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GaveKal Platform Company Fund

First Quarter 2012





Overview



- On a trailing one year basis, the GaveKal Platform Company Fund (GAVIX) is in third place out of 3,612 funds in Morningstar International Stock Fund category.
- At 1408, the S&P 500 is up 28% since the October 4, 2011 low.
- Sentiment, options activity and fund flows have swung into speculative territory according to our indicators. The current environment is the mirror image of the extreme pessimism we observed in **Tilting Bullish**. This is a negative for risky assets.
- The end of quantitative easing by the Federal Reserve Bank (FRB) induces a mini-credit crunch, leading to lower long bond rates, a higher US\$, contracting credit, rising volatility and slowing growth. This is also a negative for risky assets.
- The market appears to be starting to rotate into counter-cyclical sectors (health care and consumer staples). There are some attractive defensive growth companies in the food retail area.
- On February 29, we booked some profits in some technology holdings.

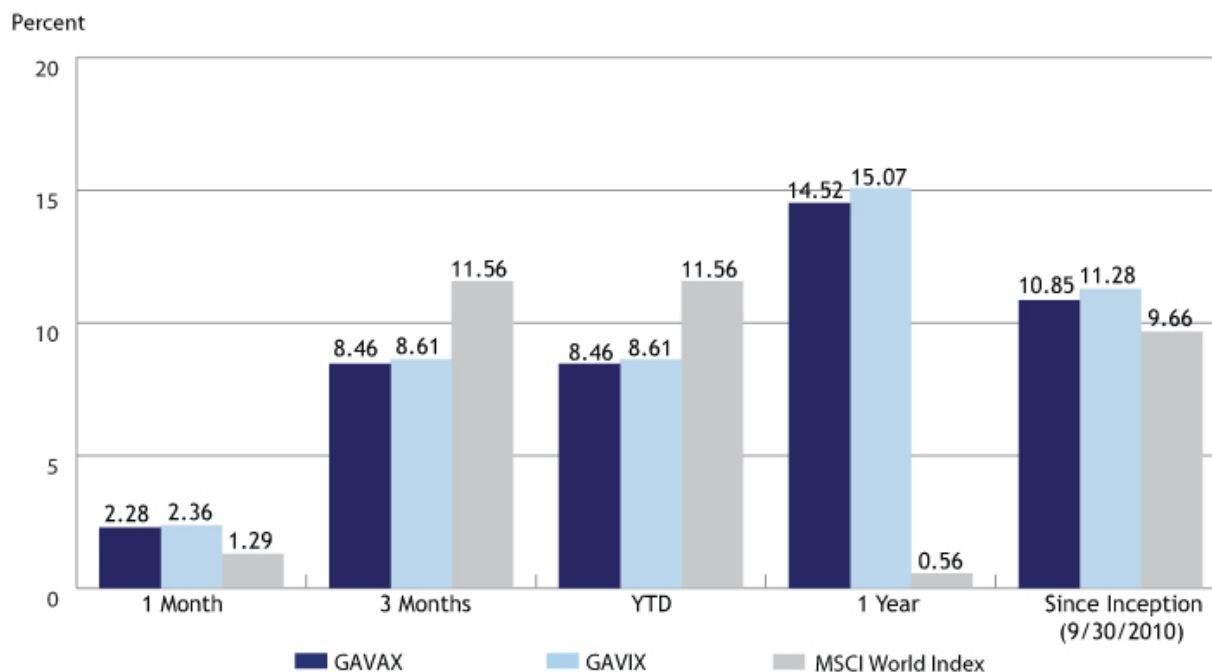


Performance Update (as of 3/31/2012)



GaveKal Platform Company Fund

On a trailing one year basis, the GaveKal Platform Company Fund (GAVIX) is in third place out of 3,612 funds in Morningstar International Stock Fund category for total return as of March 31, 2012. The top fund edged us out by 41 bps, while the category average was -8.08%.



The total annual operating expenses of the Fund are 13.39% and 13.14% and net expenses are 1.50% and 1.25% for the Advisor and Institutional Classes, respectively. The inception date for the GaveKal Platform Company Fund is 9/30/2010.

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.gavekalfunds.com. A redemption fee of 2.00% will be imposed on redemptions or exchanges of shares you have owned for 90 days or less. Please see the prospectus for more information.

The Fund's advisor has contractually agreed to waive its fees and/or absorb expenses of the Fund to ensure that total annual fund operating expenses (excluding taxes, leverage interest, brokerage commissions, dividend expenses on short sales, acquired fund fees and expenses as determined in accordance with Form N-1A, expenses incurred in connection with any merger or reorganization, or extraordinary expenses such as litigation) do not exceed 1.50% and 1.25% of average daily net assets for Advisor Class and Institutional Class Shares, respectively. This agreement is in effect until December 31, 2012, 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, for fees it waived and Fund expenses it paid for three years from the date of any such waiver or payment.

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.



It is time to focus on risk management.



Portfolio Stats vs. MSCI World Index – Since Inception Daily

Risk Metrics	GAVAX	GAVIX	MSCI World Index
Beta	0.41	0.41	–
Alpha	0.07	0.07	–
Tracking Error (%)	12.13	12.11	–
Information Ratio	0.10	0.13	–
Correlation	0.83	0.83	–
Volatility (%)	9.15	9.18	18.55
Downside Deviation (%)	6.66	6.93	14.35
Max Drawdown (%)	-2.05	-2.14	-5.11
Sharpe Ratio	1.14	1.19	0.50
Sortino Ratio	1.57	1.57	0.65

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. **Tracking Error** (also called active risk) is the standard deviation of active returns over the interval being measured. It is a measure of variability of a portfolio's performance relative to its benchmark.

Information Ratio is active return per unit of active risk (or tracking error). It is a measure of risk adjusted return that resulted from active management. A tracking error above zero indicates that active management added value to the portfolio. A tracking error below zero indicates that active management subtracted value from the portfolio. **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. **Volatility** as measured by standard deviation is a calculation used to measure variability of a portfolio's performance. **Downside Deviation** is a calculation used to measure variability of a portfolio's performance when returns are below zero. It differs from standard deviation in that it only measures variability of below zero returns. A lower variability of below zero returns is typically desirable. **Max Drawdown** is the maximum single period loss incurred over the interval being measured. **Sharpe Ratio** uses a fund's standard deviation and its excess return (the difference between the fund's return and the risk-free return of 90-day Treasury Bills) to determine reward per unit of risk. **Sortino Ratio** uses a fund's downside deviation and its excess return (the difference between the fund's return and the risk-free return of 90-day Treasury Bills) to determine reward per unit of unwanted risk.



A cyclically oriented portfolio worked well in the first quarter, but the market may be rotating into counter-cyclicals.



Year-to-date, cyclical sectors have outperformed by 15%. This is something we've positioned to capitalize on (see Tilting Bullish).

Over the last month, some of the cyclical leadership has started to fade while more defensive sectors have advanced.

	Absolute Performance (%)					
SECTOR	1 Day	1 Week	1 Month	3 Months	1 Year	4 Years
Consumer Discretionary	0.5	0.5	2.5	17.0	7.8	38.5
Information Technology	0.1	1.3	2.8	16.3	1.5	27.0
Financials	0.4	(0.5)	0.8	15.7	(8.2)	(18.9)
Industrials	0.5	0.5	(0.4)	12.9	(5.4)	4.6
Health Care	0.5	1.8	3.0	10.4	8.2	34.1
Materials	0.8	0.0	(3.4)	10.4	(11.9)	(2.8)
Consumer Staples	0.6	1.0	2.8	6.9	9.6	25.5
Energy	0.9	(1.6)	(5.2)	5.7	(15.3)	(0.8)
Telecommunication Services	0.5	(0.1)	0.5	2.8	(12.2)	(13.3)
Utilities	0.5	0.0	0.2	2.5	(4.1)	(10.0)
REGION AVERAGE	0.5	0.3	0.4	12.1	(2.8)	8.1

	Absolute Performance (%)					
SECTOR	1 Day	1 Week	1 Month	3 Months	1 Year	4 Years
Health Care	0.5	1.8	3.0	10.4	8.2	34.1
Information Technology	0.1	1.3	2.8	16.3	1.5	27.0
Consumer Staples	0.6	1.0	2.8	6.9	9.6	25.5
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Industrials	0.5	0.5	(0.4)	12.9	(5.4)	4.6
Materials	0.8	0.0	(3.4)	10.4	(11.9)	(2.8)
Energy	0.9	(1.6)	(5.2)	5.7	(15.3)	(0.8)
REGION AVERAGE	0.5	0.3	0.4	12.1	(2.8)	8.1

Data Source: GaveKal Equity Analytics
http://www.gavekalcapital.com/research_land.php



Semiconductor related industries have been leaders.



In Tilting Bullish Parts 1 & 2, we outlined our preference for technology stocks, and in particular, semiconductor related companies.

