



Where discipline meets common sense.

# Semi-Annual Report

February 28, 2017

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Meritage Growth Equity Fund MPGEX/MPGIX

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Meritage Value Equity Fund MVEBX

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Meritage Yield-Focus Equity Fund MPYEX/MPYIX

## ***MESSAGE FROM THE CHIEF INVESTMENT OFFICER – (Unaudited)***

**At Meritage, we are value-driven investors. We buy stock in businesses when i) they score well in our comprehensive stock-ranking process (universe is global, all-cap and about 6,500 securities), and ii) they are selling for less than we believe they are worth. Our value discipline is intended to provide a margin of safety and is one of our primary risk management tools, along with managing position sizes and diversification.**

Dear Fellow Shareholders:

The past year has seen quite a change in the broad market. Specifically, we note how the S&P 500 marked its low for 2016 on February 11, 2016, closing at 1,829.08. At the conclusion of the first six months of fiscal year 2017, February 28, 2017, the S&P closed at 2,363.64. This period of slightly more than a year saw the S&P recover 32.19% from the low in 2016 and 10.01% from our last report six months ago on August 31, 2016.

Though not much has changed economically in these past six months, the market's favorable reaction to the likelihood of change following a highly improbably election is logical. A policy agenda that includes the prospects of lower corporate and individual tax rates, a rollback in business regulation, massive infrastructure spending and the repatriation of foreign corporate earnings back to the U.S. are all potential developments that have been enthusiastically embraced by the stock market.

While we have seen interest rates begin to move higher off their historic lows, we expect a low interest rate environment to remain an important component to the investment backdrop. Economic activity, starting from a very low base around the world, should continue to see modest improvement. While many investors share our view, they have correspondingly been willing to pay a premium for well-known stocks. This is where we part company with the crowd, however, as we expect the discipline embedded in our value approach will yield better results over full market cycles.

Our Growth Fund continued to perform well for the past six months, ahead of its respective market benchmark. Our Value Fund turned in a solid six months, but trailed its primary benchmarks somewhat. The Yield-Focus Fund also performed well, but fell short of its most comparable benchmark, the Zacks Multi-Asset Income Index.

As always, we attribute our bottom-up value-centric security selection process for generating our strong long-term returns and our results so far in fiscal 2017. We continue to refine and improve this process of rigorously searching for attractive mispriced securities, among all capitalization sizes and geographies throughout the world.

We explore this topic further in the following pages. A specific discussion of each Fund and its performance is included in Management's Discussion of Fund Performance.

Thank you for your continued trust in us as stewards of your capital. As previously mentioned we have our own money invested alongside yours in each of our funds, and we remain committed to delivering attractive risk-adjusted returns over full market cycles.

Sincerely,

Mark Eveans, CFA  
President and Chief Investment Officer

## ***MANAGEMENT'S DISCUSSION OF FUND PERFORMANCE – (Unaudited)***

### **Meritage Growth Equity Fund**

For the six-month period ended February 28, 2017, the Meritage Growth Equity Fund Institutional Class and Investors Class returned 10.82% and 10.70%, respectively. The Fund's returns exceeded its primary benchmark, the Russell 1000 Growth Index, and the Lipper Large Cap Growth Index. They returned 9.15% and 7.66%, respectively, during the same time frame.

From an attribution standpoint the Fund's strong performance over the course of the last six months, compared to the benchmark, was driven primarily by two key factors. The Fund was overweight in the Information Technology sector compared to the benchmark and our stock selection within that sector was superior. The interaction of these two factors was a significant positive.

Regarding specific issues, the strongest gainers for the six months were Coherent, Inc. up 73.6%, II-VI, Inc. up 68.0% and Nvidia up 65.9%.

The poorest performers for the six months were McKesson Corporation down 23.2%, Acuity Brands, Inc. down 23.1%, and AZZ Inc. down 15.7%.

As a value-centric and process driven Growth manager, most sector differences as compared to the benchmark are a result of either an under or overweight of specific, bottom-up, attractively valued growth opportunities identified by our process, within that particular sector.

While we have seen interest rates begin to move higher off their historic lows, we expect a low interest rate environment to remain an important component to the investment backdrop. Economic activity, starting from a very low base around the world, should continue to see some modest improvement. While many investors share our view, they have correspondingly been willing to pay an excessive premium for well-known growth stocks. This is where we part company with the crowd, however, as we expect the value discipline embedded in our growth approach will yield better results over full market cycles.

### **Meritage Value Equity Fund**

For the six months ended February 28, 2017, the Meritage Value Equity Fund Institutional Class had a very nice return of 9.41%, but lagged the Russell 1000 Value Index benchmark which returned 11.07% during the same time frame, as well as the Lipper Large Cap Value Index return of 11.51%.

From an attribution standpoint, there were positive sector allocation influences from Real Estate and Telecommunications as well as superior stock selection within the Industrials, Health Care and Energy sectors. These were offset by subpar security selection in the Consumer Staples and Consumer Discretionary sectors.

Regarding individual issues, the strongest gainers for the six months were Southwest Airlines up 57.1%, Prudential Financial up 41.2%, and Voya Financial up 41.1%.

The poorest performers for the six months were Teva Pharmaceutical down 23.1%, World Fuel Services Corporation down 20.9% and Taro Pharmaceutical down 19.8%.

Because we are a value-centric and process driven manager, most sector differences as compared to the benchmark were the result of either an under or overweight of specific bottom-up valuation opportunities identified by our process.

## ***MANAGEMENT'S DISCUSSION OF FUND PERFORMANCE – (Unaudited) (continued)***

### **Meritage Yield-Focus Equity Fund**

For the six months ended February 28, 2017, the Meritage Yield-Focus Equity Fund Institutional Class and Investors Class returned 6.34% and 6.53%, respectively. We use two benchmarks in assessing the performance of the Yield-Focus Equity Fund. The Russell 3000 Value Index is a long-term general purpose value-centric benchmark without specificity regarding the Fund's distinct yield-focus style. The Zacks Multi-Asset Income Index has specific asset structure and distinguished dividend yield characteristics similar to the Fund. The Fund's returns trailed the 11.42% total return for the Russell 3000 Value Index, as well as the Zacks Multi-Asset Income Index, which returned 8.52% during the same time. The Fund's returns also trailed the Lipper Equity Income Index, which returned 9.20% during the period.

A founding premise of the Yield-Focus Equity Fund is to earn 50 – 75% of the expected long-term equity return in the form of cash dividends and distributions. The fund invests in six key types of equity asset classes – common stocks, master limited partnerships, other limited partnerships, real estate investment trusts, business development companies, convertible preferred stocks and, in rare situations, straight preferred stocks. The Meritage comprehensive security selection process searches globally for attractive yield franchises.

In terms of specific issues, the strongest performers for the period were Boeing Company up 41.5%, Universal Corp. up 26.9%, and Reynolds American up 26.4%.

