marshfield
CONCENTRATED
OPPORTUNITY fund

MARKET COMMENTARY FOR MAY 2016

Among the many consequences of the financial crisis of ’08-’09 and the ensuing recession has been the apparent belief by stock market participants that they can see the macroeconomic future. And they don’t stop there; they believe that they can predict with precision what that putative future means for individual industries. In some ways, it was ever thus. The market, especially in times of economic change and discontinuity, is hungry for whatever guidance it can find, anointing many a false prophet in the process. Blame it perhaps on the revamped touchy-feely Fed and its new age of transparency and public outreach (no more Delphic utterances but a veritable Greek chorus of often contradictory opinions), but today everyone seems to be getting in touch with his or her inner macroeconomist. What results is a market that can’t seem to visualize the trees for the forest. The danger to an investor of looking at the market through a tinted lens is that it colors both judgment and actions, making it easier, not harder, to do intemperate things. Therefore, tempting as it might be for us to channel Keynes or Summers and bloviate about the future, we will refrain from making airy macroeconomic predictions and focus instead on what we can actually know: that companies that have demonstrated an ability to make money over a cycle, are in advantageously structured industries and have a strong and dynamic culture are likely to do well over time, even if [fill in scary event here] occurs.

Speaking of scary macroeconomic events, or at least of events with the potential to affect the macroeconomy, we wrote about Brexit the day after, expressing our opinion that the market seemed to be overreacting. Nothing that’s happened since has changed our opinion, although of course it is early days. Having said that, we try very hard not to incorporate any macroeconomic views we might have into our investing. But we do find that our valuation discipline drives us away from popular sectors, including the “comfort” stocks that have been so popular lately. We don’t (and probably won’t ever) own any utilities or telecom stocks or REITs. We don’t own any consumer staples, mostly for valuation reasons (we do own a couple of restaurant stocks, but for some reason those are considered consumer discretionary while food manufacturers and food retailers are considered consumer staples). And we own very little healthcare, again for valuation reasons (and concerns about the government’s willingness to allow them to continue raising prices as much as they have). Oh, and yes, we’re quite happy not to do all of these things.

As is usual in any quarter, we didn’t change much in the portfolio. We did fill out our small position in **Chipotle,** a currently controversial name in a business we know well. Partly to make room for this, and partly because we’ve become more skeptical about their asset-heavy operating models, we sold some of our **Toll Brothers** position and all of our **Leucadia** position.

We'll end by stating that we are doing what we are doing on purpose. We know that many other investors are positioned differently. We hope that is typically the case.

Disclosure

It should not be assumed that any securities transactions, holdings or sectors discussed were or will be profitable, or that the investment recommendations or decisions that we make in the future will be profitable. The opinions stated and strategies discussed in this commentary are subject to change at any time.

Mutual Fund investing involves risk; Principal loss is possible. Investment in the Fund is subject to stock market risk, equity securities risk, large-cap company risk, small-cap and mid-cap company risk, issuer risk, management style risk, industry and sector risk, value stock risk, new fund risk, and non-diversified status risk. For more information about the Fund's objective, charges, expenses, and risks (including more information about the risk listed above), please read the prospectus.

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The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectuses contain this and other important information about the investment company, and may be obtained by calling 1-855-691-5288. Please read carefully before investing.

As of May 31st, 2016 the top ten current holdings are Arch Capital Group LTD (9.0%), Moody's Corp (8.9%), Wells Fargo & Company (6.7%), Goldman Sachs Group Inc (5.9%), Fastenal Co (5.8%), NVR Inc (5.7%), Yum! Brands Inc (5.1%), Cummins Inc (5.1%), Allied World Assurance Co (4.9%), and Deere & Co (4.8%)

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