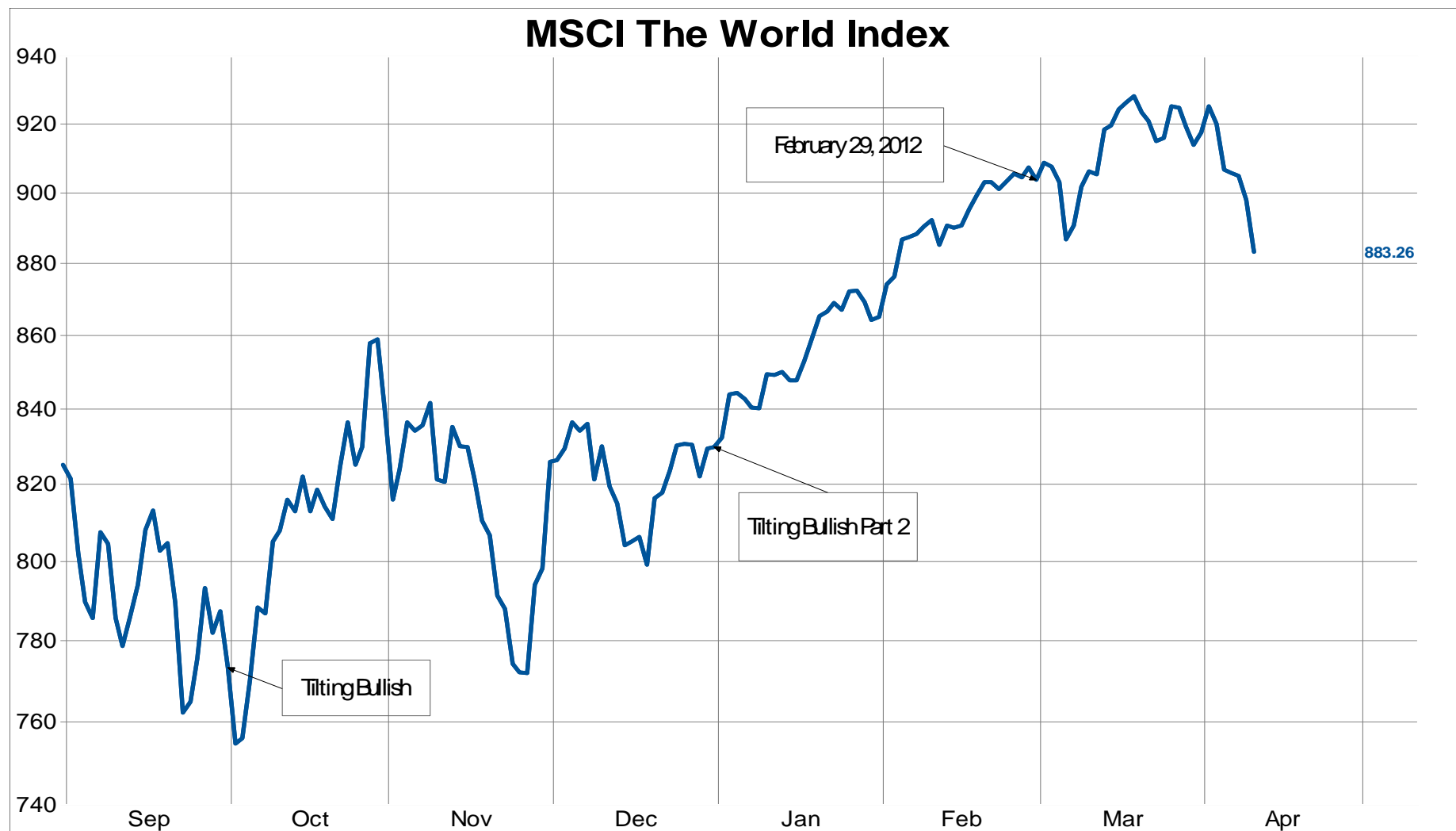
Among the best performing groups have been the semiconductor sub-industries. Fortunately, semiconductors and equipment were our largest overweights in the portfolio.

Sub-Industry	1Y	1 Day	1 Week	1 Month	3 Months	1 Year	4 Years
Photographic Products		(0.2)	2.7	12.3	37.0	53.0	9.9
Other Diversified Financial Services		0.2	(1.7)	5.8	32.4	(16.8)	(47.1)
Household Appliances		1.9	(0.5)	(1.0)	31.2	(11.9)	23.7
Real Estate Services		0.9	(2.5)	8.9	31.1	(26.1)	(4.8)
Apparel Accessories & Luxury Goods		1.0	0.4	2.9	30.9	22.8	117.9
Semiconductor Equipment		0.3	2.8	7.7	30.3	(5.0)	19.4
Internet Retail		(0.1)	(0.3)	7.0	29.9	(0.9)	192.1
Computer Storage & Peripherals		(0.4)	(0.8)	4.0	27.8	15.9	67.0
Real Estate Development		(1.6)	1.0	(7.2)	27.3	(14.5)	(11.4)
Construction & Farm Machinery & Heavy Trucks		1.0	0.7	(1.4)	26.8	(9.0)	14.2
Alternative Carriers		(0.2)	(2.7)	1.7	26.5	2.9	2.2
Investment Banking & Brokerage		(0.2)	(3.1)	1.2	26.3	(21.6)	(39.9)
Health Care Technology		0.0	(0.7)	3.2	24.3	38.1	296.7
Systems Software		(0.1)	3.8	6.8	23.9	10.0	38.1
Auto Parts & Equipment		0.1	1.5	0.3	23.3	0.0	9.2
Real Estate Operating Companies		0.2	0.4	0.8	23.1	(1.1)	(17.9)
Home Improvement Retail		0.7	0.9	8.1	23.0	23.4	70.1
Life Sciences Tools & Services		0.8	1.4	1.3	22.5	(12.2)	5.6
Human Resource & Employment Services		1.3	0.3	3.0	22.0	(15.8)	(7.8)
Application Software		0.4	2.4	5.2	21.6	11.7	66.3
Automobile Manufacturers		0.8	0.1	(0.8)	21.6	(1.1)	(0.1)
Diversified Chemicals		0.6	1.1	1.0	21.6	(1.4)	15.9
Broadcasting		2.9	1.9	4.3	21.2	(1.6)	52.6
Life & Health Insurance		0.4	(0.7)	3.0	20.9	(9.3)	(27.2)
Diversified Capital Markets		1.2	(1.3)	1.7	20.9	(23.3)	(38.5)
Diversified Real Estate Activities		(1.2)	0.6	(3.8)	20.9	(3.1)	0.2
Department Stores		0.4	0.6	2.0	20.8	20.1	14.1
Marine		1.9	1.7	0.8	20.5	(23.2)	(33.2)
Health Care Supplies		1.0	2.7	6.6	20.1	16.8	45.8
Hotels Resorts & Cruise Lines		1.1	1.1	2.0	19.9	(11.7)	(8.9)
Industrial REITs		0.4	0.6	0.0	19.5	(7.1)	(47.5)
Semiconductors		0.4	0.5	1.5	19.3	(6.3)	51.9

Data Source: GaveKal Equity Analytics
http://www.gavekalcapital.com/research_land.php



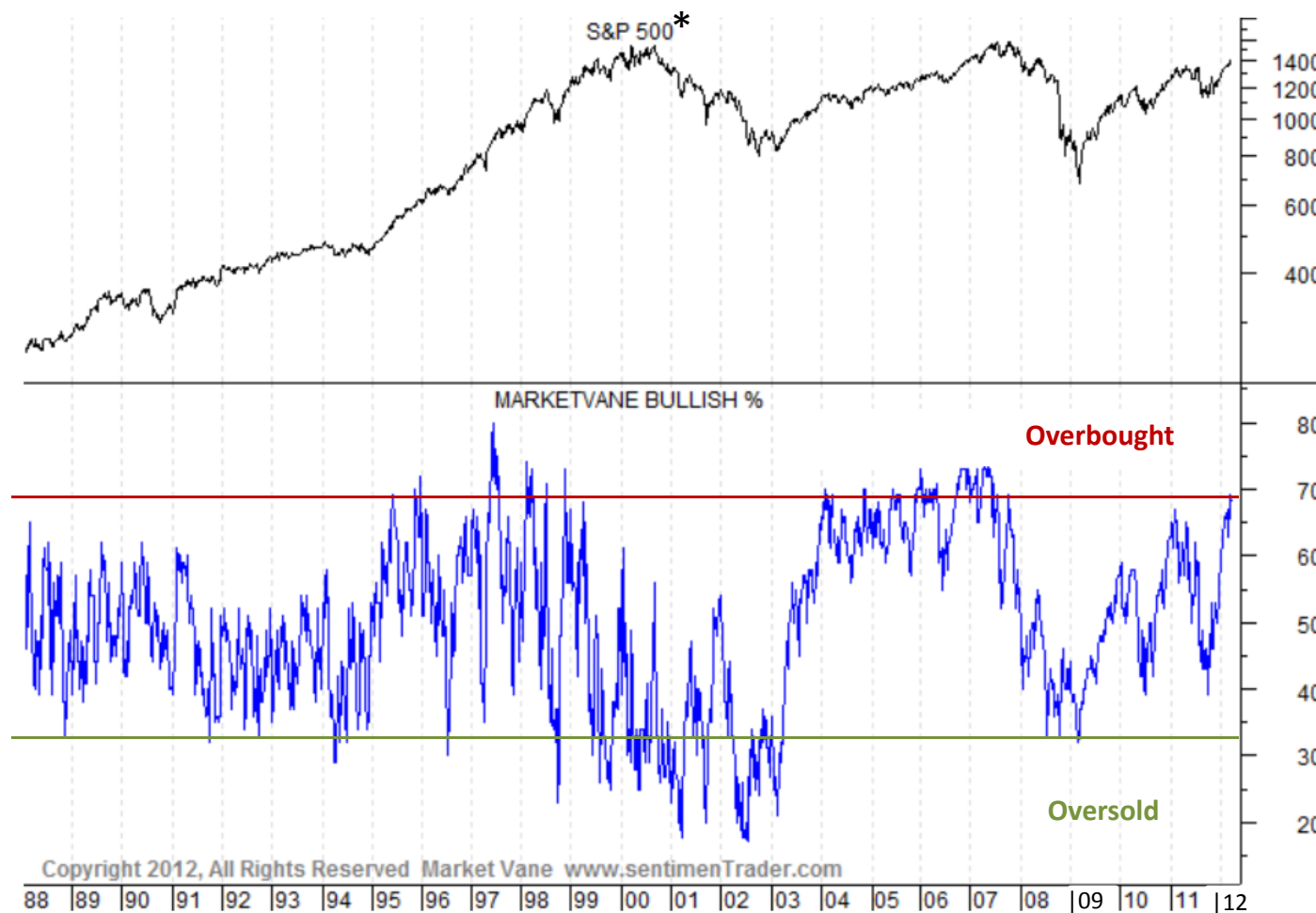
We booked profits in some technology holdings on February 29, 2012.





Since the October 4th low, sentiment has surged.

Market Vane Bullish Percentage



Data Source: Sentiment Trader

*S&P 500: An index of 500 stocks chosen for market size, liquidity and industry grouping,⁸ among other factors.