The poorest performers for the year were GameStop Corp. down 26.2%, Gannett Co. down 24.6% and National Grid PLC ADR down 15.7%.

We use two benchmarks in assessing the performance of the Yield-Focus Equity Fund. The Russell 3000 Value Index is a long-term general purpose value-centric benchmark without specificity regarding the Fund's distinct yield-focus style. The Zacks Multi-Asset Income Index has specific asset structure and distinguished dividend yield characteristics similar to the Fund.

**Investment Results – (Unaudited)**

<b>Total Returns</b>			
<b>For the Periods Ended February 28, 2017 <sup>(a)</sup></b>			
<u>Fund/Index</u>	<u>Six Months</u>	<u>1 Year</u>	<u>Since Inception (12/23/13)</u>
Meritage Growth Equity Fund – Institutional Class	10.82%	26.25%	10.75%
Meritage Growth Equity Fund – Investor Class	10.70%	25.99%	10.46%
Russell 1000 Growth Index <sup>(b)</sup>	9.15%	22.15%	11.17%
<b>Expense Ratios <sup>(c)</sup></b>			
	<u>Institutional Class</u>	<u>Investor Class</u>	
Gross	1.63%	1.88%	
With Applicable Waivers	1.03%	1.28%	

*The performance quoted represents past performance, which does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. The returns shown do not reflect deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. Current performance of a Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 1-855-261-0104.*

*The performance in the preceding table reflects any fee reductions during the applicable period. If such fee reductions had not occurred, the quoted performance would be lower.*

- (a) Return figures reflect any change in price per share and assume the reinvestment of all distributions. Total returns for less than one year are not annualized.
- (b) The Russell 1000 Growth Index is a widely recognized unmanaged index of equity securities and is representative of a broader domestic equity market and range of securities than is found in the Fund's portfolio. Individuals cannot invest directly in an Index; however, an individual can invest in exchange traded funds or other investment vehicles that attempt to track the performance of a benchmark index.
- (c) The expense ratios are from the Fund's prospectus dated December 29, 2016. The Adviser has contractually agreed to waive or limit its fees and assume other expenses of the Fund through December 31, 2017, so that total annual fund operating expenses do not exceed 1.00% of the Fund's average daily net assets. This operating expense limitation does not apply to brokerage fees and commissions, borrowing costs (such as interest and dividend expenses on securities sold short), taxes, 12b-1 fees, extraordinary expenses and indirect expenses (such as "acquired fund fees and expenses"). Additional information pertaining to the Fund's expense ratios as of February 28, 2017 can be found in the financial highlights.

***The Fund's investment objective, strategies, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company and may be obtained by calling 1-855-261-0104. Please read it carefully before investing.***

***The Fund is distributed by Unified Financial Securities, LLC, Member FINRA/SIPC.***

**Investment Results – (Unaudited) (continued)**

<b>Total Returns</b>			
<b>For the Periods Ended February 28, 2017 <sup>(a)</sup></b>			
<u>Fund/Index</u>	<u>Six Months</u>	<u>1 Year</u>	<u>Since Inception (12/23/13)</u>
Meritage Value Equity Fund – Institutional Class	9.41%	17.13%	6.89%
Russell 1000 Value Index <sup>(b)</sup>	11.07%	29.13%	10.06%
	<u>Expense Ratios <sup>(c)</sup></u>		
	<u>Institutional Class</u>		
Gross	1.71%		
With Applicable Waivers	1.04%		

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**Investment Results – (Unaudited) (continued)**

<b>Total Returns</b>			
<b>For the Periods Ended February 28, 2017 <sup>(a)</sup></b>			
<u>Fund/Index</u>	<u>Six Months</u>	<u>1 Year</u>	<u>Since Inception (12/23/13)</u>
Meritage Yield-Focus Equity Fund – Institutional Class	6.34%	18.48%	4.42%
Meritage Yield-Focus Equity Fund – Investor Class	6.53%	18.57%	4.25%
Russell 3000 Value Index <sup>(b)</sup>	11.42%	30.02%	9.93%
Zacks Multi-Asset Income Index TR <sup>(c)</sup>	8.52%	26.82%	0.74%
	<u>Expense Ratios <sup>(d)</sup></u>		
	<u>Institutional Class</u>	<u>Investor Class</u>	
Gross	1.64%	1.89%	
With Applicable Waivers	1.15%	1.40%	

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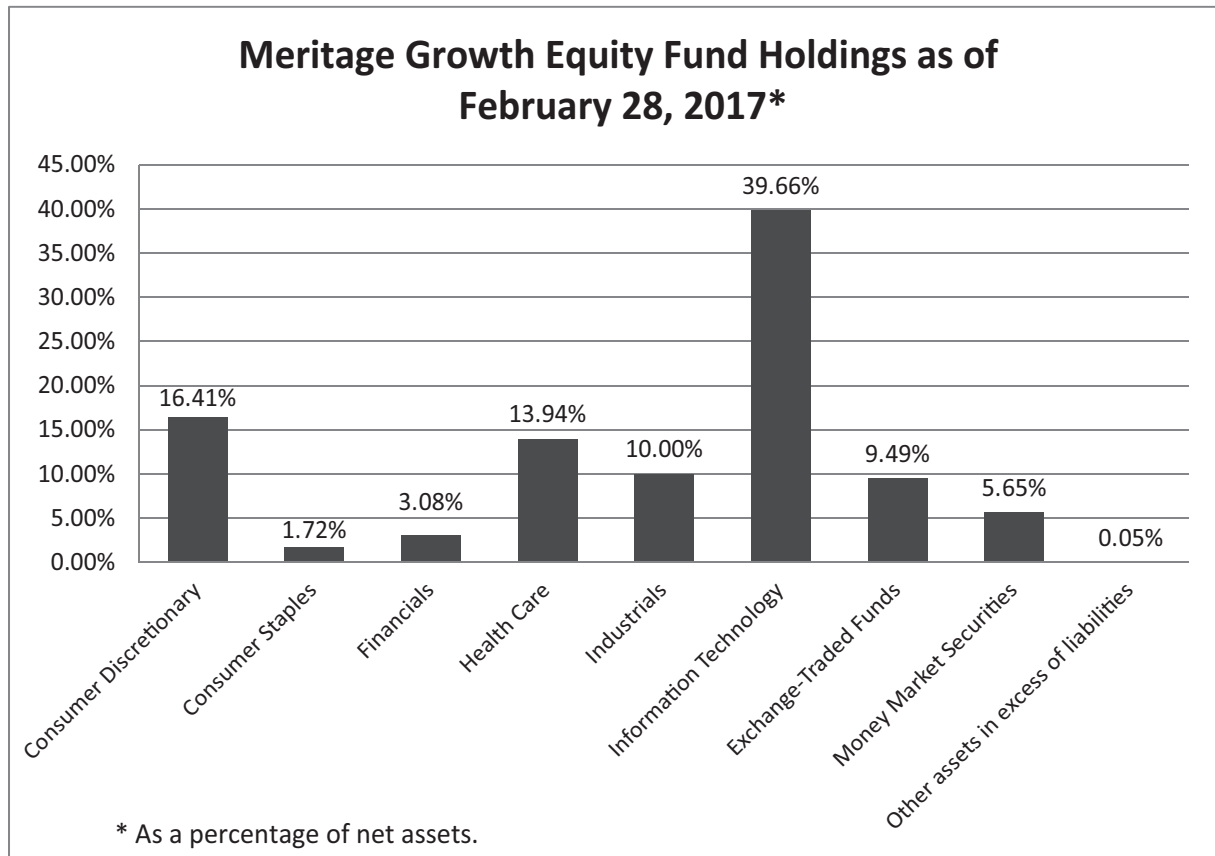
*The performance in the preceding table reflects any fee reductions during the applicable period. If such fee reductions had not occurred, the quoted performance would be lower.*

