AZARIAS CAPITAL

As of June 30, 2018

	2Q18[1]	YTD	1 Year	2 Year*	Since Inception 11/1/2015*
Focused Small Cap Value Composite (Gross of Fees)	**14.8%**	**10.1%**	**30.8%**	**33.4%**	**28.5%**
Focused Small Cap Value Composite (Net of Fees)	**14.1%**	**9.2%**	**27.8%**	**30.2%**	**25.0%**
Russell 2000 Index	7.8%	7.7%	17.6%	21.0%	15.5%
Russell 2000 Value Index	8.3%	5.5%	13.1%	18.8%	15.2%

** Periods greater than one year are annualized. Past performance is not indicative of future results. All investments carry risk including loss of principal. See below for important disclosures.*

After a first quarter during which the portfolio lagged the Russell 2000 Index by just over 4%, we wrote, "Overall, the companies in the portfolio reported reasonably strong fundamental results during the period, making us optimistic that the underperformance was due to our value tilt and a normal dose of volatility given the concentrated nature of the strategy." That assessment proved to be correct, as the strategy rose 14% during the second quarter, putting it ahead of the index on a year-to-date basis.

Focused Small Cap Value Representative Account Performance Attribution for the quarter ended June 30, 2018[2]	**Avg % Wgt.**	**% CTR****
Now Inc.	5.9	2.8
Powell Industries Inc	7.0	2.2
Cameco Corp	7.9	2.0
Weis Markets Inc	5.7	1.7
Knowles Corp	7.3	1.7
Agilysys Inc	5.2	1.5
Ampco-Pittsburgh Corp	7.4	1.2
Ur-Energy Inc	7.3	1.1
Graham Corp	5.4	1.1
Scholastic Corp	3.9	0.4
Hamilton Beach Brand	1.1	0.2
Invacare	1.9	0.2
DMC Global	0.3	0.1
Argan Inc	0.1	0.0
Steelcase Inc	7.1	0.0
Haynes International	2.1	0.0
Quanex Building Products	1.2	0.0
MGP Ingredients	0.2	-0.0
Schnitzer Steel Industries	1.1	-0.1
Photronics	6.9	-0.2
Nexgen Energy LTD	3.9	-0.3
Heritage-Crystal Clean	2.6	-0.3

***Contribution to Return. CTR is gross of fees.*

Performance Notes

[1] All information supplied as of the end of the stated calendar quarter only.

[2] To obtain the calculation methodology of the Performance Attribution above, contact Joe Knecht at 215.494.3360 or jknecht@azariascapital.com. The holdings identified above represent all the securities purchased and sold during the measurement period, excluding cash and cash equivalents, of the representative account. **The holdings are as-of the date indicated above, are subject to change, and do not necessarily represent the current holdings of the Focused Small Cap Value Composite or the current investment analysis, projections or intentions of Azarias Capital with regard to the composite.** Past performance does not guarantee future results.

Top 3 Contributors

Now Inc, a distributor of products used to drill and complete oilfield wells, benefited from the robust recovery in drilling activity and reported a strong quarter. We believe the stock is still undervalued, but less so than before its price increase and reduced the position accordingly.

Powell Industries designs and assembles large systems to generate and manage the electrical power requirements of industrial customers, primarily in the energy, transportation and utility sectors. We purchased the stock about a year ago when orders were very depressed. During the second quarter, Powell reported the beginning of what we believe will be an extended recovery in orders, driving strong gains in the stock.

Cameco Corp returned 24% in the second quarter. The company reported stronger uranium prices and volumes in the first quarter and also generated $275 million in cash flow from operations by selling inventory into the market. Fundamentals in the uranium market are beginning to show signs of improvement. The price of uranium is still too low for many of the mines on the global supply curve to be profitable. Therefore, uranium producers shuttered 15% of global uranium production in the first half of 2018. The spot price of uranium is responding to this decrease in supply and has increased from recent lows near $20 per pound to the current price near $24 per pound. We expect that Cameco's world class uranium mining operations will be a major beneficiary of improving uranium prices and fundamentals.

Top 3 Detractors

Two of our detractors, **Photronics and Nexgen**, had such small proportional negative impacts that we do not believe they warrant specific commentary, other than to specify that we view their drags on performance as well within the range of what we believe is normal volatility.

Heritage-Crystal Clean, however, declined in price during the quarter after an unexpectedly weak earnings report for its first quarter. The headwinds were transitory in our opinion and related to logistical challenges that negatively rippled through their route-based, industrial waste disposal business. The company subsequently reported strong results, confirming our earlier conclusion.