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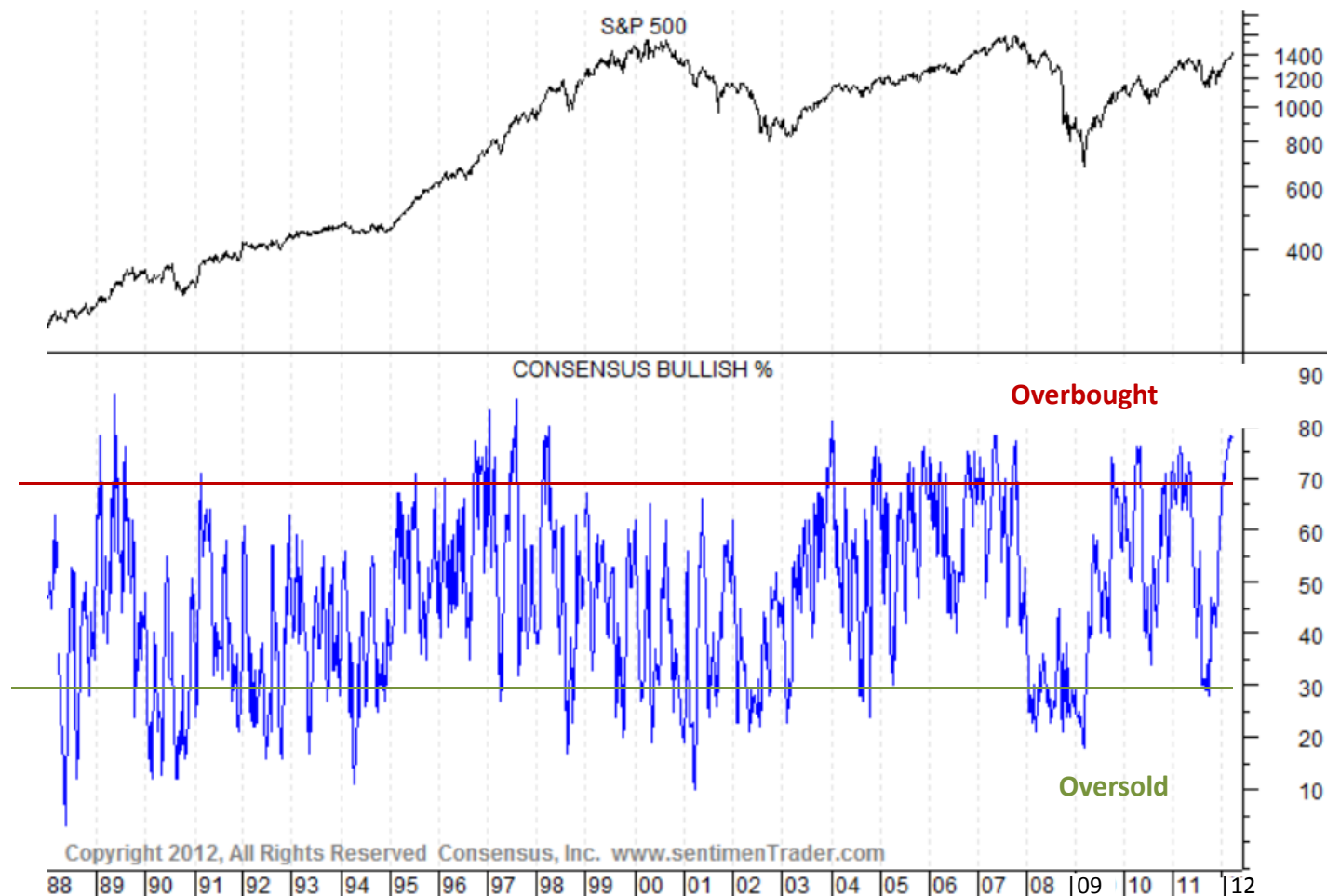
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The euphoric environment is the mirror image of last October.



Consensus Inc. Bullish Percentage



Data Source: Sentiment Trader



Options activity has swung from extreme pessimism to extreme optimism.



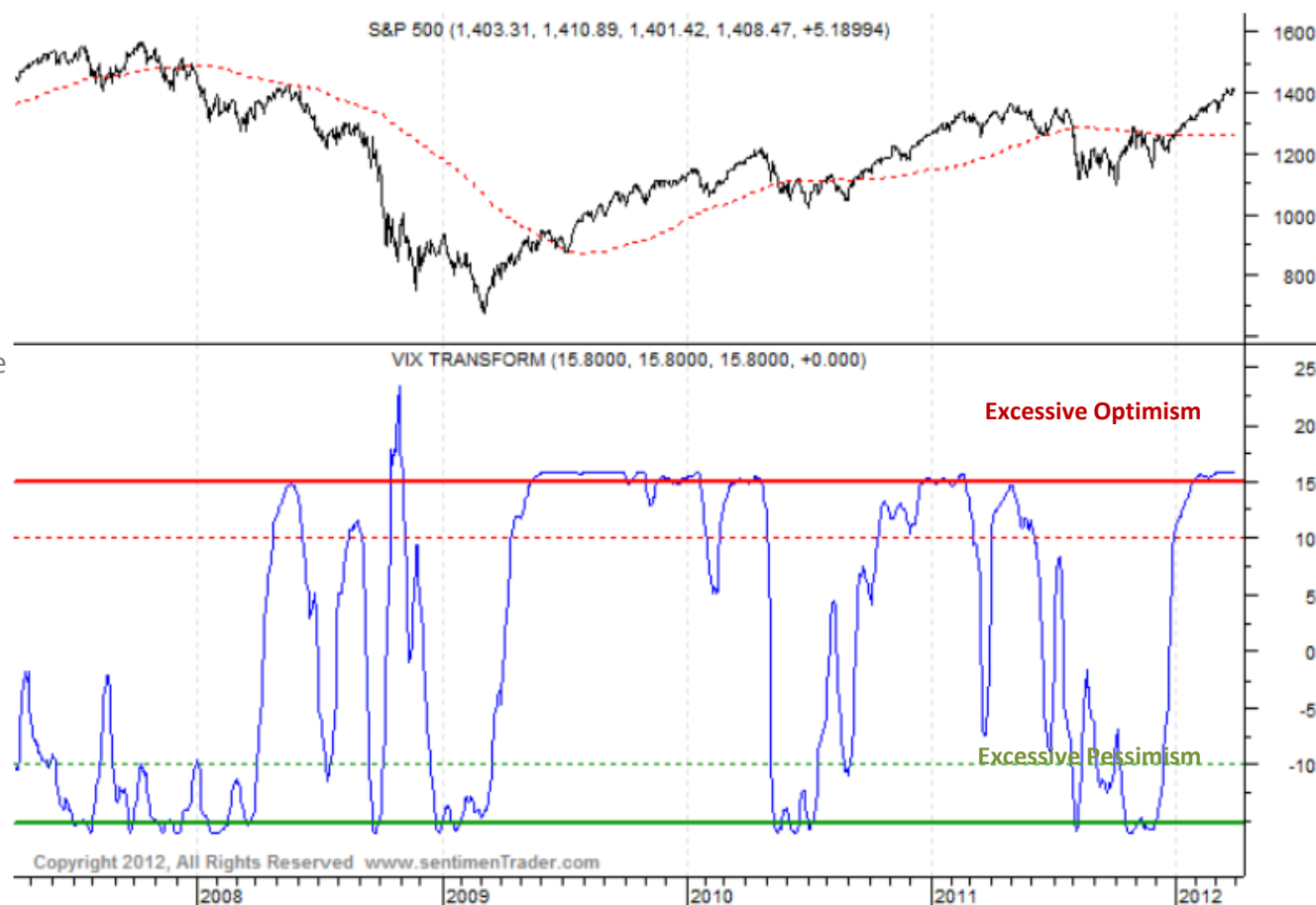
Sentiment Trader VIX Transform

“Volatility is mean-reverting, meaning that periods of high volatility tend to follow periods of low volatility...”

There are many ways to monitor these cycles, and the VIX* is one of the better ones...

However, if we want to see just how extreme it is on a standard deviation basis, then we are presented with a serious problem, and it's a common one for sentiment measurements. The problem is that many sentiment indicators, the VIX in particular, have a very high statistical skew...

VIX Transform measures the distance of the 10-day moving average of the VIX from the 200-day average, then transforms that data to correct for the skew inherent in such readings.”



Data & Concept Source: Sentiment Trader

*VIX: The ticker symbol for the Chicago Board Options Exchange (CBOE) Volatility Index, which shows the market's expectation of 30-day volatility.



Too much optimism in many of our indicators is a very negative factor to us.

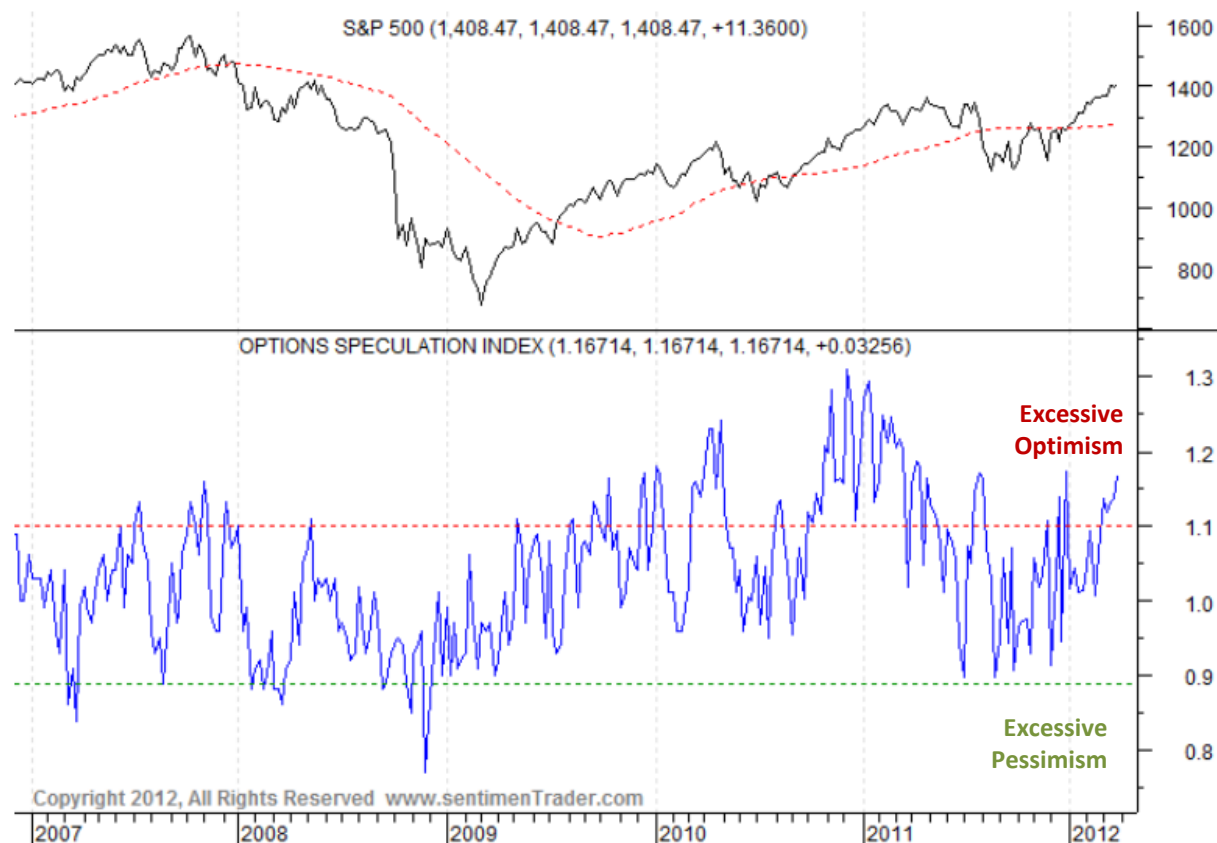


Sentiment Trader Options Speculation Index

“The Options Speculation Index takes data from all the U.S. options exchanges and looks at opening transactions...

We total the number of transactions with a bullish bias (call buying and put selling) and also the number of those with a bearish bias (put buying and call selling)...

