



# BAYWOOD FUNDS

**Semi-Annual Report  
March 31, 2017  
(Unaudited)**

**Advised by:  
SKBA Capital Management, LLC  
[www.baywoodfunds.com](http://www.baywoodfunds.com)**



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**BAYWOOD VALUEPLUS FUND**  
A MESSAGE TO OUR SHAREHOLDERS  
MARCH 31, 2017

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Dear Shareholder,

We are pleased to report our economic and financial market perspectives and the investment activities for the Baywood ValuePlus Fund (the “Fund”) for the six months ended March 31, 2017. The Fund is a large-capitalization value fund that purchases primarily dividend-paying companies traded on U.S. exchanges and uses SKBA’s Relative Dividend Yield (RDY) discipline as the initial valuation framework. We believe that RDY points out attractive investment opportunities, not simply among companies with above-average dividend yield, but just as importantly among stocks for which low expectations are already discounted into their valuations at the time of purchase. This provides the potential for attractive capital appreciation opportunities, while offering desirable downside protection.

For a period fraught with nail-biting geo-political events and a post-election surge in Treasury bond yields, the Fund exceeded the return of the benchmarks and the median return of the Morningstar Large-Cap Value (LCV) funds in the final quarter of 2016 and lagged both in the first quarter of 2017. Earlier in the 2016 calendar year we increased ValuePlus’ cyclical exposure when volatility widened the opportunity set. Taking advantage of these opportunities early in 2016 set up fourth quarter performance as financials and economically-sensitive stocks experienced a post-election surge based on the “hope” that the change in the party in power might lead to faster economic growth. As reality set in during the first quarter of 2017 that the Republican agenda would be much more difficult to achieve than market expectations, investors appeared to default back toward growth and technology stocks, with energy sector stocks producing negative returns during the market’s overall advance. Despite the ups and downs of market sentiment and consensus expectations over the last twelve months, however, the Fund’s total return exceeded both the S&P 500 and the median Morningstar LCV fund.

To repeat what may be a cliché – being a value investor is simple, but it is not easy. It is simple because the rules for successful investment are fairly well established. It is not easy, however, because we operate in a lonely place, where investors are too uncomfortable to move away from the consensus expectation that so often disagrees with our perspectives. But to use another cliché, no one ever made money by simply following the crowd, at least not over a longer timeframe.

So, in that vein we have been spending our time progressively taking advantage of the rolling-bear- markets in various sectors. From the peaks in 2013 and 2014, energy and commodities suffered a large decline in performance, providing investment opportunities from our RDY discipline in late 2015 and early 2016. Financials suffered from the extended decline in interest rates, creating further opportunities in the fourth quarter of 2016. In the second half of 2016, the healthcare sector’s valuations become more depressed from severe political scrutiny over drug pricing. In the first quarter of 2017, consumer discretionary stocks, retailers in particular, suffered significant declines, creating opportunities in selective companies with good brand franchises. It is interesting to us that a recent sampling of Wall Street strategists—of Barrons magazine—almost universally suggest avoiding the consumer staples, REIT and utility sectors, sectors we have been underweight for over a year. Where were they last year, we ask? We believe today’s current portfolio positioning could pay off for patient Fund investors in the coming year.

During the period we initiated positions in LBrands, Morgan Stanley, Cardinal Health, Novo Nordisk, Gilead Sciences, Intel, Hewlett Packard and Coach. Our attraction to these companies comes from the combination of depressed valuations and our confidence in their long-term fundamental business strategies; yet the return opportunities we see may take two to three years to be fully realized. Three out of the four positions we eliminated proved to be outstanding investments over just such time horizons (positions in Wells Fargo, Goldcorp, Baxter and Becton Dickinson among others were eliminated). We would like to continue such a record.

Our underweight position in electric utilities helped late in 2016 and hurt more recently due to fears that President Trump’s agenda will not easily be fulfilled. We are underweight utilities and have been for years not because of the administration but because of significant risks we see in the sector. We will continue to be underweight until we witness an improvement in either valuations or fundamentals, and preferably in both. Utilities performed poorly at the end of 2016 and strongly early this year, behaving as “bond proxies” in the era of ultra-low interest rates; at some point this link will break. As many of the top performing sectors of 2016 performed poorly in the first quarter, so too did poor performing sectors last year perform well. None of these short-term patterns are indicative of any changes to company fundamentals, however, and as such we continue to find more opportunities in areas that are being neglected.

There is an irony that in spite of indices reaching new highs, as value investors we have been able to capture more sources of excess return than we have in years and our opportunity set has not diminished. What is important to us is not so much the level of the market as it is the volatility that may grip certain industries at any point in time. As we assess the new administration’s first few months in office, recent low levels of stock market volatility are unlikely to continue. As investors looking to take advantage of

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MARCH 31, 2017

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volatility-driven mis-pricings, we expect this environment to be like many we have taken advantage of in the past. As with our actions in healthcare recently, we expect to find and purchase additional companies as they reach our level of valuation attraction.

For more detailed information on SKBA Capital Management, LLC and our investment process and perspectives, visit our website at [www.SKBA.com](http://www.SKBA.com).

*Current and future portfolio holdings are subject to change and risk.*

*The Morningstar category is used to compare fund performance to its peers. It is not possible to invest directly into an index or category. Past performance is no guarantee of future results.*

*Risk Considerations: Mutual fund investing involves risk, including the possible loss of principal. The Fund primarily invests in undervalued securities, which may not appreciate in value as anticipated by the Advisor or remain undervalued for longer than anticipated. The Fund may invest in American Depositary Receipts (ADRs), which involves risks relating to political, economic or regulatory conditions in foreign countries and may cause greater volatility and less liquidity. The Fund may also invest in convertible securities and preferred stock, which may be adversely affected as interest rates rise.*