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- (c) The Zacks Multi-Asset Income Index is comprised of approximately 125 to 150 securities selected, based on investment and other criteria, from a universe of domestic and international companies. The universe of securities within the Index includes U.S. listed common stocks and ADRs paying dividends, real estate investment trusts, MLPs, closed end funds, Canadian royalty trusts and traditional preferred stocks. Individuals cannot invest directly in an Index.
- (d) The expense ratios are from the Fund's prospectus dated December 29, 2016. The Adviser has contractually agreed to waive or limit its fees and assume other expenses of the Fund through December 31, 2017, so that total annual fund operating expenses do not exceed 1.00% of the Fund's average daily net assets. This operating expense limitation does not apply to brokerage fees and commissions, borrowing costs (such as interest and dividend expenses on securities sold short), taxes, 12b-1 fees, extraordinary expenses and indirect expenses (such as "acquired fund fees and expenses"). Additional information pertaining to the Fund's expense ratios as of February 28, 2017 can be found in the financial highlights.

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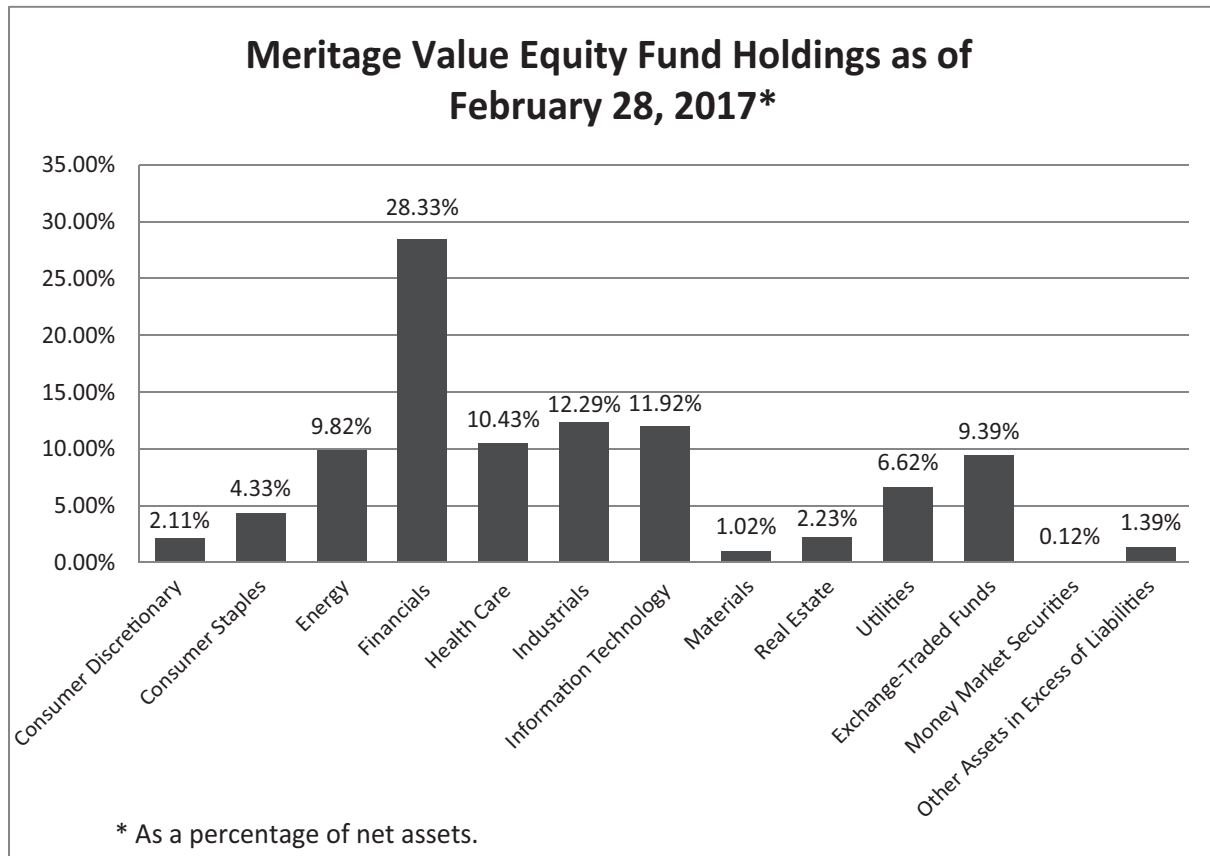
***Fund Holdings – (Unaudited)***



The investment objective of the Meritage Growth Equity Fund is to seek growth of capital.