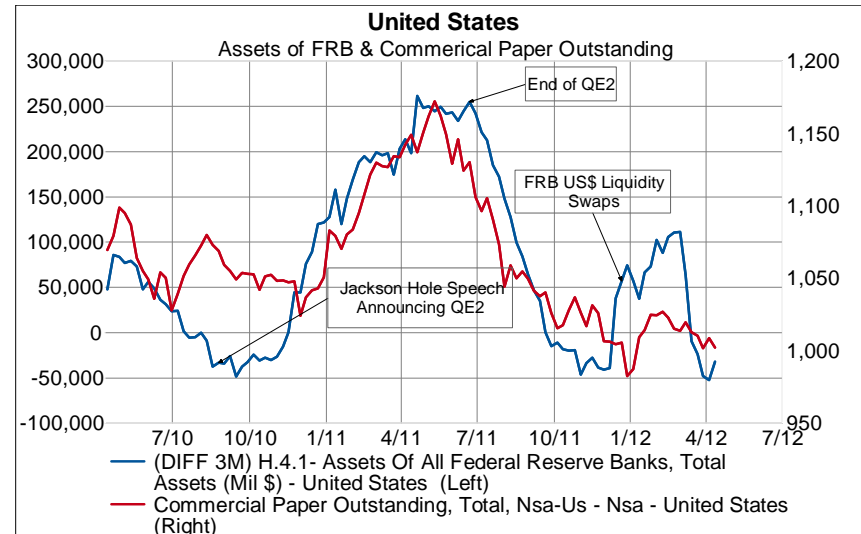
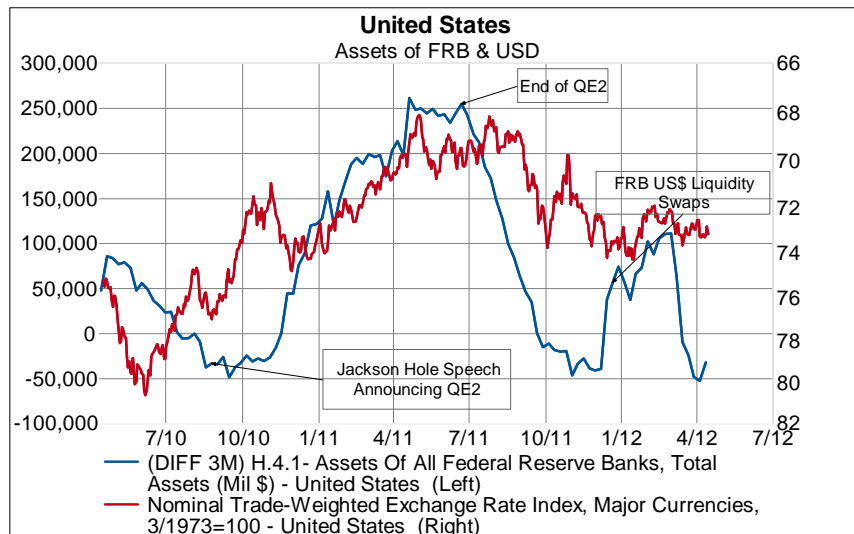
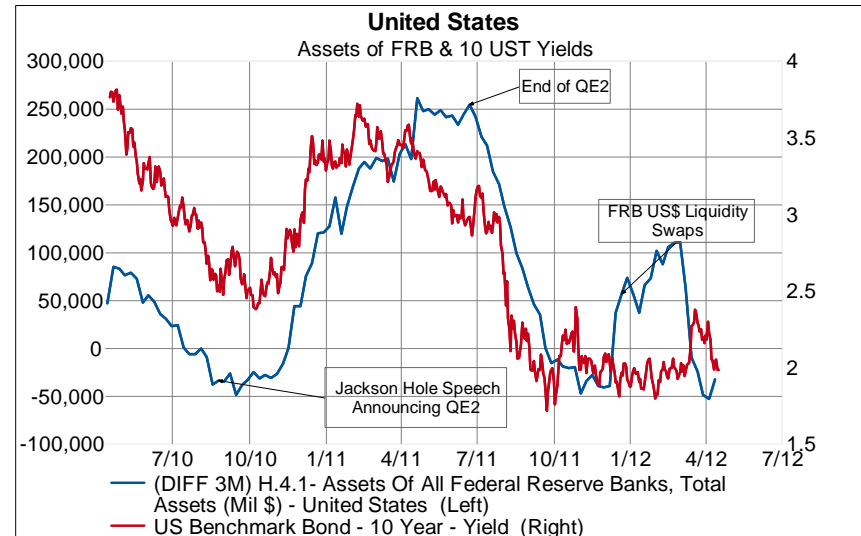
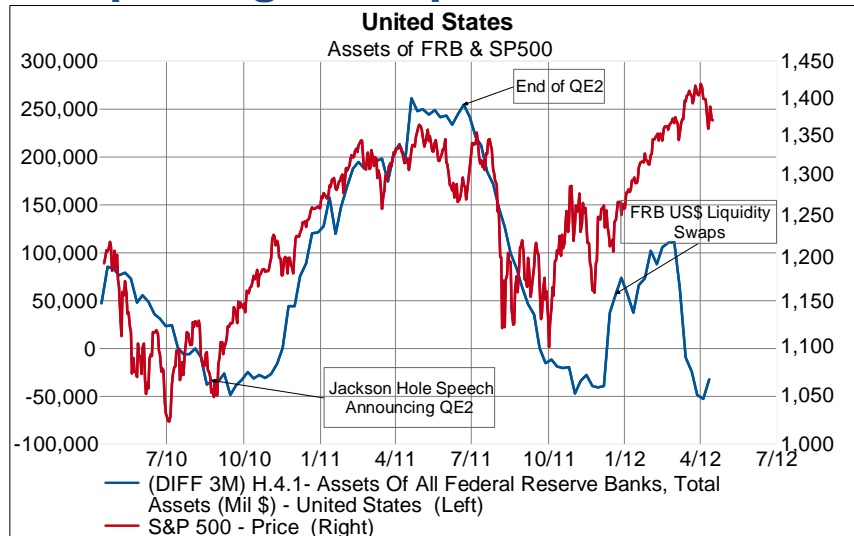
The Index is a ratio of the total bullish transactions to the total bearish transactions.”



Data & Concept Source: Sentiment Trader



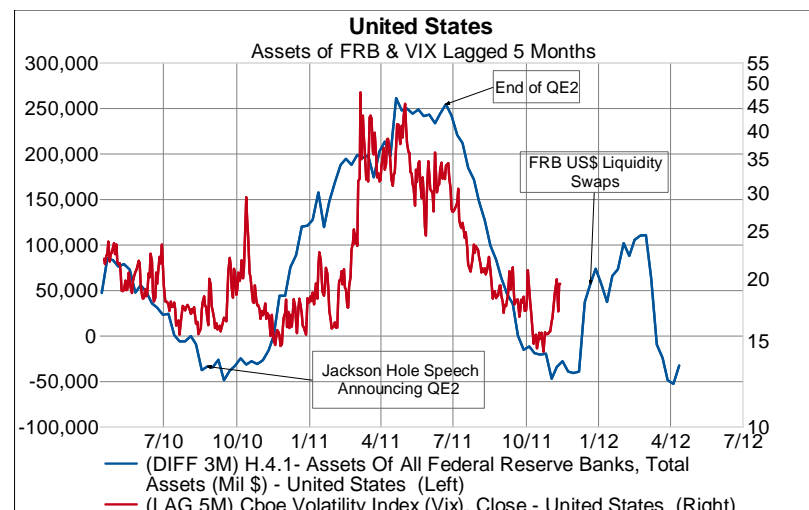
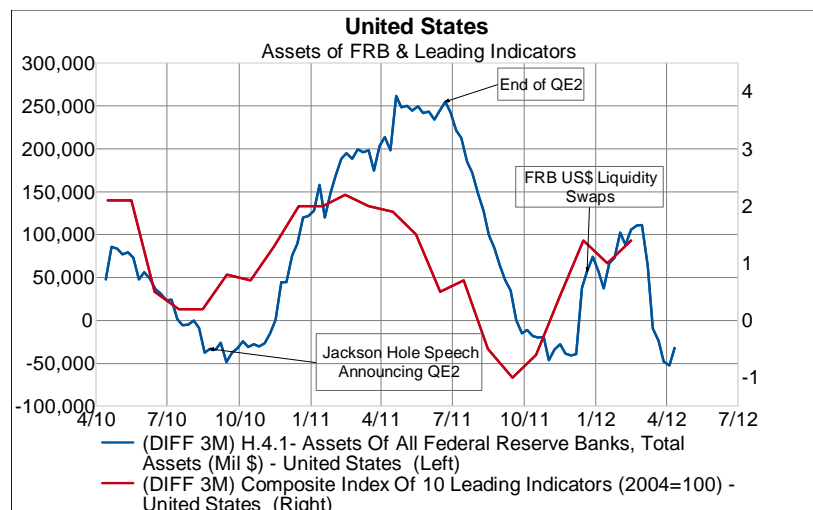
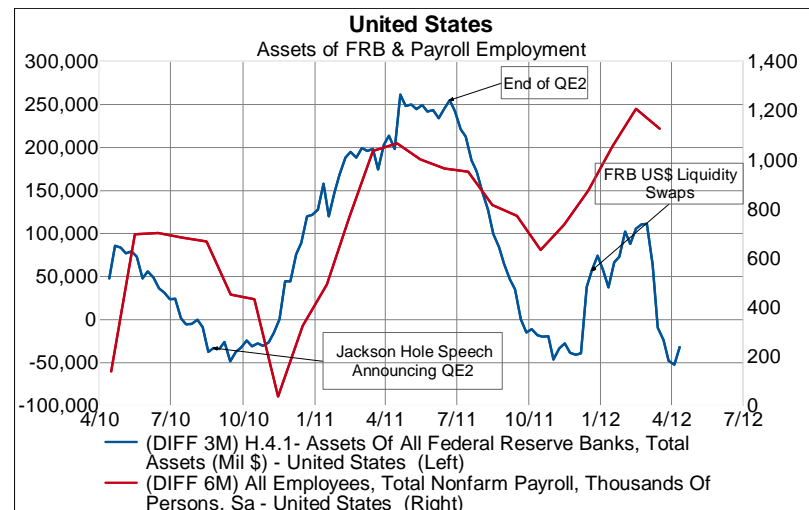
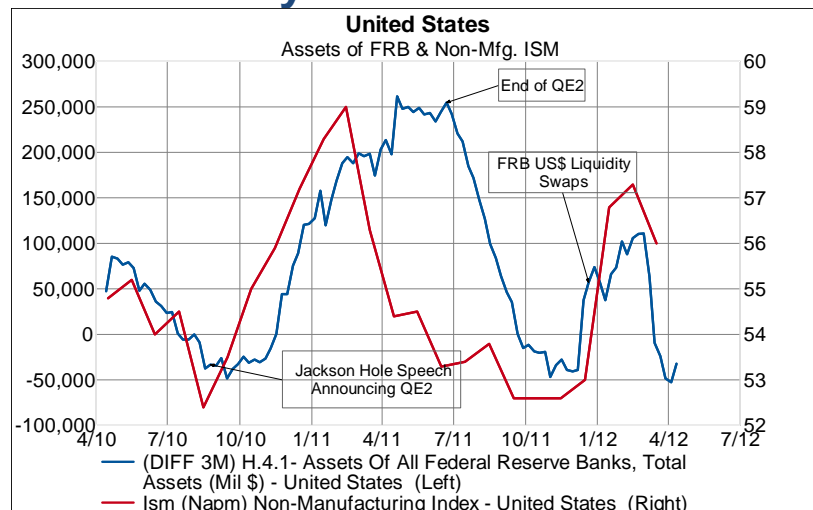
When the FRB stops QE, it induces a mini-credit crunch, impacting asset prices.