**BAYWOOD VALUEPLUS FUND**

## SCHEDULE OF INVESTMENTS

MARCH 31, 2017

Shares	Security Description	Value	Shares	Security Description	Value
<b>Common Stock - 94.9%</b>			2,200	Koninklijke Philips NV, ADR	\$ 70,642
<b>Basic Materials - 5.7%</b>			700	Novo Nordisk A/S, ADR	23,996
	500 LyondellBasell Industries NV, Class A	45,595			<u>337,412</u>
	200 Packaging Corp. of America	18,324	<b>Technology - 15.1%</b>		
	2,300 The Mosaic Co.	67,114	2,500	Cisco Systems, Inc.	84,500
	<u>131,033</u>		200	Harris Corp.	22,254
<b>Capital Goods / Industrials - 7.2%</b>			1,500	HP, Inc.	26,820
	400 Eaton Corp. PLC	29,660	600	Intel Corp.	21,642
	400 Republic Services, Inc.	25,124	200	International Business Machines Corp.	34,828
	300 Stanley Black & Decker, Inc.	39,861	700	Microsoft Corp.	46,102
	400 The Boeing Co.	70,744	1,100	QUALCOMM, Inc.	63,074
	<u>165,389</u>		300	TE Connectivity, Ltd.	22,365
<b>Consumer Cyclical - 3.4%</b>			300	Texas Instruments, Inc.	24,168
	1,600 Ford Motor Co.	18,624			<u>345,753</u>
	600 L Brands, Inc.	28,260	<b>Telecommunications - 2.3%</b>		
	1,200 Mattel, Inc.	30,732	1,100	Verizon Communications, Inc.	53,625
	<u>77,616</u>		<b>Transportation - 2.4%</b>		
<b>Consumer Discretionary - 0.9%</b>			300	CH Robinson Worldwide, Inc.	23,187
	500 Coach, Inc.	20,665	300	Union Pacific Corp.	31,776
<b>Consumer Staples - 8.3%</b>					<u>54,963</u>
	500 PepsiCo, Inc.	55,930	<b>Utilities - 1.2%</b>		
	700 The Procter & Gamble Co.	62,895	800	Exelon Corp.	28,784
	1,000 Wal-Mart Stores, Inc.	72,080	Total Common Stock		
	<u>190,905</u>		(Cost \$1,935,776)		
<b>Energy - 13.6%</b>					<u>2,178,317</u>
	1,700 BP PLC, ADR	58,684	<b>Money Market Fund - 4.8%</b>		
	300 Chevron Corp.	32,211	109,855	Federated Government Obligations Fund, Institutional Class, 0.60% <sup>(a)</sup> (Cost \$109,855)	109,855
	700 ConocoPhillips	34,909	<b>Total Investments - 99.7%</b>		
	600 Helmerich & Payne, Inc.	39,942	<b>(Cost \$2,045,631)*</b>		
	1,300 Occidental Petroleum Corp.	82,368	<b>\$ 2,288,172</b>		
	300 Schlumberger, Ltd.	23,430	<b>Other Assets &amp; Liabilities, Net - 0.3%</b>		
	600 Valero Energy Corp.	39,774	<b>Net Assets - 100.0%</b>		
	<u>311,318</u>		<b>\$ 2,294,806</b>		
<b>Financials - 20.1%</b>			ADR	American Depositary Receipt	
	900 BB&T Corp.	40,230	PLC	Public Limited Company	
	600 BOK Financial Corp.	46,962	(a)	Variable rate security. Rate presented is as of March 31, 2017.	
	340 Chubb, Ltd.	46,325	<b>* Cost for federal income tax purposes is substantially the same as for financial statement purposes and net unrealized appreciation consists of:</b>		
	1,200 FNF Group	46,728	Gross Unrealized Appreciation	\$	280,175
	500 JPMorgan Chase & Co.	43,920	Gross Unrealized Depreciation		(37,634)
	500 M&T Bank Corp.	77,365	Net Unrealized Appreciation	\$	<u>242,541</u>
	1,100 MetLife, Inc.	58,102			
	800 Morgan Stanley	34,272			
	1,300 U.S. Bancorp	66,950			
	<u>460,854</u>				
<b>Health Care - 14.7%</b>					
	900 AbbVie, Inc.	58,644			
	300 Cardinal Health, Inc.	24,465			
	800 Eli Lilly & Co.	67,288			
	300 Gilead Sciences, Inc.	20,376			
	1,100 HealthSouth Corp.	47,091			
	200 Johnson & Johnson	24,910			

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**BAYWOOD VALUEPLUS FUND**

## SCHEDULE OF INVESTMENTS

MARCH 31, 2017

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The following is a summary of the inputs used to value the Fund's investments as of March 31, 2017.

The inputs or methodology used for valuing securities are not necessarily an indication of the risks associated with investing in those securities. For more information on valuation inputs, and their aggregation into the levels used in the table below, please refer to the Security Valuation section in Note 2 of the accompanying Notes to Financial Statements.

<b>Valuation Inputs</b>	<b>Investments in Securities</b>
Level 1 - Quoted Prices	\$ 2,178,317
Level 2 - Other Significant Observable Inputs	109,855
Level 3 - Significant Unobservable Inputs	-
<b>Total</b>	<b><u>\$ 2,288,172</u></b>

The Level 1 value displayed in this table is Common Stock. The Level 2 value displayed in this table is a Money Market Fund. Refer to this Schedule of Investments for a further breakout of each security by industry.

The Fund utilizes the end of period methodology when determining transfers. There were no transfers among Level 1, Level 2 and Level 3 for the period ended March 31, 2017.

**PORTFOLIO HOLDINGS****% of Total Investments**

Basic Materials	5.7%
Capital Goods / Industrials	8.6%
Consumer Cyclical	3.4%
Consumer Discretionary	0.9%
Consumer Staples	8.3%
Energy	13.6%
Financials	20.1%
Health Care	14.8%
Technology	15.1%
Telecommunications	2.4%
Transportation	1.0%
Utilities	1.3%
Money Market Fund	4.8%
	<u>100.0%</u>

**BAYWOOD VALUEPLUS FUND**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**MARCH 31, 2017**

**ASSETS**

Total investments, at value (Cost \$2,045,631)	\$	2,288,172
Receivables:		
Fund shares sold		1,727
Investment securities sold		53,676
Dividends		3,304
From investment advisor		9,389
Prepaid expenses		22,118
Total Assets		<u>2,378,386</u>

**LIABILITIES**

Payables:		
Investment securities purchased		70,983
Accrued Liabilities:		
Trustees' fees and expenses		30
Fund services fees		4,007
Other expenses		8,560
Total Liabilities		<u>83,580</u>

**NET ASSETS**

\$ 2,294,806

**COMPONENTS OF NET ASSETS**

Paid-in capital	\$	1,974,460
Undistributed net investment income		4,883
Accumulated net realized gain		72,922
Net unrealized appreciation		242,541
<b>NET ASSETS</b>	<b>\$</b>	<b><u>2,294,806</u></b>

**SHARES OF BENEFICIAL INTEREST AT NO PAR VALUE (UNLIMITED SHARES AUTHORIZED)**

Investor Shares	99,796
Institutional Shares	39,468

**NET ASSET VALUE, OFFERING AND REDEMPTION PRICE PER SHARE**

Investor Shares (based on net assets of \$1,642,383)	\$	16.46
Institutional Shares (based on net assets of \$652,423)	\$	16.53

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**BAYWOOD VALUEPLUS FUND**  
**STATEMENT OF OPERATIONS**  
**SIX MONTHS ENDED MARCH 31, 2017**

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**INVESTMENT INCOME**

Dividend income (Net of foreign withholding taxes of \$53)	\$ 33,477
Total Investment Income	<u>33,477</u>

**EXPENSES**

Investment advisor fees	5,714
Fund services fees	29,534
Transfer agent fees:	
Investor Shares	8,774
Institutional Shares	9,442
Distribution fees:	
Investor Shares	2,130
Custodian fees	2,457
Registration fees:	
Investor Shares	6,920
Institutional Shares	7,444
Professional fees	13,145
Trustees' fees and expenses	1,141
Miscellaneous expenses	9,680
Total Expenses	<u>96,381</u>
Fees waived and expenses reimbursed	<u>(86,251)</u>
Net Expenses	<u>10,130</u>

**NET INVESTMENT INCOME**

23,347

**NET REALIZED AND UNREALIZED GAIN (LOSS)**

Net realized gain on investments	100,549
Net change in unrealized appreciation (depreciation) on investments	<u>71,683</u>

**NET REALIZED AND UNREALIZED GAIN**

172,232

**INCREASE IN NET ASSETS RESULTING FROM OPERATIONS**

\$ 195,579

**BAYWOOD VALUEPLUS FUND**  
**STATEMENTS OF CHANGES IN NET ASSETS**

	<b>For the Six Months Ended March 31, 2017</b>	<b>December 1, 2015 Through September 30, 2016*</b>
<b>OPERATIONS</b>		
Net investment income	\$ 23,347	\$ 33,702
Net realized gain	100,549	54,453
Net change in unrealized appreciation (depreciation)	71,683	75,799
Increase in Net Assets Resulting from Operations	<u>195,579</u>	<u>163,954</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM</b>		
Net investment income:		
Investor Shares	(16,413)	(184,835)
Institutional Shares	(6,285)	(59,920)
Net realized gain:		
Investor Shares	(29,530)	(30,026)
Institutional Shares	(9,288)	(9,339)
Total Distributions to Shareholders	<u>(61,516)</u>	<u>(284,120)</u>
<b>CAPITAL SHARE TRANSACTIONS</b>		
Sale of shares:		
Investor Shares	37,421	222,661
Institutional Shares	73,427	82,490
Reinvestment of distributions:		
Investor Shares	45,944	214,861
Institutional Shares	15,573	69,259
Redemption of shares:		
Investor Shares	(241,432)	(4,481)
Institutional Shares	(4,505)	(17,824)
Increase (Decrease) in Net Assets from Capital Share Transactions	<u>(73,572)</u>	<u>566,966</u>
Increase in Net Assets	<u>60,491</u>	<u>446,800</u>
<b>NET ASSETS</b>		
Beginning of Period	2,234,315	1,787,515
End of Period (Including line (a))	<u>\$ 2,294,806</u>	<u>\$ 2,234,315</u>
<b>SHARE TRANSACTIONS</b>		
Sale of shares:		
Investor Shares	2,306	14,548
Institutional Shares	4,436	5,823
Reinvestment of distributions:		
Investor Shares	2,800	14,608
Institutional Shares	944	4,691
Redemption of shares:		
Investor Shares	(14,730)	(299)
Institutional Shares	(275)	(1,208)
Increase (Decrease) in Shares	<u>(4,519)</u>	<u>38,163</u>
(a) Undistributed net investment income	\$ 4,883	\$ 4,234

\* Effective March 24, 2016, the Fund changed its fiscal year end from November 30 to September 30.