Sector Exposures

The largest change during the quarter occurred in Consumer Discretionary where the weighting went to 9.4% from zero at the end of the first quarter. Two new positions, described below, explain the increase. Notably, each of these represent a company-specific turnaround opportunity in our view. In general, we do not view Consumer Discretionary as an area to find companies that will benefit from depressed industry fundamentals.

Energy continues to be a large weighting primarily as a result of our three uranium miners.

We do not shy away from potential turnaround opportunities in Information Technology, and our three positions in that sector comprise just over 20% of the portfolio. Though many companies in that sector are too speculative for us, there remains a large contingent of well-capitalized companies with strong market positions that experience temporary earnings declines. We attempt to consistently exploit those opportunities.

Industrials and Materials round out the sectors where we are relatively overweight. Generally, we target cyclical industries as prime hunting grounds for our philosophy and process, and both Industrials and Materials provide ample opportunities.

Focused Small Cap Value Representative Account June 30, 2018 Holdings by Sectors	% Azaraias FSCV	% Ishares Russell 2000
Consumer Disc.	9.4	13.4
Consumer Staples	5.4	2.8
Energy	23.2	5.0
Financials	0.0	17.9
Health Care	2.1	15.6
Industrials	26.7	14.9
Info. Tech.	20.5	14.8
Materials	10.1	4.3
Real Estate	0.0	7.3
Telecomm.	0.0	0.7
Utilities	0.0	3.3
Cash	2.7	0.1

We remind our investors each quarter that sector exposures are driven solely by our bottom up stock selection process.

AZARIAS CAPITAL

Initiations & Exits

By our standards, we had a very active quarter with four additions to the portfolio. Encouragingly, we continue to find stocks that meet our strict criteria, including attractive return potential, despite the length of this bull market and the elevated valuation of the overall market.

Initiations

We purchased one of the largest designer, marketer, and distributor of branded small electric household and commercial appliances in the United States. In September, 2017 the company was spun out of a Cleveland based holding company whose primary business is coal mining. In order to develop new products and strengthen its position in certain distribution channels, the company invested heavily in SG&A over the past few years while still under the previous ownership resulting in profit margins well below sustainable levels. With incremental spending winding down, we project profitability will return to higher normalized levels. While most of the margin improvement will come from lower SG&A, many of the new products are targeted at premium market segments which we expect will produce higher gross margins.

We initiated a position in the world's largest publisher and distributor of children's books and a leading provider of print and digital instructional materials for children from pre-kindergarten through grade twelve. Original publications include Harry Potter and The Hunger Games while licensed properties include Star Wars and Lego. The company recently embarked on a plan designed to generate higher revenue growth and increase profit margins to sustainably higher levels. The company dominates the market for supplemental educational material (often referred to as the "back of the room") with its unique approach to engage young learners. It is leveraging this approach to become more represented in the core part of the curriculum (often referred to the "front of the room"). The core curriculum market exceeds $4 billion, yet the company currently generates less than $300 million of revenue from this segment. Given its dominance in its primary market, we are optimistic that it will successfully gain "front of the room" market share.

Our third new position owns a large uranium deposit in Canada's uranium-rich Athabasca Basin. This deposit is likely to become the largest, lowest cost uranium mine in the world. We expect a significant positive change in the uranium price which will result in strong earnings for this company. At the current uranium spot price of $23.75 per pound, roughly 50% of uranium mines are losing money on a total cost basis. As a result, uranium producers have curtailed 15% of supply in the first half of 2018. On the demand side, 57 new nuclear reactors are under construction globally. With demand improving and supply declining, uranium demand will exceed supply within the next few years. We believe this will cause uranium prices to increase to the long term incentive price of approximately $65 per pound and allow this company's low cost mine to be developed. The analysis for this particular company differs from our other uranium holdings because the mine is not yet in operation. A discounted cash flow analysis of this mine using a 10% discount rate results in a $10 per share valuation estimate for this company compared to the current price near $2.00 per share. The company is adequately financed to await the recovery in industry conditions.

Our fourth and final new position is a leading designer and builder of gas-fired power plants in the United States. Though orders for new projects are currently very low, we expect the company will eventually benefit from retirements of existing coal plants that will need to be replaced by baseload natural gas power plants. Coal still provides roughly 30% of U.S. electricity and the average coal power plant is 40 years old. Additionally, the company is gaining market share because the larger engineering and construction firms have pulled back from this market segment. The company is well capitalized with $335 million in cash on its balance sheet and no debt. We believe the company has normalized earnings power of at least $3.00 per share and appreciation potential of greater than 50% from the current price.