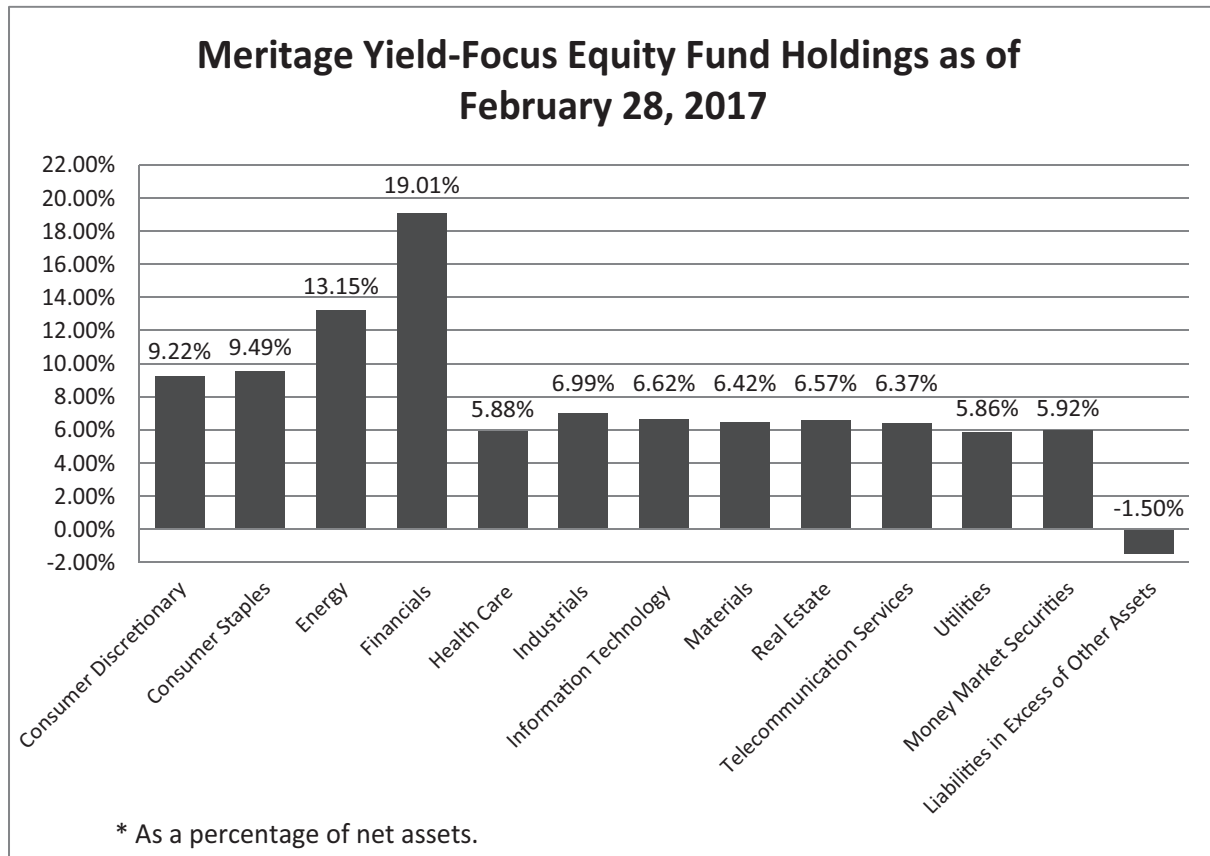


**Fund Holdings – (Unaudited) (continued)**



The investment objective of the Meritage Value Equity Fund is to seek growth of capital. Income is a secondary objective.

***Fund Holdings – (Unaudited) (continued)***



The investment objective of the Meritage Yield-Focus Equity Fund is to seek long-term growth of capital with an emphasis on high current income.

***Availability of Portfolio Schedule – (Unaudited)***

The Funds will file their complete schedule of portfolio holdings with the Securities and Exchange Commission (“SEC”) for the first and third quarter of each fiscal year on Form N-Q. The Funds’ Forms N-Q will be available at the SEC’s website at [www.sec.gov](http://www.sec.gov). The Form N-Q may be reviewed and copied at the Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

**MERITAGE GROWTH EQUITY FUND**  
**SCHEDULE OF INVESTMENTS**  
**February 28, 2017 (Unaudited)**

<b>Common Stocks – 84.81%</b>	<b>Shares</b>	<b>Fair Value</b>
<b>Consumer Discretionary – 16.41%</b>		
Amazon.com, Inc. *	961	\$ 812,083
Home Depot, Inc./The	5,595	810,772
Omnicom Group, Inc.	4,785	407,204
Priceline Group, Inc./The *	390	672,411
Thor Industries, Inc.	5,260	582,913
		<u>3,285,383</u>
<b>Consumer Staples – 1.72%</b>		
Colgate-Palmolive Co.	4,730	345,195
<b>Financials – 3.08%</b>		
Aon PLC	2,320	268,308
Everest Re Group Ltd.	1,481	348,242
		<u>616,550</u>
<b>Health Care – 13.94%</b>		
Amgen, Inc.	2,261	399,134
Danaher Corp.	4,572	391,135
Intuitive Surgical, Inc. *	331	243,947
Johnson & Johnson	5,205	636,103
Masimo Corp. *	2,715	245,327
Mettler-Toledo International, Inc. *	661	314,781
Teleflex, Inc.	1,507	288,108
United Therapeutics Corp. *	1,855	274,021
		<u>2,792,556</u>
<b>Industrials – 10.00%</b>		
Acuity Brands, Inc.	1,957	413,514
AMETEK, Inc.	4,795	258,786
Deluxe Corp.	5,790	426,086
Gibraltar Industries, Inc. *	9,580	397,091
Snap-on, Inc.	1,235	209,543
Trex Company, Inc. *	4,375	297,544
		<u>2,002,564</u>
<b>Information Technology – 39.66%</b>		
Alphabet, Inc., Class A *	1,045	882,952
Apple, Inc.	8,209	1,124,551
Applied Materials, Inc.	7,790	282,154
Cisco Systems, Inc.	13,770	470,659
Citrix Systems, Inc. *	2,805	221,455
Coherent, Inc. *	3,495	638,117
Fiserv, Inc. *	4,105	473,717
Flex Ltd. *	16,555	272,992
II-VI, Inc. *	7,475	266,110

*See accompanying notes which are an integral part of these financial statements.*

**MERITAGE GROWTH EQUITY FUND**  
**SCHEDULE OF INVESTMENTS – (continued)**  
**February 28, 2017 (Unaudited)**

<b>Common Stocks – 84.81% – continued</b>	<u>Shares</u>	<u>Fair Value</u>
<b>Information Technology – 39.66% – continued</b>		
Lam Research Corp.	4,010	\$ 475,345
LogMeIn, Inc.	–(a)	25
MasterCard, Inc., Class A	4,740	523,580
MaxLinear, Inc., Class A *	12,195	317,558
Microsoft Corp.	12,965	829,501
NICE-Systems Ltd. ADR	5,285	360,701
NVIDIA Corp.	5,700	578,436
Xperi Corp.	6,260	224,421
		<u>7,942,274</u>
<b>TOTAL COMMON STOCKS (Cost \$13,235,871)</b>		<u>16,984,522</u>
<b>Exchange-Traded Funds – 9.49%</b>		
Consumer Staples Select Sector SPDR Fund	12,835	707,209
Financial Select Sector SPDR Fund	12,065	296,075
iShares Nasdaq Biotechnology ETF	1,596	474,379
iShares Russell 1000 Growth ETF	1,230	138,707
iShares US Regional Banks ETF	6,000	285,060
		<u>1,901,430</u>
<b>TOTAL EXCHANGE-TRADED FUNDS (Cost \$1,761,632)</b>		<u>1,901,430</u>
<b>Money Market Securities – 5.65%</b>		
Morgan Stanley Institutional Liquidity Funds Treasury Securities Portfolio, Institutional Class, 0.40% (b)	1,130,643	1,130,643
		<u>1,130,643</u>
<b>TOTAL MONEY MARKET SECURITIES (Cost \$1,130,643)</b>		<u>1,130,643</u>
<b>TOTAL INVESTMENTS – 99.95% (Cost \$16,128,146)</b>		<u>20,016,595</u>
<b>Other Assets in Excess of Liabilities – 0.05%</b>		<u>10,769</u>
<b>NET ASSETS – 100.00%</b>		<u>\$20,027,364</u>

(a) Rounds to less than 1 share.