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**BAYWOOD VALUEPLUS FUND**  
**FINANCIAL HIGHLIGHTS**

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These financial highlights reflect selected data for a share outstanding throughout each period.

	<b>For the Six Months Ended March 31, 2017</b>	<b>For the Period Ended September 30, 2016(a)</b>	<b>For the Year Ended November 30, 2015</b>	<b>December 2, 2013 (b) Through November 30, 2014</b>
<b>INVESTOR SHARES</b>				
<b>NET ASSET VALUE, Beginning of Period</b>	\$ 15.52	\$ 16.90	\$ 19.28	\$ 17.47
<b>INVESTMENT OPERATIONS</b>				
Net investment income (c)	0.16	0.26	0.34	0.36
Net realized and unrealized gain (loss)	1.20	0.93	(1.06)	1.49
Total from Investment Operations	1.36	1.19	(0.72)	1.85
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM</b>				
Net investment income	(0.15)	(2.20)	(0.26)	(0.04)
Net realized gain	(0.27)	(0.37)	(1.40)	—
Total Distributions to Shareholders	(0.42)	(2.57)	(1.66)	(0.04)
<b>NET ASSET VALUE, End of Period</b>	<u>\$ 16.46</u>	<u>\$ 15.52</u>	<u>\$ 16.90</u>	<u>\$ 19.28</u>
<b>TOTAL RETURN</b>	8.77%(d)	8.40%	(3.86)%	10.59%(d)
<b>RATIOS/SUPPLEMENTARY DATA</b>				
Net Assets at End of Period (000's omitted)	\$1,642	\$1,699	\$1,362	\$1,471
Ratios to Average Net Assets:				
Net investment income	1.98%(e)	2.07%	1.97%	1.98%(e)
Net expenses	0.95%(e)	0.95%	0.95%	0.95%(e)
Gross expenses (f)	7.39%(e)	9.43%	5.80%	4.54%(e)
<b>PORTFOLIO TURNOVER RATE</b>	22%(d)	22%	32%	35%(d)

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- (a) Effective March 24, 2016, the Fund changed its fiscal year end from November 30 to September 30. The information presented is for the period December 1, 2015 through September 30, 2016.
- (b) Commencement of operations.
- (c) Calculated based on average shares outstanding during each period.
- (d) Not annualized.
- (e) Annualized.
- (f) Reflects the expense ratio excluding any waivers and/or reimbursements.

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**BAYWOOD VALUEPLUS FUND**  
FINANCIAL HIGHLIGHTS

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These financial highlights reflect selected data for a share outstanding throughout each period.

	<b>For the Six Months Ended March 31, 2017</b>	<b>For the Period Ended September 30, 2016(a)</b>	<b>For the Year Ended November 30, 2015</b>	<b>December 2, 2013 (b) Through November 30, 2014</b>
<b>INSTITUTIONAL SHARES</b>				
<b>NET ASSET VALUE, Beginning of Period</b>	\$ 15.59	\$ 17.00	\$ 19.42	\$ 17.56
<b>INVESTMENT OPERATIONS</b>				
Net investment income (c)	0.18	0.29	0.39	0.41
Net realized and unrealized gain (loss)	1.20	0.94	(1.06)	1.50
Total from Investment Operations	1.38	1.23	(0.67)	1.91
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM</b>				
Net investment income	(0.17)	(2.27)	(0.35)	(0.05)
Net realized gain	(0.27)	(0.37)	(1.40)	—
Total Distributions to Shareholders	(0.44)	(2.64)	(1.75)	(0.05)
<b>NET ASSET VALUE, End of Period</b>	<u>\$ 16.53</u>	<u>\$ 15.59</u>	<u>\$ 17.00</u>	<u>\$ 19.42</u>
<b>TOTAL RETURN</b>	8.86%(d)	8.65%	(3.58)%	10.87%(d)
<b>RATIOS/SUPPLEMENTARY DATA</b>				
Net Assets at End of Period (000's omitted)	\$652	\$536	\$426	\$11,067
Ratios to Average Net Assets:				
Net investment income	2.22%(e)	2.30%	2.23%	2.26%(e)
Net expenses	0.70%(e)	0.70%	0.70%	0.70%(e)
Gross expenses (f)	11.45%(e)	14.43%	2.09%	2.50%(e)
<b>PORTFOLIO TURNOVER RATE</b>	22%(d)	22%	32%	35%(d)

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- (b) Commencement of operations.
- (c) Calculated based on average shares outstanding during each period.
- (d) Not annualized.
- (e) Annualized.
- (f) Reflects the expense ratio excluding any waivers and/or reimbursements.

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**BAYWOOD SOCIALLY RESPONSIBLE FUND**

A MESSAGE TO OUR SHAREHOLDERS

MARCH 31, 2017

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Dear Shareholder,

We are pleased to report our economic and financial market perspectives and the investment activities for the Baywood Socially Responsible Fund (the “Fund”) for the six months ended March 31, 2017. The Fund is a mid-to-large capitalization value-oriented portfolio of stock holdings selected from a universe of stocks created through the application of inclusionary and exclusionary social screens and assessments of the ESG profile of each company. Among these stocks, we further evaluate and assess each prospective holding’s valuation and fundamental business attraction to determine the current portfolio holdings. In selecting investments, we consider social criteria such as an issuer’s community relations, corporate governance, employee diversity, employee relations, environmental impact and sustainability, human rights record and product safety. Using both quantitative and qualitative data, we also evaluate an issuer’s involvement in specific revenue generating activities to determine whether the issuer’s involvement was meaningful or incidental with respect to that activity.

For the six month period ending March 31, 2017, the Fund outperformed the MSCI KLD 400 Social Index and modestly underperformed the Russell 1000 Value Index and Morningstar’s median Large-Cap Value (LCV) fund. In a period that witnessed an upheaval in the world’s most important economy’s political system, which whipsawed equities and resulted in a large dispersion of returns amongst managers, the steady returns the Fund achieved are no small feat. This was managed by not making bets on the outcome of Brexit, nor on the U.S. election nor on how many times the Fed will raise rates, but on purchasing companies whose valuations do not reflect positive effects should those or any other events occur. The strategy most certainly owned companies that benefited from both a rise in interest rates and the outcome of the election (if the two could even be separated), yet we most certainly did not pay up for the privilege. As a result over the last twelve months, the Fund exceeded the total return of the S&P 500 and Morningstar’s median LCV fund.

Performance in the period can be best characterized by our “value” discipline, in which the culture of the firm and the people within it are loathe to over-pay for assets. The strategy accrued over 100 basis points against the Russell 1000 Value Index by simply being underweight the most expensive sectors. These aren’t the high-flying stocks that pushed indices near highs last year (Facebook, Amazon, Netflix or Google), none of which we owned. Instead, these are your most traditionally defensive, stable, low beta stocks: consumer staples, real estate, telecom and utilities. Historically, these sectors tend to be out-of-favor in economic expansions due to slow growth and the majority of their earnings are distributed to shareholders as large dividends. However, they have behaved much differently recently than they have in the past as the ultra-low interest rate regime has forced investors to reach for yield, making them effective bond substitutes. This has pushed valuations to record highs, while at the same time each sector faces fundamental problems of their own that will result in them being more volatile going-forward. With seemingly unabated flows going into these sectors, others, by contrast, are being neglected.

