappointments which we believe overly punished our holdings.

Outlook

As discussed in great detail above, year to date, the strategy has generated uncharacteristically disappointing investment returns, due in some cases to self-inflicted mistakes by certain portfolio companies or the surprising loss of long-term customers. In all cases, we have carefully evaluated our decision making process. The common characteristic of each of the stocks that disappointed was that each was a recent spinoff or underfollowed stock. Over time, both areas have been very good investments for the strategy and we will continue to look for opportunities in each of the areas. Very recent additions to the portfolio support this view. Two portfolio companies purchased since mid-year have already received takeover proposals. As discussed, Baxalta, Inc. received a buyout offer from Shire, Plc. in August after we purchased our position in July and Media General received a buyout offer from Nexstar Broadcasting Corporation in September. We had purchased our shares Media General in September after the stock was punished after announcing a poorly timed offer for another publicly traded company.

The decline in small and mid-cap stocks has resulted in attractive valuations. Generally, valuations are back to the levels where we are finding attractive opportunities in all three categories again. We will continue to apply our disciplined investment process. Though disappointed with YTD results, we are excited for the future as historically, very difficult periods have led to strong relative performance for long periods of time.

Dan Thelen, CFA, is a Managing Director, Small/Mid Cap Equities