(b) Rate disclosed is the seven day effective yield as of February 28, 2017.

\* Non-income producing security.

ADR – American Depositary Receipt

The sectors shown on the schedule of investments are based on Global Industry Classification Standard, or GICS® (“GICS”). The GICS was developed by and/or is the exclusive property of MSCI, Inc. and Standard & Poor Financial Services LLC (“S&P”). GICS is a service mark of MSCI, Inc. and S&P and has been licensed for use by Ultimius Asset Services, LLC.

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**MERITAGE VALUE EQUITY FUND**  
**SCHEDULE OF INVESTMENTS**  
**February 28, 2017 (Unaudited)**

<b>Common Stocks – 89.10%</b>	<b>Shares</b>	<b>Fair Value</b>
<b>Consumer Discretionary – 2.11%</b>		
Big Lots, Inc.	3,060	\$ 157,100
DeVry Education Group, Inc.	4,795	154,159
		<u>311,259</u>
<b>Consumer Staples – 4.33%</b>		
CVS Health Corp.	1,990	160,354
Ingredion, Inc.	1,650	199,469
Pilgrim’s Pride Corp.	13,665	278,493
		<u>638,316</u>
<b>Energy – 9.82%</b>		
Chevron Corp.	5,090	572,625
Royal Dutch Shell PLC ADR	10,965	568,974
World Fuel Services Corp.	8,485	306,902
		<u>1,448,501</u>
<b>Financials – 28.33%</b>		
Aspen Insurance Holdings Ltd.	6,080	340,784
Berkshire Hathaway, Inc., Class B *	2,429	416,379
Citigroup, Inc.	5,320	318,189
Fidelity & Guaranty Life	6,105	162,393
Goldman Sachs Group, Inc./The	1,107	274,602
Horace Mann Educators Corp.	7,470	312,993
Prudential Financial, Inc.	3,670	405,682
Reinsurance Group of America, Inc.	3,450	448,707
State Street Corp.	4,955	394,963
Torchmark Corp.	4,902	380,052
Unum Group	6,270	306,164
Voya Financial, Inc.	10,090	416,011
		<u>4,176,919</u>
<b>Health Care – 10.43%</b>		
Aetna, Inc.	2,580	332,201
Biogen, Inc. *	926	267,244
Cigna Corp.	1,975	294,077
ICON PLC *	3,560	298,221
UnitedHealth Group, Inc.	2,095	346,471
		<u>1,538,214</u>
<b>Industrials – 12.29%</b>		
Chicago Bridge & Iron Co. N.V.	4,270	143,344
EnerSys	3,930	301,549
Raytheon Co.	2,080	320,632
Regal-Beloit Corp.	4,120	306,734

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**MERITAGE VALUE EQUITY FUND**  
**SCHEDULE OF INVESTMENTS – (continued)**  
**February 28, 2017 (Unaudited)**

<b>Common Stocks – 89.10% – continued</b>	<u>Shares</u>	<u>Fair Value</u>
<b>Industrials – 12.29% – continued</b>		
Southwest Airlines Co.	6,430	\$ 371,654
Spirit AeroSystems Holdings, Inc.	5,970	367,812
		<u>1,811,725</u>
<b>Information Technology – 11.92%</b>		
Check Point Software Technologies Ltd. *	3,230	319,479
Juniper Networks, Inc.	6,015	168,420
MAXIMUS, Inc.	2,665	159,021
Skyworks Solutions, Inc.	1,985	188,198
Synopsys, Inc. *	3,625	258,970
Teradyne, Inc.	7,100	201,924
Vishay Intertechnology, Inc.	9,540	151,209
WNS Holdings Ltd. ADR *	10,965	309,761
		<u>1,756,982</u>
<b>Materials – 1.02%</b>		
Innospec, Inc.	2,300	150,190
<b>Real Estate – 2.23%</b>		
Welltower, Inc.	4,665	328,323
<b>Utilities – 6.62%</b>		
Ameren Corp.	6,595	360,681
Entergy Corp.	4,875	373,717
Exelon Corp.	6,565	241,001
		<u>975,399</u>
<b>TOTAL COMMON STOCKS (Cost \$10,757,745)</b>		<u>13,135,828</u>
<b>Exchange-Traded Funds – 9.39%</b>		
Materials Select Sector SPDR Fund	5,270	275,357
SPDR S&P Oil & Gas Equipment & Services ETF	12,450	266,555
SPDR S&P Regional Banking ETF	5,480	314,881
Vanguard REIT ETF	3,290	280,505
Vanguard Telecommunication Services ETF	2,525	246,794
<b>TOTAL EXCHANGE-TRADED FUNDS (Cost \$1,323,928)</b>		<u>1,384,092</u>
<b>Money Market Securities – 0.12%</b>		
Morgan Stanley Institutional Liquidity Funds Treasury Securities Portfolio, Institutional Class, 0.40% (a)	17,596	17,596
<b>TOTAL MONEY MARKET SECURITIES (Cost \$17,596)</b>		<u>17,596</u>
<b>TOTAL INVESTMENTS – 98.61% (Cost \$12,099,269)</b>		<u>14,537,516</u>
<b>Other Assets in Excess of Liabilities – 1.39%</b>		<u>205,313</u>
<b>NET ASSETS – 100.00%</b>		<u>\$14,742,829</u>

*See accompanying notes which are an integral part of these financial statements.*

***MERITAGE VALUE EQUITY FUND***  
***SCHEDULE OF INVESTMENTS – (continued)***  
**February 28, 2017 (Unaudited)**

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(a) Rate disclosed is the seven day effective yield as of February 28, 2017.

\* Non-income producing security.