Health care, in general, is one such sector and, as a result, we have spent much of our time looking for companies with strong fundamentals that are being mis-priced. Some of the highest returns recorded in the first quarter were in health care, the worst sector in the Russell 1000 Value for 2016. The rally occurred mostly in companies that were at multi-year lows from both decreased profitability and political rhetoric around drug pricing. We did not own these companies and therefore, despite the overweight position in health care, the selection effect offset the positive allocation contribution. The health care companies we do own will benefit from an aging population and the growing health care market, which produce steady earnings streams, strong cash flow and on the whole will likely behave more defensively as a group than other, more traditionally “defensive” sectors. LabCorp, Novo Nordisk and Cardinal Health were all added in the period and share those attributes.

In the fourth quarter of 2016, energy and financials accounted for nearly 95% of the Russell 1000 Value Index 6.5% return for the quarter. As such, the strategy’s underweight position in financials and energy resulted in a modest shortfall. Other factors that detracted from performance were holdings within the consumer discretionary sector. Most of the weakness was offset by the contribution from our exposure to industrials as well as our decision to avoid the aforementioned “defensive” sectors. As it stands, the portfolio has a modest pro-cyclical bias, which increased throughout the period from our purchases of out-of-favor companies within economically sensitive sectors.

The first quarter of 2017 represented a reversal of sorts from what occurred in the market in 2016. Sectors that performed well in 2016 produced some of the lowest returns, and those that did the best took a breather. Financials and energy, both of which returned well in excess of the overall market in 2016, lagged the market in the first quarter of 2017.

Information technology was the best performing sector in the Russell 1000 Value Index for the quarter. Our overweight position contributed to returns, however one company’s performance, Qualcomm, nearly offset the sector contributions. Qualcomm was one of the portfolios best performing stocks last year when attacks on its royalty stream began to fade from headlines and investors

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**BAYWOOD SOCIALLY RESPONSIBLE FUND**

A MESSAGE TO OUR SHAREHOLDERS

MARCH 31, 2017

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focused on underlying profitability. Yet in January, headline risk manifested itself again when Apple sued Qualcomm on its royalty practices. The full sum of payments Apple is seeking to reduce will not likely be realized as we perceive it to be a starting point for negotiations. However, since its business model continues to be assailed by phone makers and governments abroad, we have reduced its earning power accordingly. The position size is now reflective of the likely reduction in its royalty streams. One can easily view Apple's aggressive actions as a way to squeeze more margins out of a declining market, an ominous sign for Apple and its supply chain.

Companies we tend to favor have similar characteristics: high cash flow, dominant market share, attractively valued and improving fundamentals; there is no better place today to find an abundance of these characteristics than in parts of the information technology sector. Consolidation and the realization of value in software are providing a boom for the profitability and market positions for many IT companies and is one of the many reasons we are overweight. One such company, Intel, a recent addition, recently announced it will acquire MobilEye—a form of avoided research and development from our perspective. This will expand its reach into the large and fast-growing automotive content market, where the amount of data and devices estimated to be required for fully autonomous driving is staggering. It is not surprising to us that it is beginning to attract more attention. TE Connectivity, a company we have owned since it was separated from Tyco, has benefitted from the increased content in autos. Its valuation is near full, however, as its management has shaped its portfolio of assets to the benefit of its margins and market position, thus realizing its earning potential. We reduced the position in the first quarter in favor of Sensata Technologies, a company in the same industry with more benefit to increases in the growth in sensors. Our investment in Sensata checks all the boxes in terms of cash flow, market position, fundamentals and valuation and we hope to be owners for a number of years.

Another company we find attractive that should also benefit from recent consolidation is Hewlett Packard. It too checks a number of boxes in terms of high cash flow, market position and valuation, yet it is operating in a declining market. The extent to which its price increases can offset declines in the sales of personal computers and printers will determine the success of our investment to a degree, an event that we consider likely given the recent consolidation in the sector. Furthermore, its valuation suggests a much stronger decline than we think is likely, which should limit its downside while offering strong return characteristics. We initiated a position in Hewlett Packard recently and while still early, the position has already proven to be profitable.

In the period we lowered Cabot, AIG, Metlife and Radian, all successful investments, and eliminated Ford, Albermarle, Stanley Black & Decker, Berkshire Hathaway, Republic Services, USG, Packaging Corp and Fox. These were done in favor of the newly initiated positions previously discussed as well as increased positions in Discovery, Royal Philips, Mosaic and Verizon.

As we look forward to the remainder of the year, we continue to see risk in the market as the “hope” trade fades and the bull market runs out of steam. An economy can only expand so far and when stock market valuations run ahead of fundamentals it is prudent to place a premium on caution. Our approach has always been to avoid over-valued stocks and purchasing those that are under-valued, while at the same time applying our environmental, social, and governance criteria to each investment we make. The recent bouts of volatility within whole sectors has provided us the opportunity to add downside protection in what appears to be a frothy market, while retaining attractive upside characteristics. Our exposure to individual stocks and sectors will change over time as a result of the opportunity set the market presents and investors can rest assured we will manage through the volatility with prudence, responsibly.

For more detailed information on SKBA Capital Management, LLC and our investment process and perspectives, visit our website at [www.SKBA.com](http://www.SKBA.com).

*Current and future portfolio holdings are subject to change and risk.*

*The Russell 1000 Value Index, MSCI KLD 400 Social Index and the Morningstar Category is used to compare fund performance to its peers. It is not possible to invest directly into an index or category. Past performance is no guarantee of future results.*

*Risk Considerations: Mutual fund investing involves risk, including the possible loss of principal. Socially responsible investment criteria may limit the number of investment opportunities available to the Fund or it may invest a larger portion of its assets in certain sectors which could be more sensitive to market conditions, economic, regulatory and environmental developments. These factors could negatively impact the Fund's returns. The Fund primarily invests in undervalued securities, which may not appreciate in value as anticipated by the Advisor or remain undervalued for longer than anticipated. The Fund may invest in American Depositary Receipts (ADRs), which involves risks relating to political, economic or regulatory conditions in foreign countries and may cause greater volatility and less liquidity. The Fund may also invest in convertible securities and preferred stock, which may be adversely affected as interest rates rise.*

