



SOUND SHORE FUND

P.O. BOX 588
PORTLAND, ME 04112

December 31, 2017

Dear Investor:

The Sound Shore Fund Investor (SSHFX) and Institutional (SSHVX) classes posted strong 2017 gains of 16.22% and 16.40%, respectively. Results for the year were ahead of the Russell 1000 Value Index (Russell Value), which rose 13.66%, and trailed the Standard & Poor's 500 Index (S&P 500) which was up 21.83%. Year-to-date returns included 4th quarter gains for SSHFX of 4.27% and for SSHVX of 4.31%, which trailed both the Russell Value's 5.33% and the S&P 500's 6.64%.

We are required by the SEC to say that: Past performance is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. 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. The Fund's Investor Class 1, 5, and 10-year average annual total returns for the period ended December 31, 2017 were 16.22%, 14.89%, and 7.44%, respectively. The Fund's Institutional Class 1, 5, and 10-year average annual total returns for the period ended December 31, 2017 were 16.40%, 15.09%, and 7.63%, respectively. Fund returns assume the reinvestment of all dividend and capital gain distributions. As stated in the current prospectus, the total annual operating expense ratio (gross) is 0.91% for the Investor Class and 0.82% for the Institutional Class. The net expense ratio for the Institutional Class is 0.75% pursuant to an expense limitation agreement between the Adviser and the Fund. This agreement is in effect until at least May 1, 2018. Subsequently, for the fiscal year ended December 31, 2017, the total annual operating expense ratio for the Investor Class was 0.90%. The performance for the Institutional Class prior to its inception on 12/9/13 is based on the performance of the Investor Class, adjusted to reflect the lower expense ratio of the Institutional Class (net of expense reimbursements). For the most recent month-end performance, please visit the Fund's website at www.soundshorefund.com.

As the Fund's adviser, Sound Shore Management, Inc., commemorates its 40th year of value investing for clients in 2018, we would like to take the opportunity to reiterate our belief that real value is driven by a consistent, long-term approach to investing. To that end, we highlight that the Sound Shore Fund's 30 year cumulative return through December 31, 2017 was 2,470% versus 2,104% for the Russell 1000 Value, 2,010% for the S&P 500 Index and 1,374% for the Morningstar Large Cap Value Fund universe. It is notable that this same 30 year period includes 12 market corrections (-10% or greater) with an average duration of 6.6 months.

More generally, equity markets advanced briskly last year as investors were encouraged by a solid global economy and the best corporate earnings growth in 6 years. Nine of eleven S&P 500 sectors posted double-digit gains, with only energy and telecommunications finishing lower. Digging a little deeper, large cap stocks led performance for the broad indices, as evidenced by the 293 basis point lag of the S&P 500 equally-weighted index versus its better-known capitalization-weighted cousin.

Through 2017, Sound Shore's returns were increasingly driven by underlying stock-specific factors. For example, our diverse lineup of top five contributors all advanced more than 35% and hailed from different industries: Semiconductor equipment maker Applied Materials, diversified financial Bank of America, discount retailer Wal-Mart, software provider Microsoft, and lab supplier Thermo Fisher. These strong performers all proved to be sector winners, and grew earnings and cash flow against the backdrop of disruptive change.

Our investment in Wal-Mart, which gained 47% in 2017 and far outdistanced its lagging retail peers, is a great case study. We started our holding in late 2016 when the stock was valued below normal at 14 times earnings, and after it had underperformed the market for several years. At the time, investors were uncertain about Wal-Mart's competitive position especially given a rapidly changing online retail marketplace. By contrast, through our research we concluded that new management's omni-channel strategy, which included key e-commerce acquisitions and personnel hires, could combine with its unrivalled customer footprint to drive better than expected earnings and cash flow. In addition, steps to lower capital spending, rationalize stores, and control



working capital suggested upside to returns on capital. During the past 12 months, Wal-Mart sales have posted sequential improvement including the best same-store comp in three years in the most recent quarter. Despite its advance, we believe consensus forecasts continue to have upside and the stock remains a holding.

Similarly, contract manufacturer Flex performed well for the year as it also benefitted from an “on the run” change to its business model. Flex has been a long-term holding with our average purchase valued at less than 7 times earnings. Originally an electronics-focused outsource manufacturer with highly cyclical cash flows, Flex has evolved its customer base toward the capital goods and retail companies, now including a significant partnership with Nike to help them more efficiently produce footwear. Having successfully recast itself as a longer-cycle, “new industrial,” Flex’s stock has benefitted from more stable and diversified cash flows, and more consistent revenue growth. As well, Flex management has proven to be shareholder oriented, using the company’s ample free cash to reduce shares outstanding by over one-third since 2009. Even after its 2017 and longer term gains, we believe Flex is still an attractive risk reward at just 15 times earnings.