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**MERITAGE YIELD-FOCUS EQUITY FUND**  
**SCHEDULE OF INVESTMENTS**  
**February 28, 2017 (Unaudited)**

<b>Common Stocks – 89.87%</b>	<u>Shares</u>	<u>Fair Value</u>
<b>Consumer Discretionary – 9.22%</b>		
GameStop Corp., Class A	11,390	\$ 278,372
Gannett Co., Inc.	59,515	518,971
Garmin Ltd.	12,320	635,835
Kohl’s Corp.	11,055	471,164
Staples, Inc.	45,955	413,135
Target Corp.	4,185	245,952
		<u>2,563,429</u>
<b>Consumer Staples – 9.49%</b>		
Altria Group, Inc.	10,200	764,184
Philip Morris International, Inc.	6,070	663,754
Reynolds American, Inc.	9,477	583,499
Unilever PLC ADR	13,215	627,448
		<u>2,638,885</u>
<b>Energy – 13.15%</b>		
BP PLC ADR	16,640	564,429
Enterprise Products Partners LP (a)	19,580	548,827
Occidental Petroleum Corp.	7,655	501,785
Phillips 66 Partners LP (a)	5,400	300,402
Repsol SA ADR	46,790	692,258
Total SA ADR	10,055	502,448
Valero Energy Corp.	8,040	546,318
		<u>3,656,467</u>
<b>Financials – 19.01%</b>		
AllianceBernstein Holding LP (a)	21,480	509,076
Ares Capital Corp. (b)	27,175	482,356
Banco Latinoamericano de Comercio Exterior SA, Class E	14,455	406,619
Bank of Montreal	5,885	445,083
Federated Investors, Inc., Class B	20,215	549,242
Invesco Ltd.	18,910	608,713
Lazard Ltd., Class A (a)	9,760	420,266
Maiden Holdings Ltd.	30,245	467,285
Old Republic International Corp.	26,390	546,537
Power Financial Corp.	15,715	410,932
Solar Capital Ltd. (b)	19,850	442,059
		<u>5,288,168</u>
<b>Health Care – 3.85%</b>		
Merck & Co., Inc.	8,710	573,728
Pfizer, Inc.	14,595	497,981
		<u>1,071,709</u>

*See accompanying notes which are an integral part of these financial statements.*



**MERITAGE YIELD-FOCUS EQUITY FUND**  
**SCHEDULE OF INVESTMENTS – (continued)**  
**February 28, 2017 (Unaudited)**

<b>Common Stocks – 89.87% – continued</b>	<u>Shares</u>	<u>Fair Value</u>
<b>Industrials – 5.31%</b>		
Boeing Co./The	3,055	\$ 550,603
Eaton Corp. PLC	6,510	468,590
Lockheed Martin Corp.	1,715	457,185
		<u>1,476,378</u>
<b>Information Technology – 6.62%</b>		
HP, Inc.	38,445	667,790
International Business Machines Corp.	3,203	575,963
QUALCOMM, Inc.	5,770	325,890
Western Union Co./The	13,830	271,621
		<u>1,841,264</u>
<b>Materials – 6.42%</b>		
Domtar Corp.	14,150	538,973
Lyondellbasell Industries NV, Class A	7,670	699,811
Rio Tinto PLC ADR	13,170	546,818
		<u>1,785,602</u>
<b>Real Estate – 6.57%</b>		
Brandywine Realty Trust	16,825	280,305
Medical Properties Trust, Inc.	36,015	483,321
Omega Healthcare Investors, Inc.	14,570	475,565
VEREIT, Inc.	64,990	589,459
		<u>1,828,650</u>
<b>Telecommunication Services – 6.37%</b>		
AT&T, Inc.	12,845	536,793
CenturyLink, Inc.	22,780	552,643
Verizon Communications, Inc.	13,772	683,504
		<u>1,772,940</u>
<b>Utilities – 3.86%</b>		
Entergy Corp.	7,445	570,734
Public Service Enterprise Group, Inc.	10,945	503,251
		<u>1,073,985</u>
<b>TOTAL COMMON STOCKS (Cost \$21,626,309)</b>		<u>24,997,477</u>
<b>Convertible Preferred Stocks – 5.71%</b>		
<b>Health Care – 2.03%</b>		
Anthem, Inc., 5.25%	11,245	564,049
<b>Industrials – 1.68%</b>		
Stericycle, Inc., 5.25%	6,620	468,696

*See accompanying notes which are an integral part of these financial statements.*

***MERITAGE YIELD-FOCUS EQUITY FUND***  
***SCHEDULE OF INVESTMENTS – (continued)***  
**February 28, 2017 (Unaudited)**

<b>Convertible Preferred Stocks – 5.71% – continued</b>	<b><u>Shares</u></b>	<b><u>Fair Value</u></b>
<b>Utilities – 2.00%</b>		
Exelon Corp., 6.50%	11,210	\$ 555,792
<b>TOTAL CONVERTIBLE PREFERRED STOCKS (Cost \$1,435,729)</b>		<u>1,588,537</u>
<b>Money Market Securities – 5.92%</b>		
Morgan Stanley Institutional Liquidity Funds Treasury Securities Portfolio, Institutional Class, 0.40% (c)	1,646,378	1,646,378
<b>TOTAL MONEY MARKET SECURITIES (Cost \$1,646,378)</b>		<u>1,646,378</u>
<b>TOTAL INVESTMENTS – 101.50% (Cost \$24,708,416)</b>		<u>28,232,392</u>
<b>Liabilities in Excess of Other Assets – (1.50)%</b>		<u>(416,138)</u>
<b>NET ASSETS – 100.00%</b>		<u><u>\$27,816,254</u></u>

(a) Master Limited Partnership

(b) Business Development Company

(c) Rate disclosed is the seven day effective yield as of February 28, 2017.

ADR – American Depositary Receipt

The sectors shown on the schedule of investments are based on Global Industry Classification Standard, or GICS® (“GICS”). The GICS was developed by and/or is the exclusive property of MSCI, Inc. and Standard & Poor Financial Services LLC (“S&P”). GICS is a service mark of MSCI, Inc. and S&P and has been licensed for use by Ultimus Asset Services, LLC.

*See accompanying notes which are an integral part of these financial statements.*