**BAYWOOD SOCIALLY RESPONSIBLE FUND**

## SCHEDULE OF INVESTMENTS

MARCH 31, 2017

Shares	Security Description	Value	Shares	Security Description	Value
<b>Common Stock - 94.5%</b>			800	Laboratory Corp. of America Holdings <sup>(a)</sup>	\$ 114,776
<b>Basic Materials - 2.6%</b>			2,400	Novo Nordisk A/S, ADR	82,272
7,300	The Mosaic Co.	\$ 213,014			<u>1,656,699</u>
<b>Capital Goods / Industrials - 5.4%</b>			<b>Technology - 18.3%</b>		
4,938	Johnson Controls International PLC	207,989	7,800	Cisco Systems, Inc.	263,640
2,500	Pentair PLC	156,950	7,000	Corning, Inc.	189,000
1,800	Sensata Technologies Holding NV <sup>(a)</sup>	78,606	9,500	HP, Inc.	169,860
		<u>443,545</u>	4,500	Intel Corp.	162,315
<b>Consumer Cyclical - 3.3%</b>			700	International Business Machines Corp.	121,898
1,600	L Brands, Inc.	75,360	2,300	Microsoft Corp.	151,478
15,800	TRI Pointe Group, Inc. <sup>(a)</sup>	198,132	3,000	Oracle Corp.	133,830
		<u>273,492</u>	4,200	QUALCOMM, Inc.	240,828
<b>Consumer Discretionary - 5.9%</b>			1,000	TE Connectivity, Ltd.	74,550
4,800	AutoNation, Inc. <sup>(a)</sup>	202,992			<u>1,507,399</u>
9,900	Discovery Communications, Inc., Class C <sup>(a)</sup>	280,269	<b>Telecommunications - 2.4%</b>		
		<u>483,261</u>	4,100	Verizon Communications, Inc.	199,875
<b>Consumer Staples - 4.2%</b>			<b>Transportation- 1.9%</b>		
1,400	PepsiCo, Inc.	156,604	1,500	Union Pacific Corp.	158,880
2,100	The Procter & Gamble Co.	188,685	Total Common Stock		
		<u>345,289</u>	(Cost \$6,877,951)		
<b>Energy - 8.7%</b>					<u>7,775,838</u>
4,600	Cabot Oil & Gas Corp.	109,986	<b>Money Market Fund - 5.6%</b>		
1,700	ConocoPhillips	84,779	463,860	Morgan Stanley Institutional Liquidity Funds Government Portfolio, Institutional Class, 0.61% <sup>(b)</sup>	
5,800	Devon Energy Corp.	241,976		(Cost \$463,860)	<u>463,860</u>
4,100	National Oilwell Varco, Inc.	164,369	<b>Total Investments - 100.1%</b>		
3,800	Range Resources Corp.	110,580	<b>(Cost \$7,341,811)*</b>		
		<u>711,690</u>			<b>\$ 8,239,698</b>
<b>Financials - 21.7%</b>			<b>Other Assets &amp; Liabilities, Net - (0.1)%</b>		
6,100	Air Lease Corp.	236,375	<b>Net Assets - 100.0%</b>		
2,900	American Express Co.	229,419	<b>\$ 8,232,861</b>		
1,900	American International Group, Inc.	118,617	ADR	American Depositary Receipt	
13,300	Bank of America Corp.	313,747	PLC	Public Limited Company	
2,300	BOK Financial Corp.	180,021	(a)	Non-income producing security.	
5,750	Brookfield Asset Management, Inc., Class A	209,645	(b)	Variable rate security. Rate presented is as of March 31, 2017.	
1,800	M&T Bank Corp.	278,514	* Cost for federal income tax purposes is substantially the same as for financial statement purposes and net unrealized appreciation consists of:		
2,600	MetLife, Inc.	137,332	Gross Unrealized Appreciation		
4,400	Radian Group, Inc.	79,024	Gross Unrealized Depreciation		
		<u>1,782,694</u>	Net Unrealized Appreciation		
<b>Health Care - 20.1%</b>					\$ 1,029,209
2,300	AbbVie, Inc.	149,868			(131,322)
3,085	Baxter International, Inc.	159,988			<u>\$ 897,887</u>
1,500	Becton Dickinson and Co.	275,160			
1,400	Cardinal Health, Inc.	114,170			
3,000	DaVita, Inc. <sup>(a)</sup>	203,910			
5,500	HealthSouth Corp.	235,455			
10,000	Koninklijke Philips NV, ADR	321,100			

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**BAYWOOD SOCIALLY RESPONSIBLE FUND****SCHEDULE OF INVESTMENTS**MARCH 31, 2017

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The following is a summary of the inputs used to value the Fund's investments as of March 31, 2017.

The inputs or methodology used for valuing securities are not necessarily an indication of the risks associated with investing in those securities. For more information on valuation inputs, and their aggregation into the levels used in the table below, please refer to the Security Valuation section in Note 2 of the accompanying Notes to Financial Statements.

<b>Valuation Inputs</b>	<b>Investments in Securities</b>
Level 1 - Quoted Prices	\$ 7,775,838
Level 2 - Other Significant Observable Inputs	463,860
Level 3 - Significant Unobservable Inputs	-
<b>Total</b>	<b>\$ 8,239,698</b>

The Level 1 value displayed in this table is Common Stock. The Level 2 value displayed in this table is a Money Market Fund. Refer to this Schedule of Investments for a further breakout of each security by industry.

The Fund utilizes the end of period methodology when determining transfers. There were no transfers among Level 1, Level 2 and Level 3 for the period ended March 31, 2017.

**PORTFOLIO HOLDINGS****% of Total Investments**

Basic Materials	2.6%
Capital Goods / Industrials	7.3%
Consumer Cyclical	3.3%
Consumer Discretionary	5.9%
Consumer Staples	4.2%
Energy	8.7%
Financials	21.6%
Health Care	20.1%
Technology	18.3%
Telecommunications	2.4%
Money Market Fund	5.6%
	<u>100.0%</u>

**BAYWOOD SOCIALLY RESPONSIBLE FUND**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**MARCH 31, 2017**

**ASSETS**

Total investments, at value (Cost \$7,341,811)	\$ 8,239,698
Receivables:	
Fund shares sold	2,637
Investment securities sold	20,913
Dividends	10,277
From investment advisor	438
Prepaid expenses	19,287
Total Assets	<u>8,293,250</u>

**LIABILITIES**

Payables:	
Investment securities purchased	49,564
Fund shares redeemed	3
Accrued Liabilities:	
Trustees' fees and expenses	25
Fund services fees	3,907
Other expenses	6,890
Total Liabilities	<u>60,389</u>

<b>NET ASSETS</b>	<u><u>\$ 8,232,861</u></u>
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**COMPONENTS OF NET ASSETS**

Paid-in capital	\$ 7,693,206
Distributions in excess of net investment income	(220)
Accumulated net realized loss	(358,012)
Net unrealized appreciation	897,887
<b>NET ASSETS</b>	<u><u>\$ 8,232,861</u></u>

**SHARES OF BENEFICIAL INTEREST AT NO PAR VALUE (UNLIMITED SHARES AUTHORIZED)**

Investor Shares	278,940
Institutional Shares	472,740

**NET ASSET VALUE, OFFERING AND REDEMPTION PRICE PER SHARE**

Investor Shares (based on net assets of \$3,057,913)	<u>\$ 10.96</u>
Institutional Shares (based on net assets of \$5,174,948)	<u>\$ 10.95</u>

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**BAYWOOD SOCIALLY RESPONSIBLE FUND****STATEMENT OF OPERATIONS**SIX MONTHS ENDED MARCH 31, 2017

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**INVESTMENT INCOME**

Dividend income (Net of foreign withholding taxes of \$4,148)	\$ 169,305
Total Investment Income	<u>169,305</u>

**EXPENSES**

Investment advisor fees	51,661
Fund services fees	35,511
Transfer agent fees:	
Investor Shares	8,431
Institutional Shares	8,977
Distribution fees:	
Investor Shares	11,726
Custodian fees	2,372
Registration fees:	
Investor Shares	5,455
Institutional Shares	5,823
Professional fees	13,236
Trustees' fees and expenses	1,396
Miscellaneous expenses	14,785
Total Expenses	<u>159,373</u>
Fees waived and expenses reimbursed	<u>(81,964)</u>
Net Expenses	<u>77,409</u>

**NET INVESTMENT INCOME**91,896**NET REALIZED AND UNREALIZED GAIN (LOSS)**

Net realized gain on investments	999,139
Net change in unrealized appreciation (depreciation) on investments	<u>96,307</u>

**NET REALIZED AND UNREALIZED GAIN**1,095,446**INCREASE IN NET ASSETS RESULTING FROM OPERATIONS**\$ 1,187,342

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**BAYWOOD SOCIALLY RESPONSIBLE FUND**  
**STATEMENTS OF CHANGES IN NET ASSETS**