Data Source: FactSet Research



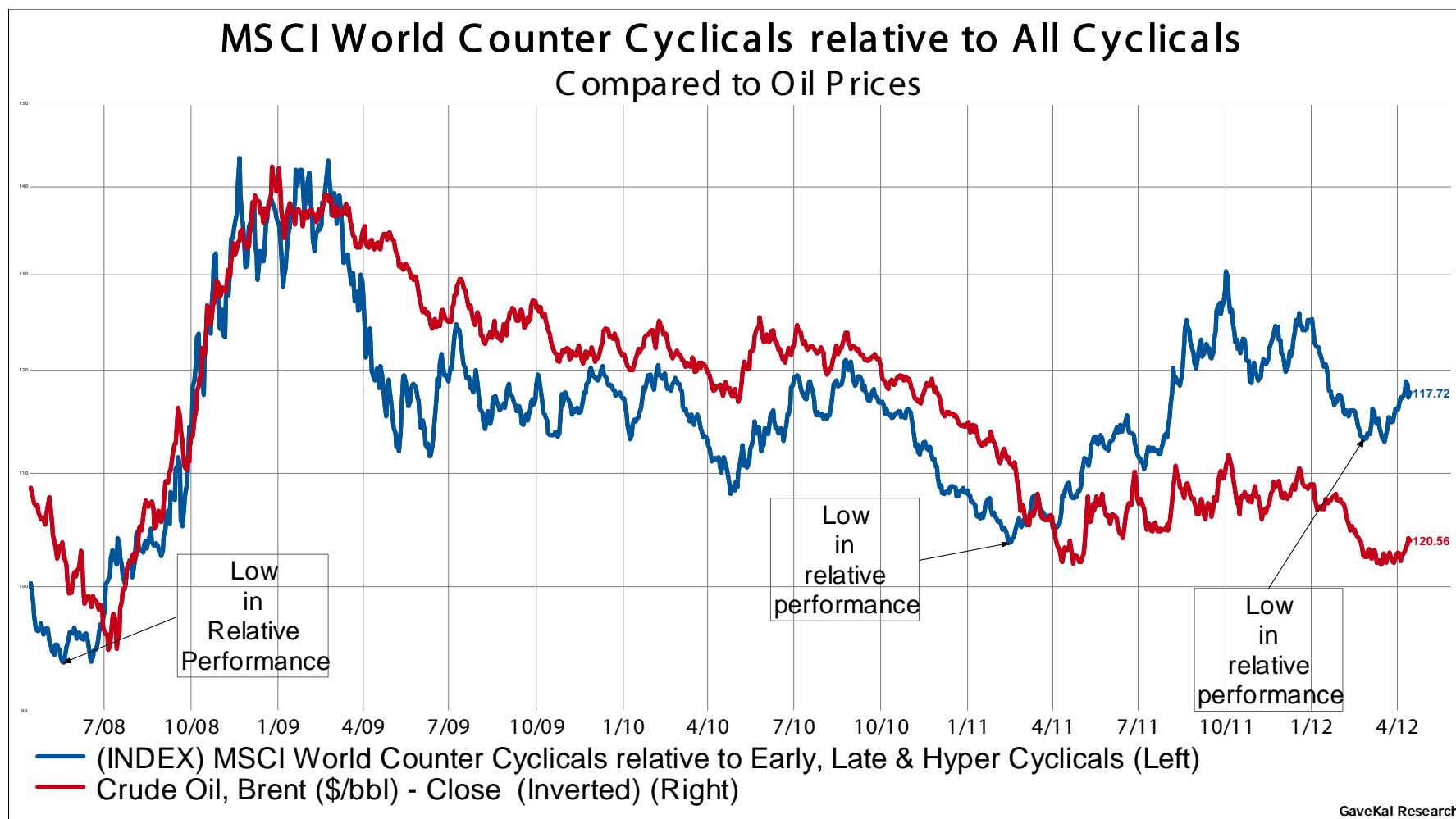
And providing a headwind to growth, which with a short lag hits volatility.



Data Source: FactSet Research



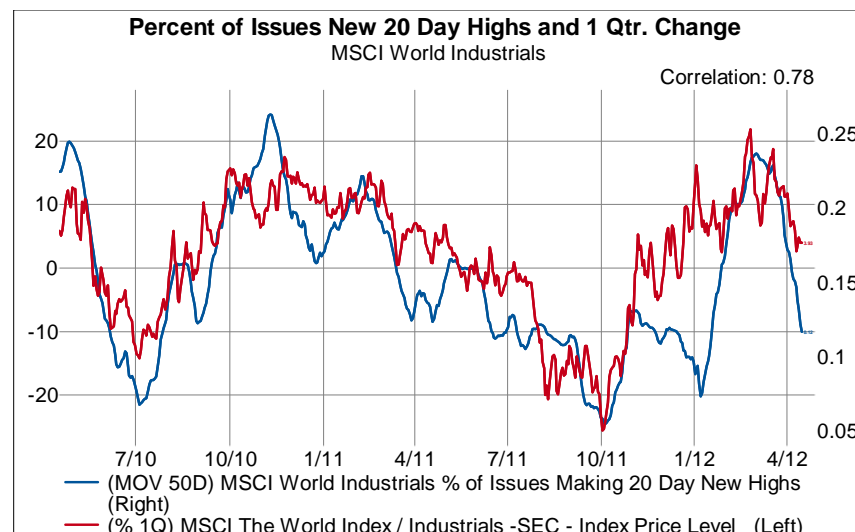
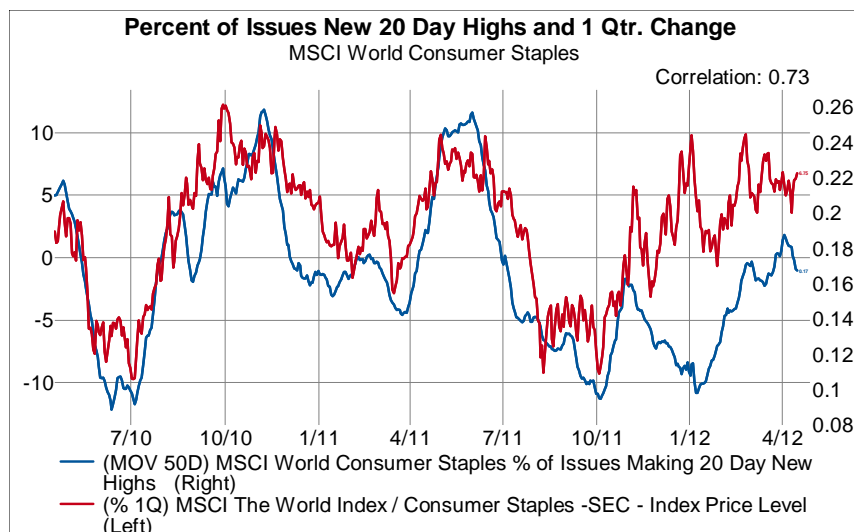
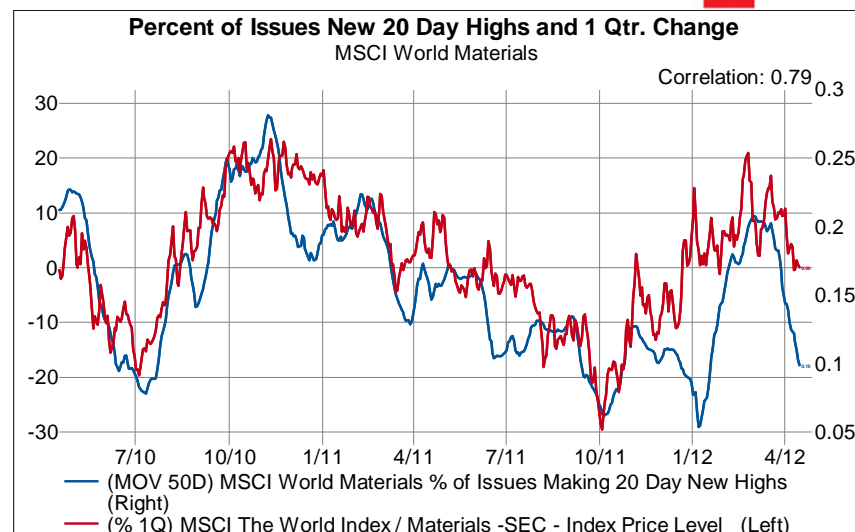
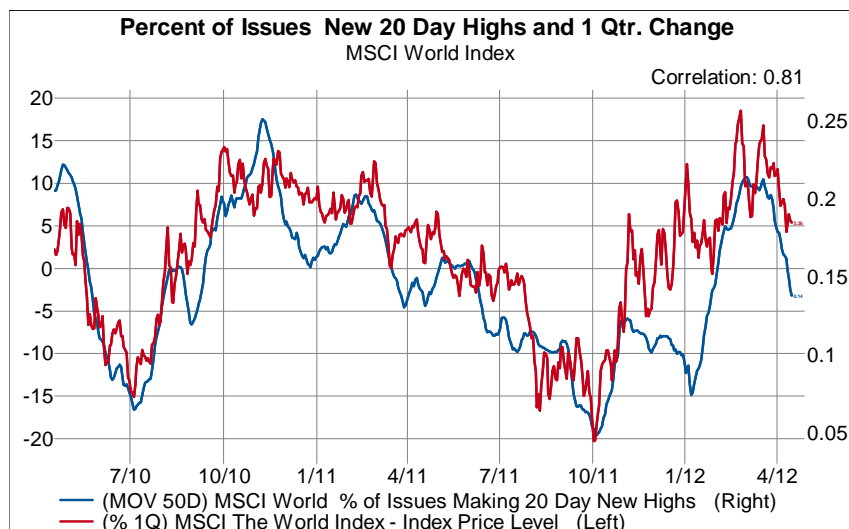
Counter-cyclical stocks have begun to outperform against all types of cyclicals, perhaps due to oil prices.



