



SOUND SHORE FUND

P.O. BOX 588
PORTLAND, ME 04112

June 30, 2017

Dear Investor:

The Sound Shore Fund Investor (SSHFX) and Institutional (SSHVX) classes posted solid performance of 3.52% and 3.58%, respectively, in the second quarter of 2017, outpacing returns of 3.09% for the Standard & Poor's 500 Index (S&P) and 1.34% for the Russell 1000 Value Index (Russell Value). Year-to-date returns for SSHFX of 8.23% and for SSHVX 8.32% were behind the S&P 500's 9.34% and ahead of the Russell Value's 4.66%. Meanwhile, for the 12 months ending June 30, 2017, gains of 21.29% and 21.50% for SSHFX and SSHVX, respectively, outdistanced returns of 17.90% for the S&P and 15.53% for the Russell Value. Reasonable, if not spectacular, economic trends in most regions of the world have provided a constructive backdrop for markets to continue rewarding well-positioned companies that are growing earnings and cash flow.

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 June 30, 2017 were 21.29%, 15.25%, and 6.27%, respectively. The Fund's Institutional Class 1, 5, and 10-year average annual total returns for the period ended June 30, 2017 were 21.50%, 15.46%, and 6.46%, respectively. Fund returns assume the reinvestment of all dividend and capital gain distributions. 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. 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.

The Fund's quarterly results were led by a diverse group of 10 stocks each of which advanced more than 10%, including: insurance broker Aon, global bank Citigroup, power generator Calpine, airline Delta, payment processor First Data, linerboard maker International Paper, asset manager Invesco, software writer Oracle, lab supplier Thermo Fisher, and mobile carrier Vodafone. Consistent with our 39-year old contrarian value investment strategy, Sound Shore looks to uncover businesses like these which are leveraging company-specific drivers and emerging as sector winners.

Our investment in First Data, the period's best contributor, provides a great Sound Shore case study. We invested in the stock in 2016 when it was valued below peers at 9 times earnings with a 13% free cash yield due to an uncertain outlook for its core merchant acquiring segment. By contrast, our research confirmed that new management's focus on customer service was winning with key customers and could soon lead to improving sales trends. First Data's execution of its plan, which also includes cost cuts and debt reduction, has helped its shares to a gain of 50%, well ahead of the market. Even so, the stock remains attractively valued at a 30% discount to peers on a price to cash flow basis.



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Citigroup's strong performance in the quarter is also worth highlighting. We are long-term investors in Citi, having started our position after the company had repaired its balance sheet post the financial crisis. Citi boasts two unrivalled global franchises – consumer banking and treasury services – that provide a wide competitive "moat" versus other financial companies. Growth in these Citi-specific businesses has driven revenue and book value gains and put the company in an advantaged position for this year's Federal Reserve Stress Test. As a result, Citi plans to return 11% of its market capitalization to shareholders via dividends and share repurchase over the next 12 months. Despite recent gains, Citi's shares remain attractively valued at one times tangible book value and 13 times forward earnings.

Meanwhile, integrated natural gas producer Antero was a laggard for the period, held back by sluggish energy prices. We started our holding in the name earlier this year when it was valued at one times book value and after a significant decline in its share price over the past 2 years. While Wall Street may have near-term concerns, our analysis shows that Antero is positioned to double operating cash flow over the next 24-36 months as it grows its low cost Appalachian production. In addition, Antero should also benefit from its use of hedges to protect margins and its high relative exposure to sales of ethane and propane, key chemical feedstocks. We used the stock's second quarter pull back to add to our investment.

Sound Shore remains focused on finding stock-specific earnings and cash flow opportunities like those discussed above. Part of that analysis is calculating a company's free cash flow, defined as after tax operating cash flow less the capital expenditures necessary to grow the business, which we believe is the best barometer of an enterprise's value. To quote Warren Buffett from his 2000 Annual letter, "Common yardsticks such as dividend yield, the ratio of price to earnings or to book value, and even growth rates have nothing to do with valuation except to the extent they provide clues to the amount and timing of cash flows into and from the business."

Thank you for your investment alongside ours in Sound Shore.

Sincerely,

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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.



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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 6/30/17: Aon Corporation: 2.42%; Antero Resources Corp.: 3.14%; Calpine Corporation: 1.24%; CitiGroup, Inc.: 3.63%; Delta Air Lines, Inc.: 2.43%; First Data Corporation: 3.61%; International Paper Company: 2.95%; Invesco Ltd.: 2.48%; Oracle Corporation: 2.71%; Thermo Fisher Scientific, Inc.: 2.94%; and Vodafone Group PLC: 2.44%.

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 6/30/17 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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