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Mercator International Funds
The Mercator International Opportunity Fund Q3 report
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The Mercator International Opportunity Fund was up +0.40% for the quarter, compared to +1.35% for the Morgan Stanley EAFE index.

Since Inception (April 2nd, 2018) through September 30th, 2018, the International Fund has posted a gain of +0.79%, compared to +0.10% for the Morgan Stanley EAFE index.

This past performance is not indicative of future returns, for up-to-date performance data please contact our transfer agent at 1-800-869-1679. See Note 1.

Note 1
Mutual fund investing involves risk. Such risks associated with the Mercator International Opportunity Fund (MOPPX) as well as applicable investment objectives, charges and expenses must be considered carefully before investing. MOPPX Total Annual Fund Operating Expenses is 2.20%. The Advisor has contractually agreed to waive fees and/or reimburse expenses of the Fund to the extent necessary to limit total annual fund expenses (excluding brokerage costs; underlying fund expenses; borrowing costs such as (a) interest and (b) dividends on securities sold short; taxes; and extraordinary expenses) at 1.65%. The waiver

of fees and/or reimburse expenses is scheduled to expire on February 28, 2019. This and other important information about the Mercator International Opportunity Fund is found in the Prospectus, a copy of which or current performance information may be obtained by contacting Mutual Shareholder Services ("MSS") toll free at 1-800-869-1679. We encourage you to read the prospectus carefully before investing.

The meltdown of emerging markets since the beginning of the year did not affect the fund in the second quarter of its fiscal year. With the exception of one Chinese software company, MOPPX has no investments in emerging markets. The fund focuses on mature international markets where most of the high value added companies can be found.

Political risks are grossly underestimated by investors in emerging markets. Indeed, most attractive emerging market economies have all seen major political changes. Lately, all for the worse. Seemingly inspired by Zimbabwe's disastrous example, South Africa is planning to confiscate white farmers' land. Brazil goes from scandal to scandal. Argentina's currency collapsed again. So did Turkey's currency. The latter has now abandoned all pretense of democracy, moving firmly towards a theological dictatorship. The biggest emerging market economy of all, China, is experiencing a major slowdown. The Communist Party has tightened its grip on its citizens and on business. Today's Chinese emperor, Xi Jiping, has worked systematically at controlling all the levers of power. Like any fascist regime, China is using the market economy to build a strong army. The free market is a means to a goal, not an end in itself. Xi wants to be the new Mao, not the new Deng.

Furthermore, with the notable exception of China, emerging markets do not offer a large choice of dynamic companies for stock pickers to choose from. These are often markets that require top-down country allocation decisions. Once such a decision is made, the number and quality of stocks available to investors tends to be limited.

A Flat Quarter.

Last quarter, the contagion from emerging markets had not yet spilled over to the rest of the world. We saw weakness in some sectors. The semiconductor was starting to come under pressure, but the developed markets held up in general.

In an otherwise uneventful quarter, the take-over of Sodastream (SODA) is worthy of note. MOPPX held a 2% position in the stock when Pepsi made a bid for the company and we sold the shares at a substantial premium. This acquisition of the leading home-made soda water allows Pepsi to catch two consumer waves: healthy drinks and the rejection of polluting plastic bottles.

The Times They Are a Changin'.

The global investment environment is rapidly changing as I am writing this report. Boom-bust cycles are occurring with ever more frequency. It was only last February that we saw the most recent brutal sell-off in the markets. But such volatility should hardly come as a surprise in a period when the Fed is trying to normalize its monetary policy.

Since Greenspan's reflation in the wake of the 1987 crash, the Federal Reserve Bank has seemingly taken on a third mandate, i.e. bailing out investors. The tech bubble and the housing bubble were both followed by aggressive monetary policies. Then, when quantitative easing did not rekindle the economy as expected, the Fed embarked on a series of such QEs. For nearly a decade, interest rates have thus been kept near zero. It helped avoiding a recession, but created very little growth. One always felt that the hard part would be to intricate ourselves out of these very unusual policies.

The initial response to the 2008 financial crisis was one of plugging the leaks. It can be described as follows: bail out the banks (and the fat cats supposedly in charge of them); bail out investors by inflating asset prices; save international trade by turning a blind eye on its unsustainable abuses; borrow huge amounts of money to stimulate demand and make free money available to encourage the latter.

There would come a time when plugging the leaks would no longer suffice. A decade later, the US is now in a normalization process. The US is now confronting its problems head and putting the world on notice. NATO is a treaty between members, each with responsibilities. In any club, members who do not pay their dues are ejected. Free trade is no longer a one-way deal. Industrial spying is no longer tolerated from so-called partners. All this is happening while we are unleashing animal spirits again by deregulating and reducing the fiscal burden on companies and individuals.

These changes are so big that it is surprising financial markets have not seen more turmoil. Investors are confused. But changes always bring opportunities to those who can keep their eye on the long term outcome.

First, monetary normalization. The printing of money was the easy part. We liked it so much that we kept moving from QE to QE. After a while the world followed our example. Even the inflation-obsessed Germans let the ECB print its way out of economic doldrums. Japan went all in too. Both Europe and Japan are actually still in easing mode today.

But, if QE was meant to create a wealth effect, isn't the reverse true as well? One can see the immense challenge Bernanke and Co. has left us. Shrinking central banks' balance without inducing asset deflation will not be easy. The stock market just reminded us this.