Data Source: FactSet Research



Market internals validate the rotation into counter-cyclicals.



Data Source: FactSet Research



Food retail is an interesting area for us.



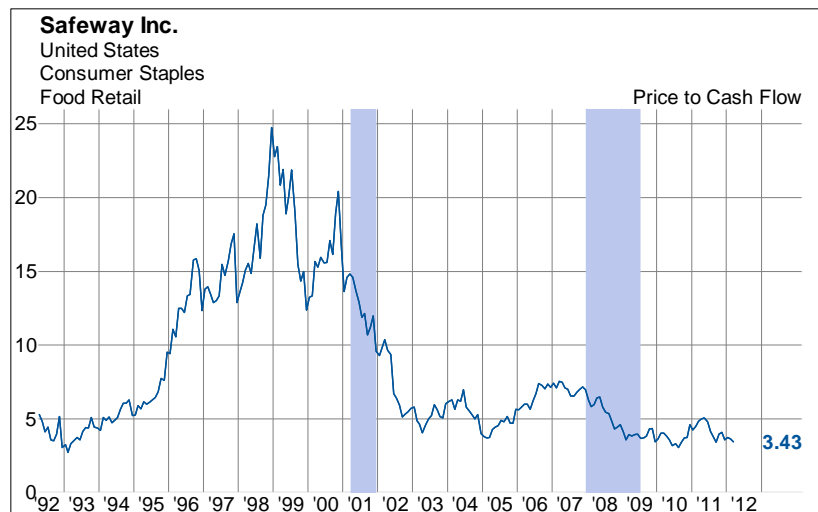
We think the second quarter will offer more risk and less reward than the first. So, we are looking to laggard, defensive groups to help manage risk in the portfolio.

Sub-Industry	IT	1 Day	1 Week	1 Month	3 Months	1 Year	4 Years
Education Services		(1.0)	(8.9)	(9.4)	(28.3)	(6.7)	(6.2)
Tires & Rubber		(1.4)	(5.8)	(12.8)	(20.8)	(24.9)	(54.8)
Coal & Consumable Fuels		(0.8)	(4.4)	(14.8)	(10.6)	(53.8)	(54.1)
Home Entertainment Software		0.2	(0.7)	4.1	(8.0)	0.3	(36.3)
Gas Utilities		(0.3)	(0.6)	(1.2)	(5.8)	23.9	85.6
Diversified Metals & Mining		0.5	(2.3)	(12.5)	(4.2)	(34.5)	0.4
Computer & Electronics Retail		(3.9)	(10.7)	(4.1)	(4.1)	(11.2)	(49.8)
Electric Utilities		0.4	0.9	0.8	(2.9)	9.1	(1.7)
Gold		1.8	0.2	(11.5)	(2.8)	(15.0)	11.4
Independent Power Producers & Energy Traders		0.5	(1.9)	(2.8)	(1.8)	(7.8)	(39.7)
Integrated Telecommunication Services		0.1	(0.8)	(2.5)	(1.7)	(2.6)	4.2
Mortgage REITs		0.5	(2.9)	(4.8)	(0.9)	(9.7)	(0.5)
Insurance Brokers		0.1	0.5	2.5	(0.4)	(3.1)	21.4
Office Services & Supplies		(0.6)	0.6	(2.1)	(0.1)	(29.8)	(43.4)
Oil & Gas Equipment & Services		1.3	(2.0)	(7.5)	0.2	(21.6)	(2.1)
Multi-Utilities		0.5	1.5	1.5	0.4	10.7	27.3
Food Retail		(0.0)	(0.4)	0.1	0.7	3.7	58.5
Specialized Consumer Services		(1.4)	(2.0)	1.0	0.9	(1.7)	(21.4)
Electronic Equipment & Instruments		(0.1)	(0.7)	(3.3)	1.0	(26.5)	(12.7)
Office Electronics		(0.6)	(1.7)	(1.8)	1.5	(24.2)	(45.7)
Food Distributors		0.3	0.1	1.5	1.8	7.8	3.2
Railroads		0.0	0.6	0.3	2.0	7.5	44.5
Household Products		0.3	0.6	1.3	2.3	11.2	21.3
Distributors		0.4	2.1	0.1	2.5	17.2	57.6
Oil & Gas Storage & Transportation		(0.1)	0.1	1.1	2.8	22.2	54.8
Packaged Foods & Meats		0.1	0.3	1.1	3.0	8.6	69.0
Oil & Gas Exploration & Production		0.9	(2.3)	(8.0)	3.3	(18.7)	(1.5)
Brewers		0.6	2.9	3.0	3.9	(3.6)	(15.0)
Steel		(0.1)	(1.5)	2.4	4.2	(31.1)	(35.8)
Integrated Oil & Gas		0.6	(0.7)	(6.2)	4.2	(12.8)	(9.9)
Diversified Support Services		0.3	0.6	(2.9)	4.7	2.7	14.7
Publishing		0.8	(1.0)	(0.7)	4.9	(7.3)	(8.9)
Specialized REITs		0.7	0.9	2.3	5.4	5.3	20.5
Home Furnishings		0.3	2.5	3.2	5.5	1.8	23.8
Hypermarkets & Super Centers		0.8	0.7	4.5	5.7	20.8	29.2

Data Source: GaveKal Equity Analytics
http://www.gavekalcapital.com/research_land.php



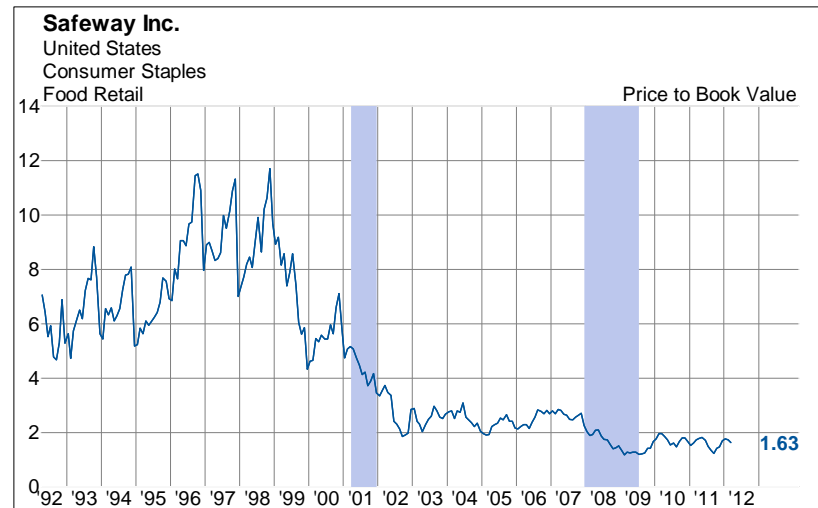
Valuations are at historic lows suggesting the potential for good future returns.



There is a really interesting opportunity here with Safeway. There aren't many companies selling at a 12% free cash flow yield* and sub 2x book value**.

*Free Cash Flow Yield: $\text{Operating Cash Flow} - \text{Capital Expenditures} = \text{Free Cash Flow}$; $\text{Free Cash Flow} / \text{Market Value} = \text{Free Cash Flow Yield}$

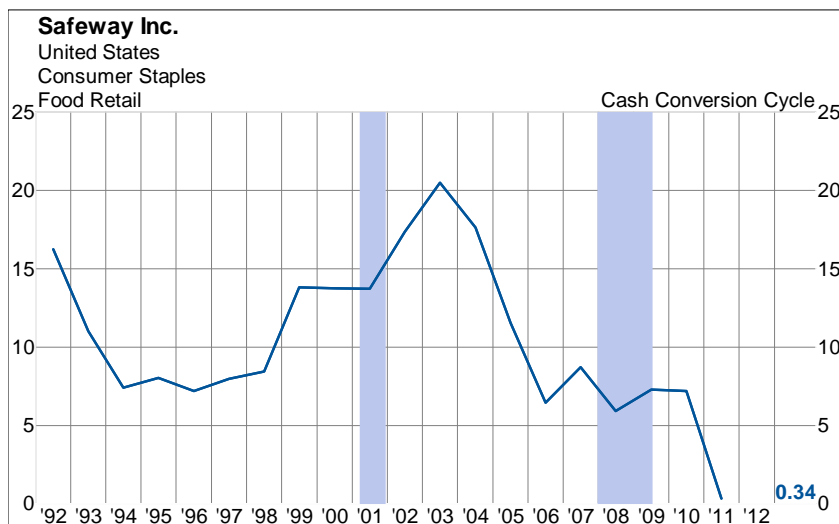
**Book Value: The value at which an asset is carried on a balance sheet.



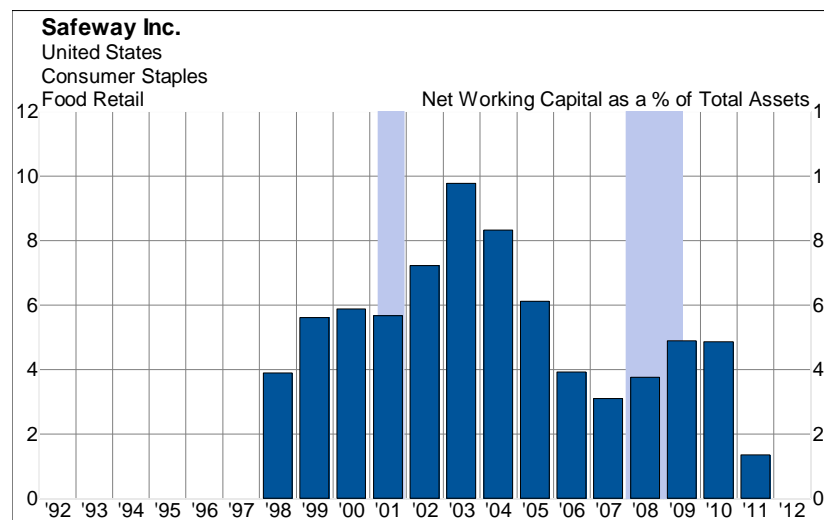
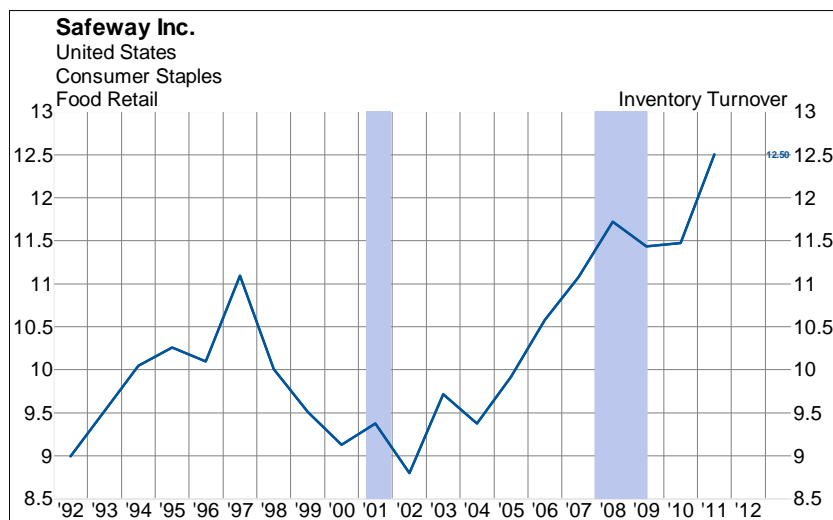
Data Source: FactSet Research



Management has focused on working capital improvements.