**MERITAGE FUNDS**  
**STATEMENTS OF ASSETS AND LIABILITIES**  
**February 28, 2017 (Unaudited)**

	<u>Meritage Growth Equity Fund</u>	<u>Meritage Value Equity Fund</u>	<u>Meritage Yield- Focus Equity Fund</u>
<b>Assets</b>			
Investments in securities at value (cost \$16,128,146, \$12,099,269 and \$24,708,416)	\$20,016,595	\$14,537,516	\$28,232,392
Foreign currencies, at value (Cost \$-, \$- and \$4,765)	-	-	4,765
Receivable for fund shares sold	-	-	4,431
Receivable for investments sold	-	274,128	273,922
Dividends receivable	16,132	30,952	124,984
Tax reclaims receivable	926	-	9,360
Prepaid expenses	13,355	12,425	29,795
<b>Total Assets</b>	<u>20,047,008</u>	<u>14,855,021</u>	<u>28,679,649</u>
<b>Liabilities</b>			
Payable for fund shares redeemed	-	-	5,500
Payable for investments purchased	-	97,088	812,372
Payable to Adviser	4,466	2,605	6,615
Accrued 12b-1 fees – Investor class	47	-	3,632
Payable to administrator, fund accountant, and transfer agent	4,955	4,123	10,724
Payable to custodian	640	72	-
Other accrued expenses	9,536	8,304	24,552
<b>Total Liabilities</b>	<u>19,644</u>	<u>112,192</u>	<u>863,395</u>
<b>Net Assets</b>	<u>\$20,027,364</u>	<u>\$14,742,829</u>	<u>\$27,816,254</u>
<b>Net Assets consist of:</b>			
Paid-in capital	\$15,952,691	\$12,813,117	\$29,391,072
Accumulated undistributed net investment income	1,088	53,021	204,428
Accumulated undistributed net realized gain (loss) from investment transactions	185,136	(561,556)	(5,303,222)
Net unrealized appreciation on investments	3,888,449	2,438,247	3,523,976
<b>Net Assets</b>	<u>\$20,027,364</u>	<u>\$14,742,829</u>	<u>\$27,816,254</u>
<b>Net Assets: Institutional Class</b>			
Shares outstanding (unlimited number of shares authorized, no par value)	<u>1,500,027</u>	<u>1,227,768</u>	<u>2,599,885</u>
Net asset value, offering and redemption price per share	<u>\$ 13.26</u>	<u>\$ 12.01</u>	<u>\$ 10.49</u>
<b>Net Assets: Investor Class</b>	<u>\$ 132,905</u>		<u>\$ 554,425</u>
Shares outstanding (unlimited number of shares authorized, no par value)	<u>10,076</u>		<u>52,797</u>
Net asset value, offering and redemption price per share	<u>\$ 13.19</u>		<u>\$ 10.50</u>

*See accompanying notes which are an integral part of these financial statements.*

**MERITAGE FUNDS**  
**STATEMENTS OF OPERATIONS**  
For the six months ended February 28, 2017 (Unaudited)

	<u>Meritage Growth Equity Fund</u>	<u>Meritage Value Equity Fund</u>	<u>Meritage Yield- Focus Equity Fund</u>
<b>Investment Income</b>			
Dividend income			
(net of foreign taxes withheld of \$306, \$2,937 and \$8,465)	\$ 96,918	\$ 120,277	\$ 871,171
<b>Total investment income</b>	<u>96,918</u>	<u>120,277</u>	<u>871,171</u>
<b>Expenses</b>			
Investment Adviser	67,398	50,311	141,604
Administration	14,112	10,594	30,932
Fund accounting	9,434	7,022	20,736
Audit	10,232	10,232	10,232
Registration	7,538	5,499	17,108
Transfer agent	7,575	5,644	16,800
Other	5,885	5,405	10,742
Legal	4,359	3,253	9,496
12b-1 – Investor class	185	11 <sup>(a)</sup>	12,569
Report printing	2,744	1,750	5,735
Insurance	3,297	3,174	3,597
Custodian	2,101	1,831	2,464
Trustee	1,971	1,970	1,970
Pricing	1,132	1,119	1,294
<b>Total expenses</b>	<u>137,963</u>	<u>107,815</u>	<u>285,279</u>
Fees waived by Adviser	(47,703)	(40,559)	(83,468)
<b>Net operating expenses</b>	<u>90,260</u>	<u>67,256</u>	<u>201,811</u>
<b>Net investment income</b>	<u>6,658</u>	<u>53,021</u>	<u>669,360</u>
<b>Net Realized and Unrealized Gain (Loss) on Investments</b>			
Net realized gain on investment securities transactions	449,426	74,437	1,374,693
Net realized loss on foreign currency transactions	–	–	(161)
Net change in unrealized appreciation of investment securities	<u>1,442,338</u>	<u>1,067,774</u>	<u>215,717</u>
Net realized and unrealized gain on investments	<u>1,891,764</u>	<u>1,142,211</u>	<u>1,590,249</u>
<b>Net increase in net assets resulting from operations</b>	<u>\$1,898,422</u>	<u>\$1,195,232</u>	<u>\$2,259,609</u>

(a) Meritage Value Equity Fund – Investor Class liquidated on February 3, 2017.

*See accompanying notes which are an integral part of these financial statements.*

**MERITAGE GROWTH EQUITY FUND**  
**STATEMENTS OF CHANGES IN NET ASSETS**

	For the Six Months Ended February 28, 2017 (Unaudited)	For the Year Ended August 31, 2016
<b>Increase (Decrease) in Net Assets due to:</b>		
<b>Operations</b>		
Net investment income	\$ 6,658	\$ 37,576
Net realized gain (loss) on investment securities transactions	449,426	(76,545)
Net change in unrealized appreciation of investment securities	1,442,338	1,687,088
Net increase in net assets resulting from operations	1,898,422	1,648,119
<b>Distributions</b>		
From net investment income – Institutional Class	(44,491)	(8,254)
From net realized gains – Institutional Class	(171,541)	(306,530)
From net realized gains – Investor Class	(1,047)	(3,439)
Total distributions	(217,079)	(318,223)
<b>Capital Transactions – Institutional Class</b>		
Proceeds from shares sold	1,814,571	3,937,403
Reinvestment of distributions	208,934	306,740
Amount paid for shares redeemed	(1,279,317)	(1,405,523)
Total Institutional Class	744,188	2,838,620
<b>Capital Transactions – Investor Class</b>		
Proceeds from shares sold	29,490	209,178
Reinvestment of distributions	1,047	2,111
Amount paid for shares redeemed	(274,854)	(29,277)
Total Investor Class	(244,317)	182,012
<b>Net increase in net assets resulting from capital transactions</b>	499,871	3,020,632
<b>Total Increase in Net Assets</b>	2,181,214	4,350,528
<b>Net Assets</b>		
Beginning of period	17,846,150	13,495,622
End of period	\$20,027,364	\$17,846,150
Accumulated undistributed net investment income included in net assets at end of period	\$ 1,088	\$ 38,921
<b>Share Transactions – Institutional Class</b>		
Shares sold	144,134	347,376
Shares issued in reinvestment of distributions	16,822	27,169
Shares redeemed	(104,467)	(121,465)
Total Institutional Class	56,489	253,080
<b>Share Transactions – Investor Class</b>		
Shares sold	2,265	18,178
Shares issued in reinvestment of distributions	85	188
Shares redeemed	(22,776)	(2,612)
Total Investor Class	(20,426)	15,754
Net increase in shares outstanding	36,063	268,834

*See accompanying notes which are an integral part of these financial statements.*