	<b>For the Six Months Ended March 31, 2017</b>	<b>For the Year Ended September 30, 2016</b>
<b>OPERATIONS</b>		
Net investment income	\$ 91,896	\$ 675,355
Net realized gain (loss)	999,139	(1,239,017)
Net change in unrealized appreciation (depreciation)	96,307	15,453,930
Increase in Net Assets Resulting from Operations	<u>1,187,342</u>	<u>14,890,268</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM</b>		
Net investment income:		
Investor Shares	(45,896)	(539,156)
Institutional Shares	(46,220)	(213,418)
Net realized gain:		
Investor Shares	-	(1,155,096)
Institutional Shares	-	(750,918)
Total Distributions to Shareholders	<u>(92,116)</u>	<u>(2,658,588)</u>
<b>CAPITAL SHARE TRANSACTIONS</b>		
Sale of shares:		
Investor Shares	398,015	1,397,425
Institutional Shares	90,907	8,353,879
Reinvestment of distributions:		
Investor Shares	45,162	1,686,621
Institutional Shares	45,913	944,207
Redemption of shares:		
Investor Shares	(7,959,156)	(14,388,052)
Institutional Shares	(928,464)	(256,204,428)
Decrease in Net Assets from Capital Share Transactions	<u>(8,307,623)</u>	<u>(258,210,348)</u>
Decrease in Net Assets	<u>(7,212,397)</u>	<u>(245,978,668)</u>
<b>NET ASSETS</b>		
Beginning of Period	15,445,258	261,423,926
End of Period (Including line (a))	<u>\$ 8,232,861</u>	<u>\$ 15,445,258</u>
<b>SHARE TRANSACTIONS</b>		
Sale of shares:		
Investor Shares	37,166	152,505
Institutional Shares	8,357	792,315
Reinvestment of distributions:		
Investor Shares	4,220	172,979
Institutional Shares	4,240	96,286
Redemption of shares:		
Investor Shares	(737,900)	(1,619,069)
Institutional Shares	(87,059)	(23,760,340)
Decrease in Shares	<u>(770,976)</u>	<u>(24,165,324)</u>
(a) Distributions in excess of net investment income	<u>\$ (220)</u>	<u>\$ -</u>

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**BAYWOOD SOCIALLY RESPONSIBLE FUND**  
FINANCIAL HIGHLIGHTS

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These financial highlights reflect selected data for a share outstanding throughout each period.

INVESTOR SHARES	For the Six	For the Years Ended September 30,				
	Months Ended	2016	2015	2014	2013	2012
	March 31, 2017					
<b>NET ASSET VALUE, Beginning of Period</b>	\$ 10.14	\$ 10.16	\$ 11.42	\$ 12.26	\$ 10.04	\$ 8.37
<b>INVESTMENT OPERATIONS</b>						
Net investment income (a)	0.06	0.08	0.11	0.18	0.09	0.11
Net realized and unrealized gain (loss)	0.82	0.71	(0.98)	1.15	2.22	1.67
Total from Investment Operations	0.88	0.79	(0.87)	1.33	2.31	1.78
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM</b>						
Net investment income	(0.06)	(0.28)	(0.10)	(0.15)	(0.09)	(0.11)
Net realized gain	—	(0.53)	(0.29)	(2.02)	—	—
Total Distributions to Shareholders	(0.06)	(0.81)	(0.39)	(2.17)	(0.09)	(0.11)
<b>NET ASSET VALUE, End of Period</b>	\$ 10.96	\$ 10.14	\$ 10.16	\$ 11.42	\$ 12.26	\$ 10.04
<b>TOTAL RETURN</b>	8.65%(b)	8.28%	(7.86)%	12.11%	23.12%	21.28%
<b>RATIOS/SUPPLEMENTARY DATA</b>						
Net Assets at End of Period (000's omitted)	\$3,058	\$9,890	\$23,045	\$26,763	\$31,387	\$25,631
Ratios to Average Net Assets:						
Net investment income	1.16%(c)	0.77%	0.99%	1.55%	0.81%	1.13%
Net expenses	1.14%(c)	1.28%	1.14%	1.14%	1.13%	1.15%
Gross expenses (d)	2.15%(c)	1.84%	1.37%	1.46%	1.38%	1.40%
<b>PORTFOLIO TURNOVER RATE</b>	22%(b)	57%	29%	34%	42%	38%

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- (a) Calculated based on average shares outstanding during each period.  
(b) Not annualized.  
(c) Annualized.  
(d) Reflects the expense ratio excluding any waivers and/or reimbursements.

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**BAYWOOD SOCIALLY RESPONSIBLE FUND**  
**FINANCIAL HIGHLIGHTS**

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These financial highlights reflect selected data for a share outstanding throughout each period.

	For the Six Months Ended	For the Year Ended September 30,				
	March 31, 2017	2016	2015	2014	2013	2012
<b>INSTITUTIONAL SHARES</b>						
<b>NET ASSET VALUE, Beginning of Period</b>	\$ 10.15	\$ 10.18	\$ 11.45	\$ 12.28	\$ 10.06	\$ 8.38
<b>INVESTMENT OPERATIONS</b>						
Net investment income (a)	0.07	0.14	0.14	0.19	0.12	0.13
Net realized and unrealized gain (loss)	0.83	0.66	(0.99)	1.18	2.22	1.68
Total from Investment Operations	0.90	0.80	(0.85)	1.37	2.34	1.81
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM</b>						
Net investment income	(0.10)	(0.30)	(0.13)	(0.18)	(0.12)	(0.13)
Net realized gain	—	(0.53)	(0.29)	(2.02)	—	—
Total Distributions to Shareholders	(0.10)	(0.83)	(0.42)	(2.20)	(0.12)	(0.13)
<b>NET ASSET VALUE, End of Period</b>	\$ 10.95	\$ 10.15	\$ 10.18	\$ 11.45	\$ 12.28	\$ 10.06
<b>TOTAL RETURN</b>	8.84%(b)	8.40%	(7.70)%	12.46%	23.38%	21.63%
<b>RATIOS/SUPPLEMENTARY DATA</b>						
Net Assets at End of Period (000's omitted)	\$5,175	\$5,555	\$238,379	\$172,830	\$45,357	\$80,109
Ratios to Average Net Assets:						
Net investment income	1.39%(c)	1.35%	1.22%	1.62%	1.10%	1.37%
Net expenses	0.89%(c)	0.89%	0.89%	0.89%	0.87%	0.90%
Gross expenses (d)	2.17%(c)	1.00%	0.87%(e)	0.96%	0.87%	0.90%
<b>PORTFOLIO TURNOVER RATE</b>	22%(b)	57%	29%	34%	42%	38%

(a) Calculated based on average shares outstanding during each period.

(b) Not annualized.

(c) Annualized.

(d) Reflects the expense ratio excluding any waivers and/or reimbursements.

(e) Ratio includes waivers and previously waived investment advisory fees recovered. The impact of the recovered fees may cause a higher net expense ratio.

**BAYWOOD FUNDS**  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2017

**Note 1. Organization**

Baywood Value*Plus* Fund and Baywood Socially*Responsible* Fund (individually, a “Fund” and collectively, the “Funds”) are diversified portfolios of Forum Funds II (the “Trust”). The Trust is a Delaware statutory trust that is registered as an open-end, management investment company under the Investment Company Act of 1940, as amended (the “Act”). Under its Trust Instrument, the Trust is authorized to issue an unlimited number of each Fund’s shares of beneficial interest without par value. The Baywood Value*Plus* Fund commenced operations on December 2, 2013. The Baywood Value*Plus* Fund currently offers two classes of shares: Investor Shares and Institutional Shares. The Baywood Value*Plus* Fund seeks to achieve long-term capital appreciation by investing in undervalued equity securities.

On December 2, 2013, the Baywood Value*Plus* Fund commenced operations through a reorganization of a collective investment trust into the Baywood Value*Plus* Fund. The collective investment trust was previously managed by the Baywood Value*Plus* Fund’s Advisor and portfolio management team. This collective investment trust was organized and commenced operations on June 27, 2008. The collective investment trust had an investment objective and strategies that were, in all material respects, identical to those of the Baywood Value*Plus* Fund. The net assets and unrealized gain received by the Baywood Value*Plus* Fund from this tax-free reorganization were as follows:

<u>Date of Contribution</u>	<u>Net Assets Investor Shares</u>	<u>Net Assets Institutional Shares</u>	<u>Shares Issued Investor Shares</u>	<u>Shares Issued Institutional Shares</u>	<u>Cost of Investments</u>	<u>Unrealized Gain on Investments</u>
December 2, 2013	\$2,099,735	\$10,168,720	120,217	579,166	\$9,396,973	\$2,372,564

In addition to the securities transferred in, as noted above, \$498,918 of cash and other receivables were also transferred in as part of the reorganization.