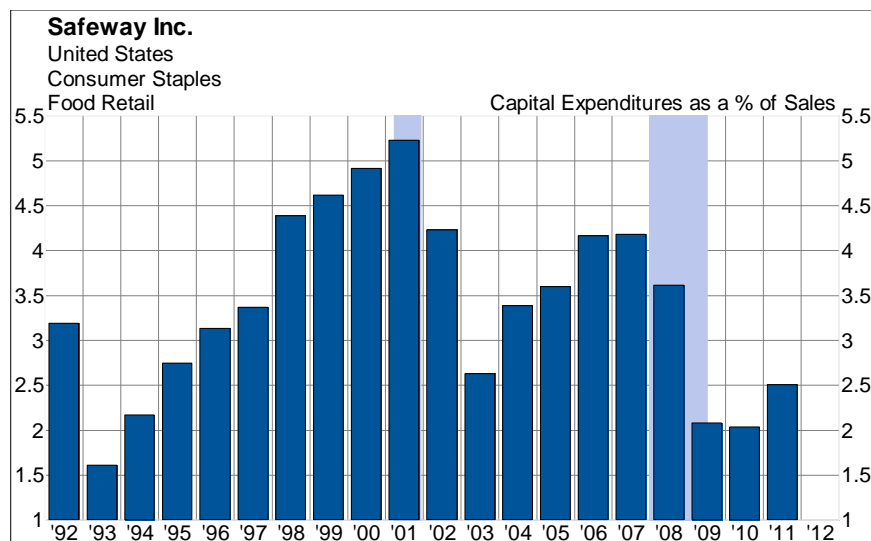


Sometimes the benefits of the platform company model show up outside the income statement. The drop in the cash conversion cycle, driven by improved inventory velocity, directly benefits the balance sheet.

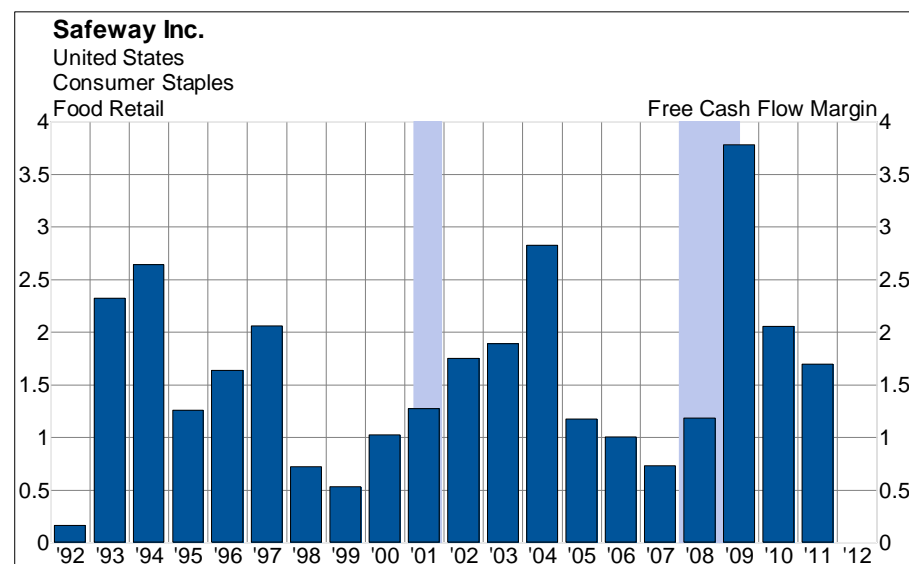
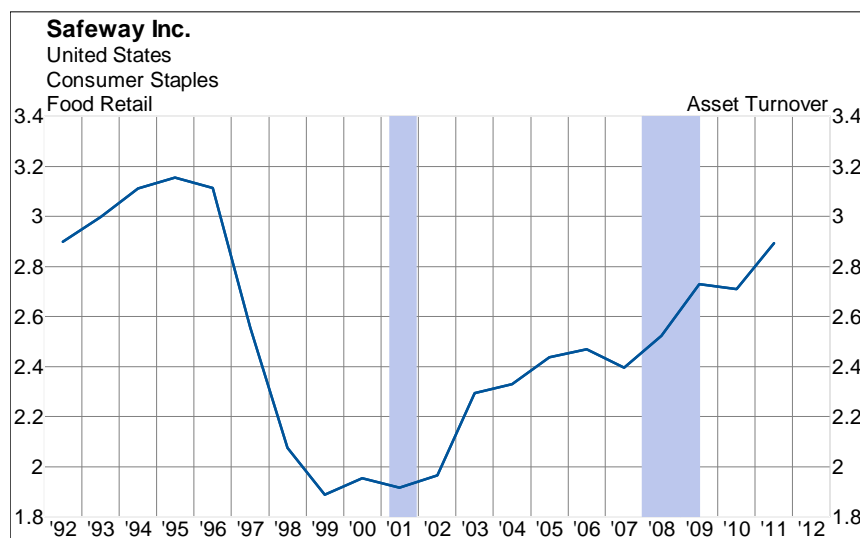


Data Source: FactSet Research

At the same time, they've been holding back on capital expenditures.

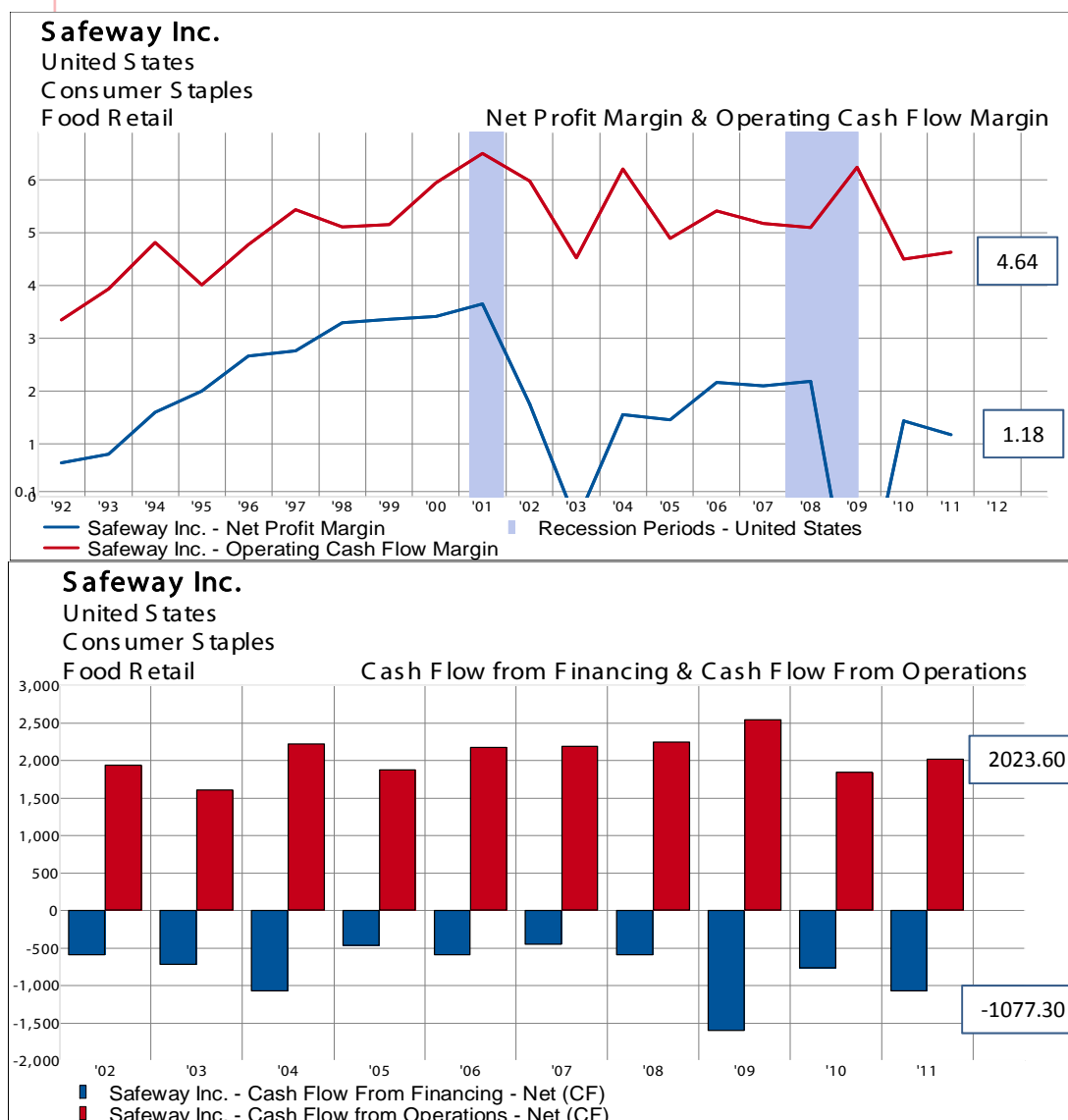


Coupled with record low levels of capital expenditures, increasing asset turnover is a recipe for free cash flow.



Data Source: FactSet Research

Improved cash flows are an important sign.