Meanwhile, our process continually forces us to re-evaluate portfolio holdings in order to confirm that our investment theses remain on track. For example, we raised our holding of integrated natural gas producer Antero as it declined with sluggish 2017 end markets. Antero’s long-term strengths include its low cost Appalachian production, price hedges through 2020, and a return on capital focused management. Antero is also the largest North American producer of natural gas liquids (ethane and propane), products which are rapidly growing with the US petrochemical industry. Valued below book value, we believe Antero’s risk/reward remains attractive.

As well, we added to our position in Capital One as it lagged earlier in the year. This credit card issuer has been a long-term holding that we originally bought for 6 times forward earnings and below book value. The stock underperformed for much of 2017 due to uncertainty over its credit trends. Our analysis, however, revealed slowing delinquencies and peaking credit costs, and provided the basis for us to invest further. As the market regained confidence, shares rebounded off their September low and rallied through year end. We continue to view Capital One as undervalued at 10 times forward earnings with considerable capital return to investors. Driven by above average growth in its consumer credit businesses and technology advances well ahead of peers, management has invested for the future and positioned the company well for the changing dynamics in banking.

Looking ahead, many of the elements recently driving more bottom-up stock performance appear poised to continue: Global economies are on firmer footing, interest rates and inflation are edging higher, and the private sector is displacing central banks as the economic engine. Sound Shore’s one-stock-at-a-time investment process should be well positioned for this environment and, indeed, we continue to surface a normal flow of inexpensive, out of favor stocks for investment consideration.

Notably, this more idiosyncratic stock market backdrop appears to stand in contrast to the recent record fund flows moving to passive strategies from active. As stock markets evolve toward a new active/passive equilibrium, it will be imperative for active investors to more than earn their fees – certainly a reasonable mandate from clients.

For 40 years, Sound Shore Management has been extolling the virtues of a focused, long term investment strategy and portfolio. However, the desire to mitigate risk has led some investors to own too many stocks while paying too much for little or no alpha. A recent study published and available on the CFA Institute website (www.cfainstitute.org) titled *"What Free Lunch? The Costs of Overdiversification,"* addresses this issue. “Hiring too many managers can significantly reduce active risk, leaving the plan with high fees and limited ability to outperform a policy benchmark. We review the number of external investment strategies held by the largest US public and corporate pension funds. Our analysis shows that most large pension funds are overdiversified, allowing us to suggest a simpler framework for moving forward.”



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A number of Sound Shore Management's clients have been ahead of this phenomenon, shrinking the number of managers in their portfolios. In doing so, they have increased the portfolio's chance to outperform by focusing on concentrated, high-conviction active managers. At the same time, they lowered investment costs by recognizing economies through larger investments with fewer managers and simplified their portfolios. We are committed to a partnership with clients where Sound Shore is an integral component of their long-term goal to improve investment outcomes.

We thank our investors, many of whom have been with us for more than a decade, for their commitment, and look forward to continuing to earn their confidence. Many thanks as always for your investment alongside ours.

Sincerely,

SOUND SHORE FUND

Harry Burn, III
John P. DeGulis
T. Gibbs Kane, Jr.
Co-Portfolio Managers

Important Information

The Standard & Poor's 500 Index is an unmanaged index representing the average performance of 500 widely held, publicly traded, large capitalization stocks. The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values. It is not possible to invest directly in an Index.

This letter may contain discussions about certain investments both held and not held in the portfolio. As required by the Financial Industry Regulatory Authority (FINRA), we must remind you that current and future portfolio holdings are subject to risk. Percent of net assets as of 12/31/17: Applied Materials, Inc.: 2.23%; Antero Resources Corp.: 3.06%; Bank of America Corp.: 4.38%; Capital One Financial Corp.: 3.59%; Flex Ltd.: 3.19%; Microsoft Corp.: 2.55%; Nike, Inc.: 0.00%; Thermo Fisher Scientific, Inc.: 2.69%; and Wal-Mart Stores, Inc.: 2.80%.

An investment in the Fund is subject to risk, including the possible loss of principal amount invested. Mid Cap Risk: Securities of medium sized companies may be more volatile and more difficult to liquidate during market downturns than securities of large, more widely traded companies. Foreign Securities Risk: The Fund may invest in foreign securities primarily in the form of American Depositary Receipts. Investing in the securities of foreign issuers also involves certain special risks, which are not typically associated with investing in U.S. dollar-denominated securities or quoted securities of U.S. including increased risks of adverse issuer, political, regulatory, market or economic developments, changes in currency rates and in exchange control regulations. The Fund is also subject to other risks, including, but not limited to, risks associated with value investing.

The views in this letter were those of the Fund managers as of 12/31/17 and may not necessarily reflect their views on the date this letter is first published or anytime thereafter.

You should consider the Fund's investment objective, risks, charges and expenses carefully before investing. The summary prospectus and/or the prospectus contain this and other information about the Fund and are available from your financial intermediary or www.soundshorefund.com. The summary prospectus and/or prospectus should be read carefully before investing.

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