The Baywood Socially*Responsible* Fund commenced operations on January 3, 2005. The Baywood Socially*Responsible* Fund currently offers two classes of shares: Investor Shares and Institutional Shares. The Baywood Socially*Responsible* Fund seeks to provide long-term capital growth.

On December 7, 2015, at a special meeting of shareholders of Baywood Socially*Responsible* Fund, formerly City National Rochdale Socially Responsible Equity Fund, a series of City National Rochdale Funds (the "Predecessor Fund"), the shareholders approved a proposal to reorganize the Predecessor Fund into the Baywood Socially*Responsible* Fund, a newly created series of the Forum Funds II. The Predecessor Fund was sub-advised by the Fund's Advisor, SKBA Capital Management, LLC, with the same portfolio managers as Baywood Socially*Responsible* Fund. The Baywood Socially*Responsible* Fund is managed in a manner that is in all material respects equivalent to the management of the Predecessor Fund, including the investment objective, strategies, guidelines and restrictions. The primary purpose of the reorganization was to move the Predecessor Fund to a newly created series of Forum Funds II. As a result of the reorganization, the Baywood Socially*Responsible* Fund is now operating under the supervision of a different board of trustees. On January 8, 2016, the Baywood Socially*Responsible* Fund acquired all of the assets, subject to liabilities, of the Predecessor Fund. The shares of the Predecessor Fund were, in effect, exchanged on a tax-free basis for Shares of the Baywood Socially*Responsible* Fund with the same aggregate value. No commission or other transactional fees were imposed on shareholders in connection with the tax-free exchange of their shares.

**Note 2. Summary of Significant Accounting Policies**

The Funds are investment companies and follow accounting and reporting guidance under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 946, “Financial Services-Investment Companies”. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of increases and decreases in net assets from operations during the fiscal period. Actual amounts could differ from those estimates. The following summarizes the significant accounting policies of each Fund:

**Security Valuation** – Securities are valued at market prices using the last quoted trade or official closing price from the principal exchange where the security is traded, as provided by independent pricing services on each Fund business day. In the absence of a last trade, securities are valued at the mean of the last bid and ask price provided by the pricing service. Shares of open-end mutual funds are valued at net asset value (“NAV”). Short-term investments that mature in 60 days or less may be valued at amortized cost.

Each Fund values its investments at fair value pursuant to procedures adopted by the Trust's Board of Trustees (the "Board") if (1) market quotations are not readily available or (2) the Fund believes that the values available are unreliable. The Trust's Valuation Committee, as defined in each Fund's registration statement, performs certain functions as they relate to the administration and oversight of each Fund's valuation procedures. Under these procedures, the Valuation Committee convenes on a regular and ad-hoc basis to review such investments and considers a number of factors, including valuation methodologies and significant unobservable inputs, when arriving at fair value.

The Valuation Committee may work with the Advisor, as defined in Note 3, to provide valuation inputs. In determining fair valuations, inputs may include market-based analytics which may consider related or comparable assets or liabilities, recent transactions, market multiples, book values and other relevant investment information. Advisor inputs may include an income-based approach in which the anticipated future cash flows of the investment are discounted in determining fair value. Discounts may also be applied based on the nature or duration of any restrictions on the disposition of the investments. The Valuation Committee performs regular reviews of valuation methodologies, key inputs and assumptions, disposition analysis and market activity.

Fair valuation is based on subjective factors and, as a result, the fair value price of an investment may differ from the security's market price and may not be the price at which the asset may be sold. Fair valuation could result in a different NAV than a NAV determined by using market quotes.

Each Fund has a three-tier fair value hierarchy. The basis of the tiers is dependent upon the various "inputs" used to determine the value of each Fund's investments. These inputs are summarized in the three broad levels listed below:

Level 1 — quoted prices in active markets for identical assets and liabilities

Level 2 — other significant observable inputs (including quoted prices of similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 — significant unobservable inputs (including each Fund's own assumptions in determining the fair value of investments)

The aggregate value by input level, as of March 31, 2017, for each Fund's investments is included in each Fund's Schedule of Investments.

**Security Transactions, Investment Income and Realized Gain and Loss** – Investment transactions are accounted for on the trade date. Dividend income is recorded on the ex-dividend date. Foreign dividend income is recorded on the ex-dividend date or as soon as possible after each Fund determines the existence of a dividend declaration after exercising reasonable due diligence. Income and capital gains on some foreign securities may be subject to foreign withholding taxes, which are accrued as applicable. Interest income is recorded on an accrual basis. Premium is amortized and discount is accreted using the effective interest method. Identified cost of investments sold is used to determine the gain and loss for both financial statement and federal income tax purposes.

**Distributions to Shareholders** – Distributions to shareholders of net investment income, if any, are declared and paid annually. Distributions to shareholders of net capital gains, if any, are declared and paid at least annually. Distributions to shareholders are recorded on the ex-dividend date. Distributions are based on amounts calculated in accordance with applicable federal income tax regulations, which may differ from GAAP. These differences are due primarily to differing treatments of income and gain on various investment securities held by each Fund, timing differences and differing characterizations of distributions made by each Fund.

**Federal Taxes** – Each Fund intends to continue to qualify each year as a regulated investment company under Subchapter M of Chapter 1, Subtitle A, of the Internal Revenue Code of 1986, as amended ("Code"), and to distribute all of its taxable income to shareholders. In addition, by distributing in each calendar year substantially all of its net investment income and capital gains, if any, the Fund will not be subject to a federal excise tax. Therefore, no federal income or excise tax provision is required. Each Fund files a U.S. federal income and excise tax return as required. Each Fund's federal income tax returns are subject to examination by the Internal Revenue Service for a period of three fiscal years after they are filed. As of March 31, 2017, there are no uncertain tax positions that would require financial statement recognition, de-recognition or disclosure.

**Income and Expense Allocation** – The Trust accounts separately for the assets, liabilities and operations of each of its investment portfolios. Expenses that are directly attributable to more than one investment portfolio are allocated among the respective investment portfolios in an equitable manner.

The Fund's class-specific expenses are charged to the operations of that class of shares. Income and expenses (other than expenses

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attributable to a specific class) and realized and unrealized gains or losses on investments are allocated to each class of shares based on the class' respective net assets to the total net assets of each Fund.

**Commitments and Contingencies** – In the normal course of business, each Fund enters into contracts that provide general indemnifications by each Fund to the counterparty to the contract. Each Fund's maximum exposure under these arrangements is dependent on future claims that may be made against each Fund and, therefore, cannot be estimated; however, based on experience, the risk of loss from such claims is considered remote.

**Note 3. Fees and Expenses**

**Investment Advisor** – SKBA Capital Management, LLC (the "Advisor") is the investment advisor to the Funds. Pursuant to an Investment Advisory Agreement, the Advisor receives an advisory fee at an annual rate of 0.50% and 0.70% of the average daily net assets of Baywood Value*Plus* Fund and Baywood Socially*Responsible* Fund, respectively.

**Distribution** – Foreside Fund Services, LLC serves as each Fund's distributor (the "Distributor"). The Funds have adopted a Distribution Plan (the "Plan") in accordance with Rule 12b-1 of the Act. Under the Plan, each Fund may pay the Distributor and/or any other entity as authorized by the Board a fee of up to 0.25% of each Fund's average daily net assets of Investor Shares for providing distribution and/or shareholder services to the Funds. The Distributor is not affiliated with the Advisor or Atlantic Fund Administration, LLC (d/b/a Atlantic Fund Services) ("Atlantic") or their affiliates.