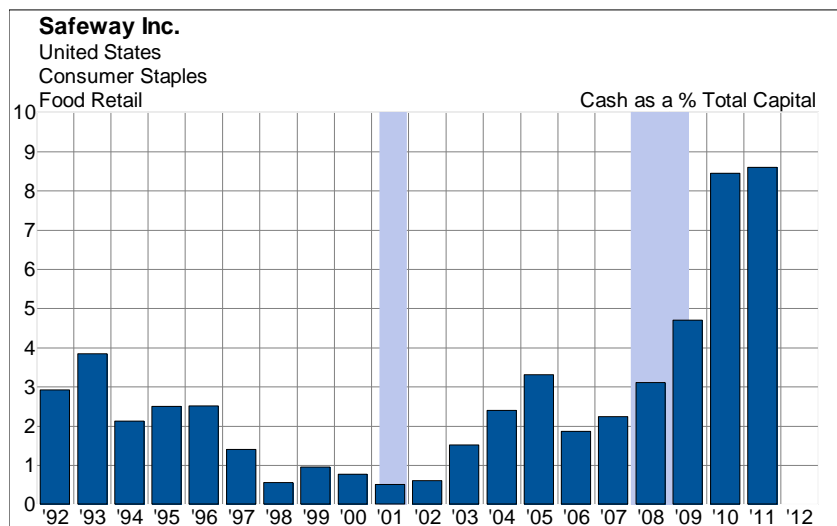
Data Source: FactSet Research

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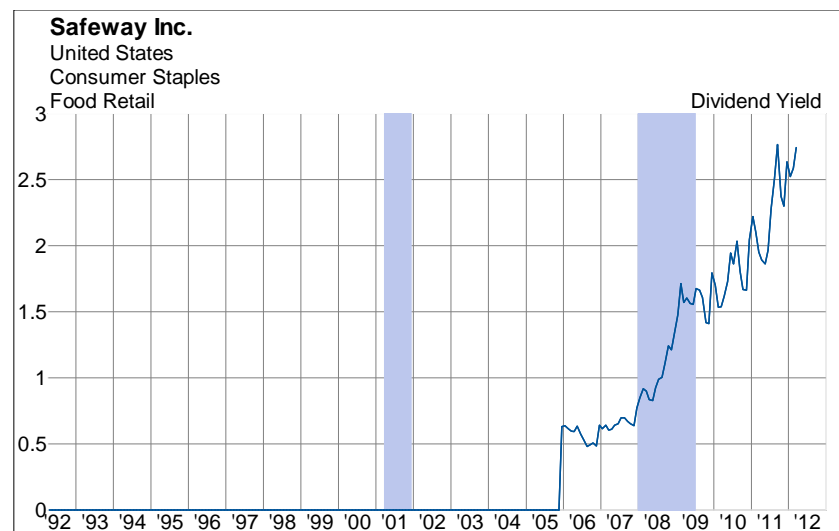
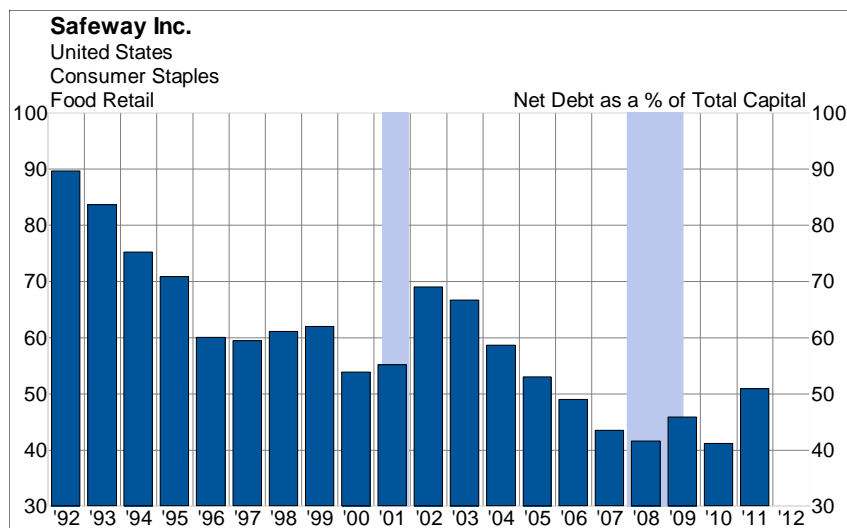
The tell-tale sign here is the elevated level of operating cash flow margins. When operating cash flow margins exceed profit margins, it means the company is realizing working capital improvements.

As efficiency improves and capital intensity declines, operating cash flow and financing cash flows diverge.

The cash shows up in several places bolstering the appeal of the stock.



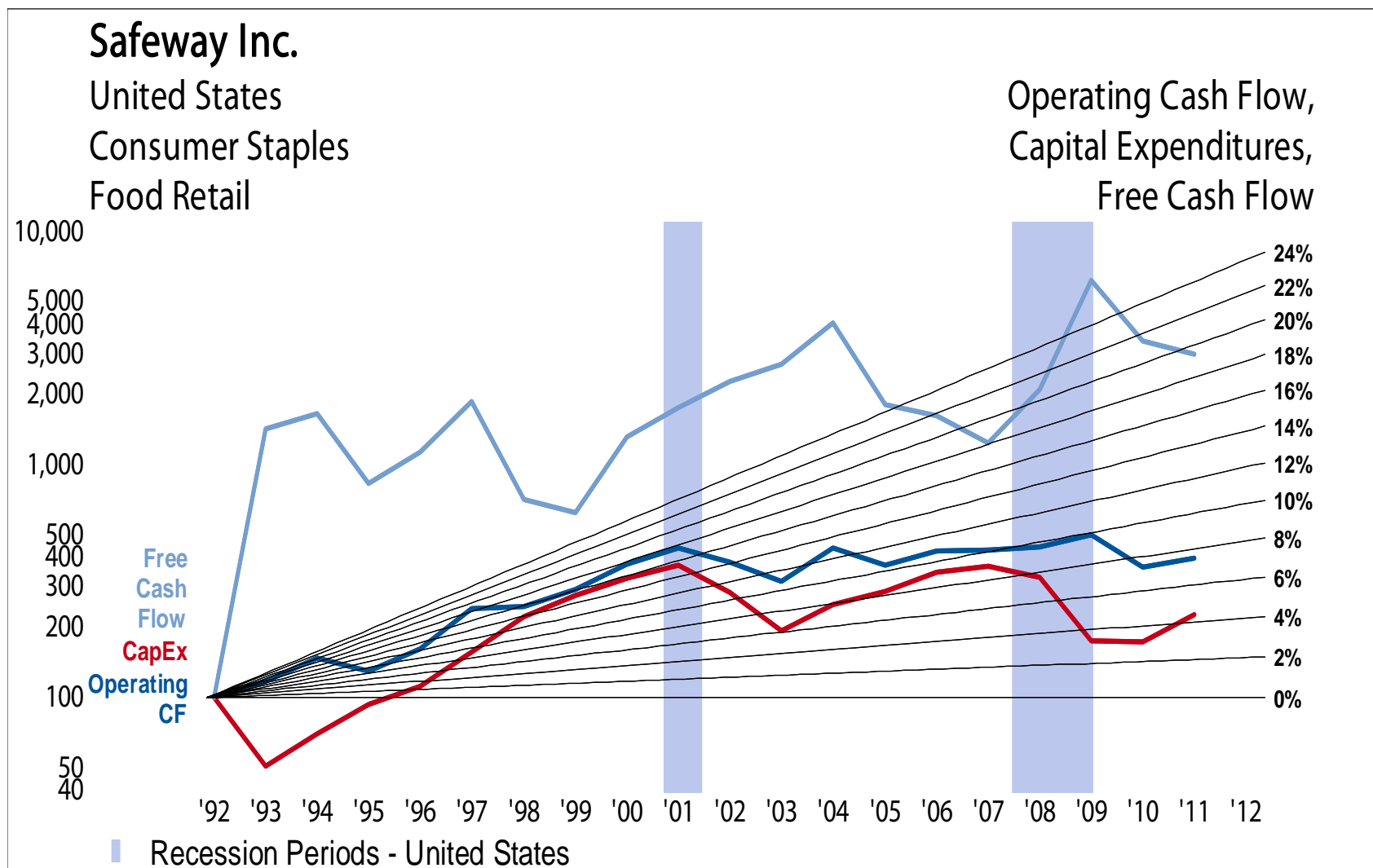
It looks like the company is doing several things with the cash: 1) letting pile up on the balance sheet, 2) paying down some debt, and 3) giving it back to shareholders as a dividend. These are all signs of stability and shareholder friendliness.



Data Source: FactSet Research



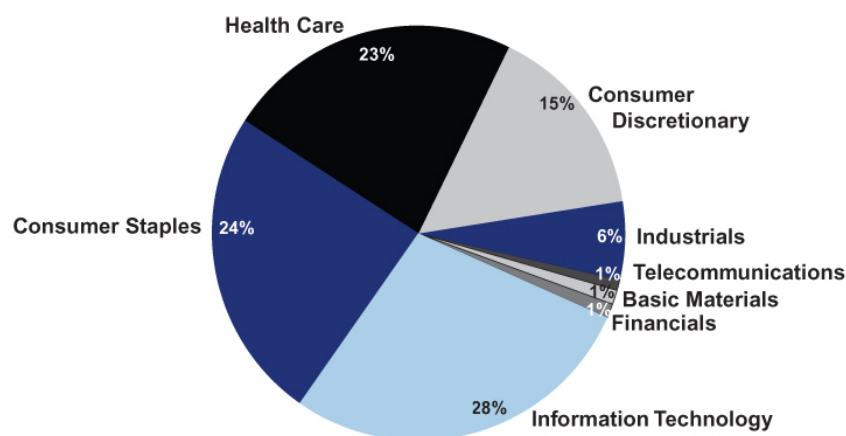
We think the 20% compound growth in free cash flow for two decades is completely underappreciated by the market.



Data Source: FactSet Research



We have taken a more defensive posture going into the second quarter.



Top 20 Holdings **% of Equities**

Beam Inc	1.82
Brown-Forman Corp	1.75
Garmin Ltd	1.65
Urban Outfitters Inc	1.65
Mattel Inc	1.61
Lockheed Martin Corp	1.60
Nike Inc	1.57
KLA-Tencor Corp	1.42
Delta Air Lines Inc	1.41
QUALCOMM Inc	1.39
Abbott Laboratories	1.38
EMC Corp	1.37
Symantec Corp	1.34
Google Inc	1.33
Intel Corp	1.32
Analog Devices Inc	1.31
Microchip Technology Inc	1.30
CA Inc	1.29
Maxim Integrated Products Inc	1.29
Texas Instruments Inc	1.28



Important Disclosures



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

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 including, foreign securities that trade in, and receive revenues in, foreign currencies are subject to the risk that those currencies will decline in value relative to the US dollar. 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.

The Morningstar International Stock Funds category ranking cited above is based on full calendar-year performance of the fund's total return compared to 3,612 funds in the asset class through March 31, 2012. Total return does not include sales charges but does account for expenses. Total return measures the increase or decrease of an investment in a fund as a percentage of that initial investment. Total return is determined by taking the change in price, reinvesting, if applicable, all income and capital gains distributions during the period, and dividing by the starting price. Total returns for periods longer than one year are annualized. Total return data is updated daily.

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For investors interested in the GaveKal Platform Strategy,
please contact Shawn Paulk at spaulk@gavekal-usa.com or 704.844.6844.