Exits

During the quarter we exited four positions. Two of the stocks hit our price targets after achieving the fundamental turnarounds we expected when we initiated the positions in 2015 and 2016, respectively. One position did not quite achieve our price target, but the company's turnaround, defined as a return to "normalized" profitability, had been achieved and thus met our sell discipline. The fourth company we eliminated during the quarter was pushed out as our least attractive stock to make room for what we believe to be more attractive initiations described above.

Summary

Given the positive performance of both the stock market and our strategy, we are pleasantly surprised at the number and quality of new positions we were able to establish. Given this "refreshing" of the portfolio, combined with the fact that our uranium thesis has yet to play out, we are very optimistic regarding future performance.

Our one word of caution pertains to the macro environment. After a decade of loose monetary policy, the Federal Reserve has clearly embarked on a tightening cycle. So far, the U.S. financial markets have been largely unaffected. We are concerned that will not continue. History suggests tightening monetary conditions can easily lead to a recession, and we see no reason to believe this time will be different. If that in fact occurs, our strategy should be well positioned to withstand market turmoil given our constant emphasis on balance sheet strength and strong competitive positions in essential industries.

Thank you again for your interest in us, and as always, we welcome all comments and questions.

Best Regards,

Daren Heitman

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Important Disclosures

The performance data quoted represents past performance. Past performance is no guarantee of future results. Current performance may be higher or lower than quoted.

Investing involves risk, including the possible loss of principal and fluctuation of value.

The Focused Small Cap Value Composite (the "Composite") represents the returns of all discretionary, fee-paying portfolios, including pooled vehicles, with a concentrated U.S. equity small cap value investment mandate. Composite returns include cash and cash equivalents and the reinvestment of any dividend or interest income. Gross-of-fees returns are presented before management and any performance-based fee, but after all trading expenses. Net-of-fees returns are presented net of after management fees, any accrued performance-based fee and all trading expenses. Fees vary between accounts in the composite.

Since inception, the composite includes one portfolio whose net of fee returns are calculated using a management fee rate of 1.5% and a performance-based fee of 20% of profits in excess of the Russell 2000 Index. The performance of this portfolio reflects the highest fee charged to an investor in the portfolio during the period. Fees are accounted for on an accrual basis. From 11/01/15 through 12/31/17, the net returns of this portfolio include custody and organizational expenses. From 01/01/17 forward, the net returns of this portfolio reflect the deduction of custody, organization and other administrative expenses. Actual fees charged to some clients invested in this strategy are lower than the standard fee schedule. The firm's standard annual fee schedule is 1% of assets under management and 20% of outperformance of the Russell 2000 Index. See Part 2 of Azarias' Form ADV for additional disclosures.

Portfolio holdings are as of the date indicated above and are subject to change. This material should not be construed as a recommendation to buy or sell any security.

The comments should not be construed as a recommendation of individual holdings or market sectors, but as an illustration of broader themes.

Security contribution to return is measured by using an algorithm that multiplies the daily performance of each security with the previous day's ending weight in the portfolio and is gross of advisory and other fees. We discuss only the top 3 contributors and detractors from performance due to limited space on this report.

Information relating to portfolio holdings is based on the representative account in the composite and may vary for other accounts in the strategy due to asset size, client guidelines and other factors. The representative account is believed to most closely reflect the current focused small cap value strategy. Weightings, exposure, attribution and portfolio characteristics presented reflect estimates of the representative account at the end of the specified period and are the result of classifications and assumptions made in the sole judgment of the adviser. This information is as of the date(s) indicated, may not be complete and is subject to change.

The Russell 2000® Index is a small-cap stock index of the bottom 2000 in the Russell 3000 Index stocks based on market-capitalization. The returns of the index include the investment of dividends but do not account for transaction costs and operating expenses, which an investor might incur in attempting to obtain such returns. If and index had expenses, its performance would be lower. You cannot invest directly in this index.

The Russell 2000® Value Index is a subset of the Russell 2000 Index and measures the performance of the stocks with lower price-to-book ratios and lower relative forecasted growth rates. The returns of the index include the investment of dividends but do not account for transaction costs and operating expenses, which an investor might incur in attempting to obtain such returns. If an index had expenses, its performance would be lower. You cannot invest directly in this index.

The index comparisons in this presentation are provided for informational purposes only and should not be used as the basis for making an investment decision. Further, the performance of the composite and the index may not be comparable. There are significant differences between the composite and the indices referenced, including, but not limited to, risk profile, liquidity, volatility and asset composition.

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