**Other Service Providers** – Atlantic provides fund accounting, fund administration, compliance and transfer agency services to each Fund. The fees related to these services are included in Fund services fees within the Statement of Operations. Atlantic also provides certain shareholder report production and EDGAR conversion and filing services. Pursuant to an Atlantic services agreement, each Fund pays Atlantic customary fees for its services. Atlantic provides a Principal Executive Officer, a Principal Financial Officer, a Chief Compliance Officer and an Anti-Money Laundering Officer to each Fund, as well as certain additional compliance support functions.

**Trustees and Officers** – The Trust pays each Independent Trustee an annual fee of \$16,000 (\$21,000 for the Chairman). The Independent Trustees and Chairman may receive additional fees for special Board meetings. The Independent Trustees are also reimbursed for all reasonable out-of-pocket expenses incurred in connection with their duties as Trustees, including travel and related expenses incurred in attending Board meetings. The amount of Independent Trustees' fees attributable to each Fund is disclosed in the Statements of Operations. Certain officers of the Trust are also officers or employees of the above named service providers, and during their terms of office received no compensation from each Fund.

**Note 4. Expenses Reimbursed and Fees Waived**

The Advisor has contractually agreed to waive its fee and/or reimburse certain expenses to limit total operating expenses (excluding all taxes, interest, portfolio transaction expenses, acquired fund fees and expenses, proxy expenses and extraordinary expenses) for Investor Shares to 0.95% and Institutional Shares to 0.70% through January 31, 2018, for Baywood Value*Plus* Fund. The Advisor also has contractually agreed to waive its fees and/or reimburse certain expenses to limit total operating expenses (excluding all taxes, interest, portfolio transaction expenses, acquired fund fees and expenses, proxy expenses and extraordinary expenses) for Investor Shares to 1.14% and Institutional Shares to 0.89% through January 31, 2018 for Baywood Socially*Responsible* Fund. Other Fund service providers have voluntarily agreed to waive and reimburse a portion of their fees. These voluntary fee waivers and reimbursements may be reduced or eliminated at any time. For the period ended March 31, 2017, fees waived and expenses reimbursed were as follows:

	<u>Investment Advisor Fees Waived</u>	<u>Investment Advisor Expenses Reimbursed</u>	<u>Other Waivers</u>	<u>Total Fees Waived and Expenses Reimbursed</u>
Baywood Value <i>Plus</i> Fund	\$ 5,714	\$ 58,251	\$ 22,286	\$ 86,251
Baywood Socially <i>Responsible</i> Fund	51,660	8,885	21,419	81,964

The Funds may repay the Advisor for fees waived and expenses reimbursed pursuant to the expense cap if such payment (1) is made within three years of the fee waiver or expense reimbursement (2) is approved by the Board and (3) does not cause the Funds net annual operating expenses of that class to exceed the expense cap in place at the time the fees were waived/reimbursed. As of March 31, 2017, \$523,555 and \$151,592, in the Baywood Value*Plus* Fund and Baywood Socially*Responsible* Fund, respectively is subject to recapture by the Advisor.

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**Note 5. Security Transactions**

The cost of purchases and proceeds from sales of investment securities (including maturities), other than short-term investments during the period ended March 31, 2017, were as follows:

	<u>Purchases</u>	<u>Sales</u>
Baywood Value <i>Plus</i> Fund	\$ 476,443	\$ 607,628
Baywood Socially <i>Responsible</i> Fund	2,980,004	10,765,878

**Note 6. Federal Income Tax**

As of September 30, 2016, distributable earnings (accumulated loss) on a tax basis were as follows:

	<u>Undistributed Ordinary Income</u>	<u>Undistributed Long- Term Gain</u>	<u>Capital and Other Losses</u>	<u>Unrealized Appreciation (Depreciation)</u>	<u>Total</u>
Baywood Value <i>Plus</i> Fund	\$ 4,234	\$ 36,207	\$ -	\$ 145,842	\$ 186,283
Baywood Socially <i>Responsible</i> Fund	-	-	(377,036)	(178,535)	(555,571)

The difference between components of distributable earnings on a tax basis and the amounts reflected in the Statements of Assets and Liabilities are primarily due to wash sales.

For tax purposes, the Baywood Socially*Responsible* Fund's prior year post-October loss was \$377,036 (realized during the period November 1, 2015 through September 30, 2016). This loss was recognized for tax purposes on the first business day of the Fund's current fiscal year, October 1, 2016.

**Note 7. Recent Accounting Pronouncements**

In October 2016, the U.S. Securities and Exchange Commission ("SEC") issued a new rule, Investment Company Reporting Modernization, which, among other provisions, amends Regulation S-X to require standardized, enhanced disclosures, particularly related to derivatives, in investment company financial statements. Compliance with the amendments to Regulation S-X is required for financial statements filed with the SEC on or after August 1, 2017. Management is currently evaluating the impact that the amendments will have on the Fund's financial statements and related disclosures.

**Note 8. Subsequent Events**

Subsequent events occurring after the date of this report through the date these financial statements were issued have been evaluated for potential impact, and each Fund has had no such events.

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**Proxy Voting Information**

A description of the policies and procedures that each Fund uses to determine how to vote proxies relating to securities held in each Fund's portfolio is available, without charge and upon request, by calling (855) 409-2297 and on the U.S. Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov). Each Fund's proxy voting record for the most recent twelve-month period ended June 30 is available, without charge and upon request, by calling (855) 409-2297 and on the SEC's website at [www.sec.gov](http://www.sec.gov).

**Availability of Quarterly Portfolio Schedules**

Each Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. These filings are available, without charge and upon request on the SEC's website at [www.sec.gov](http://www.sec.gov) or may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330.

**Shareholder Expense Example**

As a shareholder of the Fund, you incur ongoing costs, including management fees, distribution (12b-1) fees (for Investor Shares only) and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period from October 1, 2016, through March 31, 2017.

**Actual Expenses** – The first line under each share class of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during the period.

**Hypothetical Example for Comparison Purposes** – The second line under each share class of the table below provides information about hypothetical account values and hypothetical expenses based on each Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not each Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in each Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds.

	<b>Beginning Account Value October 1, 2016</b>	<b>Ending Account Value March 31, 2017</b>	<b>Expenses Paid During Period*</b>	<b>Annualized Expense Ratio*</b>
<b>Baywood ValuePlus Fund</b>				
<b>Investor Shares</b>				
Actual	\$ 1,000.00	\$ 1,087.66	\$ 4.94	0.95%
Hypothetical (5% return before expenses)	\$ 1,000.00	\$ 1,020.19	\$ 4.78	0.95%
<b>Institutional Shares</b>				
Actual	\$ 1,000.00	\$ 1,088.57	\$ 3.64	0.70%
Hypothetical (5% return before expenses)	\$ 1,000.00	\$ 1,021.44	\$ 3.53	0.70%

\* Expenses are equal to each Fund's annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year 182 divided by 365 to reflect the half-year period.

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	<b>Beginning Account Value October 1, 2016</b>	<b>Ending Account Value March 31, 2017</b>	<b>Expenses Paid During Period*</b>	<b>Annualized Expense Ratio*</b>
<b>Baywood Socially Responsible Fund</b>				
<b>Investor Shares</b>				
Actual	\$ 1,000.00	\$ 1,086.53	\$ 5.93	1.14%
Hypothetical (5% return before expenses)	\$ 1,000.00	\$ 1,019.25	\$ 5.74	1.14%
<b>Institutional Shares</b>				
Actual	\$ 1,000.00	\$ 1,088.35	\$ 4.63	0.89%
Hypothetical (5% return before expenses)	\$ 1,000.00	\$ 1,020.49	\$ 4.48	0.89%

\* Expenses are equal to each Fund's annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year (182) divided by 365 to reflect the half-year period.





# BAYWOOD FUNDS

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This report is submitted for the general information of the shareholders of the Funds. It is not authorized for distribution to prospective investors unless preceded or accompanied by an effective prospectus, which includes information regarding the Funds' risks, objectives, fees and expenses, experience of its management, and other information.

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