Until a week ago, one had to be impressed by how the Fed managed the transition to normality. Helped by fiscal stimulus and deregulation, the strength of the economy has allowed the Fed to increase interest rates without choking the recovery. However, the higher cost of capital can still catch up with stock price valuations. The scary part is that the rest of the world is still in QE mode. How can Europe and Japan stop buying government debt at a time when their economies are barely growing? Raising rates in Europe now is just unthinkable.

The other major worry is trade. Markets rightly fear trade wars. However few doubt that we can continue letting let the Chinese abuse the free and open trade system. To participate, they too have to play by the rules. And bringing a few walls down from Fortress Europe would be a good thing too. These negotiations are creating uncertainty, but they are necessary for the long term wellbeing of the world economy. Already Mexico, Canada and the US have managed to strike a new deal.

Third, the accumulated public debt will eventually come back to bite us, especially once the cost of it goes up. The sooner we tackle this problem, the better for economic stability. Many people think this can only done by reducing expenses, which would dampen growth prospects. The US is alone in trying to grow out of its debt by stimulating growth. It worked in the 1980's and 90's, but the rest of the developed world will not go that route. This continues to put a lid on economic growth in Europe and Japan.

What Is An International Stock Picker To Do?

It is tempting to let the aforementioned macro trends distract us from looking at individual stocks. Especially in times of uncertainty and market correction, one can lose track of what made us buy a stock in the first place.

We do not believe we can predict market corrections. Those who brag of having predicted the last one, most likely also predicted the previous 10 ones that never happened. In the long run, what makes a difference is the quality of the investments, not the timing. Coming out of this correction, the strong companies will bounce back with a vengeance. The stocks that were inflated on weak fundamentals will not.

We have constructed a portfolio of stocks based on very strong long term fundamentals. The focus is always on the long term prospects. Ferrari (1.42% of the fund), for example, will do just fine even if fewer Chinese princelings can afford multi-million dollar cars. Ferrari, like Aston Martin (not owned by the fund), is pretty good at making their products very desirable while keeping the supply low. It is a great recipe to generate very impressive profit margins.

Nokia (2.9%) and Ericsson (not owned by the fund) actually benefit from today's tension between China and the West. With the mounting suspicion about their Chinese rivals' nefarious intentions, both these Scandinavian companies are likely to get a bigger share of the next generation of telecommunication infrastructure build-up.

E-commerce companies in Europe or Japan like ASOS (1.63%), Zalanto (1.05%), Ocado (1.22%), Boozt (1.46%) or Rakuten (1.34%) will continue to take market share from brick-and-mortar retailers. The penetration rate of online retailing is bound to grow further no matter the trade tensions.

The semiconductor sector has been under particular attack lately. Yet, analysts agree that the demand for semiconductors is driven by a long term forces like never before. These include the 5G revolution in telecoms, the driverless car and the increasing need for sensors in today's conventional and electric cars, the internet of things, artificial intelligence, big data, crypto currencies, etc.

The need for media content is growing with the number of streaming platforms. Kids all over the world love Entertainment One's Peppa Pig character. Tariffs will not change that, neither will higher interest rates. (MOPPX has 1.87% of the fund invested in Entertainment One Plc.)

The shift from paper to digital of newspapers and classified advertising is inevitable and accelerating. The latter is a local, winner-takes-all business, that is not at all influenced by trade wars. The fund continues to hold a 2.28% position in Schibsted, a leader in classified advertising in many different countries.

Market corrections are followed by recoveries. When the bounce comes, stocks with strong fundamentals go higher, much higher. The others do not.

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IMPORTANT DISCLOSURES:

Data current as of September 30th, 2018. The symbol for the Mercator International Opportunity Fund is MOPPX and the CUSIP is 19423L102. Fund inception was 4/2/2018.

Mutual fund investing involves risk. Such risks associated with the Mercator International Opportunity Fund (MOPPX) as well as applicable investment objectives, charges and expenses must be considered carefully before investing. This and other important information about the Fund is contained in the prospectus, which can be obtained by calling 1-800-869-1679 or 203-629-3300 or at WWW.MERCATORMUTUALFUNDS.COM. The prospectus should be read carefully before investing. The Mercator International Opportunity Fund is distributed by Arbor Court Capital, Member FINRA/SIPC. Belpointe Asset Management, LLC is not affiliated with Arbor Court Capital.

Past performance does not guarantee future results. Loss of principal is possible. Investment returns and principal value of an investment in the Mercator International Opportunity Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. For up-to-date

performance information please contact the fund's transfer agent at 1-800-869-1679.

The Morgan Stanley EAFE Index® measures the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada, commonly referred to as EAFE. It is used for comparison purposes only, and is not meant to be indicative of the Mercator International Opportunity Fund's performance, asset composition, or volatility. The performance of the Morgan Stanley EAFE Index ® is performance is with all dividends reinvested and does not reflect deductions for fees or expenses. Investors cannot invest directly in an index.

Investing in mid or small cap companies can be considered riskier than investing in large cap companies. In addition, the size of companies comprising an Index, although midcap by some country standards, could be considered small cap in the U.S. Currency risk involves the chance that the value of a foreign investment, measured in U.S. Dollars, will decrease due to unfavorable change in currency exchange rates.