**MERITAGE VALUE EQUITY FUND**  
**STATEMENTS OF CHANGES IN NET ASSETS**

	<b>For the Six Months Ended February 28, 2017 (Unaudited)</b>	<b>For the Year Ended August 31, 2016</b>
<b>Increase (Decrease) in Net Assets due to:</b>		
<b>Operations</b>		
Net investment income	\$ 53,021	\$ 117,793
Net realized gain (loss) on investment securities transactions	74,437	(615,738)
Net change in unrealized appreciation of investment securities	1,067,774	784,958
Net increase in net assets resulting from operations	<u>1,195,232</u>	<u>287,013</u>
<b>Distributions</b>		
From net investment income – Institutional Class	(115,272)	(105,233)
From net investment income – Investor Class	(67) <sup>(a)</sup>	(66)
From net realized gains – Institutional Class	–	(50,500)
From net realized gains – Investor Class	–	(39)
Total distributions	<u>(115,339)</u>	<u>(155,838)</u>
<b>Capital Transactions – Institutional Class</b>		
Proceeds from shares sold	1,788,063	3,408,257
Reinvestment of distributions	113,051	153,110
Amount paid for shares redeemed	(2,091,596)	(1,159,673)
Total Institutional Class	<u>(190,482)</u>	<u>2,401,694</u>
<b>Capital Transactions – Investor Class</b>		
Reinvestment of distributions	67 <sup>(a)</sup>	105
Amount paid for shares redeemed	(11,012) <sup>(a)</sup>	–
Total Investor Class	<u>(10,945)</u>	<u>105</u>
<b>Net increase (decrease) in net assets resulting from capital transactions</b>	<u>(201,427)</u>	<u>2,401,799</u>
<b>Total Increase in Net Assets</b>	<u>878,466</u>	<u>2,532,974</u>
<b>Net Assets</b>		
Beginning of period	<u>13,864,363</u>	<u>11,331,389</u>
End of period	<u>\$14,742,829</u>	<u>\$13,864,363</u>
Accumulated undistributed net investment income included in net assets at end of period	\$ 53,021	\$ 115,339
<b>Share Transactions – Institutional Class</b>		
Shares sold	153,443	313,214
Shares issued in reinvestment of distributions	9,729	14,164
Shares redeemed	(187,396)	(104,992)
Total Institutional Class	<u>(24,224)</u>	<u>222,386</u>
<b>Share Transactions – Investor Class</b>		
Shares issued in reinvestment of distributions	6 <sup>(a)</sup>	10
Shares redeemed	(946) <sup>(a)</sup>	–
Total Investor Class	<u>(940)</u>	<u>10</u>
Net increase (decrease) in shares outstanding	<u>(25,164)</u>	<u>222,396</u>

(a) Meritage Value Equity Fund – Investor Class liquidated on February 3, 2017.

*See accompanying notes which are an integral part of these financial statements.*

**MERITAGE YIELD-FOCUS EQUITY FUND**  
**STATEMENTS OF CHANGES IN NET ASSETS**

	<b>For the Six Months Ended February 28, 2017 (Unaudited)</b>	<b>For the Year Ended August 31, 2016</b>
<b>Increase (Decrease) in Net Assets due to:</b>		
<b>Operations</b>		
Net investment income	\$ 669,360	\$ 1,268,575
Net realized gain (loss) on investment securities transactions	1,374,532	(4,040,548)
Net change in unrealized appreciation of investment securities	215,717	6,318,403
Net increase in net assets resulting from operations	2,259,609	3,546,430
<b>Distributions</b>		
From net investment income – Institutional Class	(378,133)	(982,202)
From net investment income – Investor Class	(135,357)	(267,892)
Total distributions	(513,490)	(1,250,094)
<b>Capital Transactions – Institutional Class</b>		
Proceeds from shares sold	1,603,926	11,584,316
Reinvestment of distributions	352,452	949,085
Amount paid for shares redeemed	(5,302,509)	(13,279,431)
Total Institutional Class	(3,346,131)	(746,030)
<b>Capital Transactions – Investor Class</b>		
Proceeds from shares sold	433,652	5,341,482
Reinvestment of distributions	129,553	255,968
Amount paid for shares redeemed	(11,200,790)	(6,117,689)
Total Investor Class	(10,637,585)	(520,239)
<b>Net decrease in net assets resulting from capital transactions</b>	(13,983,716)	(1,266,269)
<b>Total Increase (Decrease) in Net Assets</b>	(12,237,597)	1,030,067
<b>Net Assets</b>		
Beginning of period	40,053,851	39,023,784
End of period	\$ 27,816,254	\$ 40,053,851
Accumulated undistributed net investment income included in net assets at end of period	\$ 204,428	\$ 48,558
<b>Share Transactions – Institutional Class</b>		
Shares sold	158,185	1,240,531
Shares issued in reinvestment of distributions	35,126	101,101
Shares redeemed	(525,972)	(1,409,707)
Total Institutional Class	(332,661)	(68,075)
<b>Share Transactions – Investor Class</b>		
Shares sold	43,385	560,884
Shares issued in reinvestment of distributions	12,933	27,331
Shares redeemed	(1,076,550)	(651,855)
Total Investor Class	(1,020,232)	(63,640)
Net decrease in shares outstanding	(1,352,893)	(131,715)

*See accompanying notes which are an integral part of these financial statements.*

**MERITAGE GROWTH EQUITY FUND – INSTITUTIONAL CLASS**  
**FINANCIAL HIGHLIGHTS**  
**(For a share outstanding during each period)**

	<u>For the Six Months Ended February 28, 2017 (Unaudited)</u>	<u>For the Year Ended August 31, 2016</u>	<u>For the Year Ended August 31, 2015</u>	<u>For the Period Ended August 31, 2014 <sup>(a)</sup></u>
<b>Selected Per Share Data:</b>				
Net asset value, beginning of period	\$ 12.11	\$ 11.20	\$ 10.95	\$ 10.00
Investment operations:				
Net investment income	0.01	0.03	0.01	0.01
Net realized and unrealized gain on investments	<u>1.29</u>	<u>1.12</u>	<u>0.36</u>	<u>0.94</u>
Total from investment operations	<u>1.30</u>	<u>1.15</u>	<u>0.37</u>	<u>0.95</u>
Less distributions to shareholders:				
From net investment income	(0.03)	(0.01)	(0.01)	–
From net realized gains	<u>(0.12)</u>	<u>(0.23)</u>	<u>(0.11)</u>	<u>–</u>
Total distributions	<u>(0.15)</u>	<u>(0.24)</u>	<u>(0.12)</u>	<u>–</u>
Net asset value, end of period	<u>\$ 13.26</u>	<u>\$ 12.11</u>	<u>\$ 11.20</u>	<u>\$ 10.95</u>
<b>Total Return <sup>(b)</sup></b>	10.82% <sup>(c)</sup>	10.41%	3.38%	9.50% <sup>(c)</sup>
<b>Ratios and Supplemental Data:</b>				
Net assets, end of period (000 omitted)	\$19,894	\$17,479	\$13,331	\$10,642
Ratio of net expenses to average net assets	1.00% <sup>(d)</sup>	1.00%	1.00%	1.00% <sup>(d)</sup>
Ratio of expenses to average net assets before waiver	1.53% <sup>(d)</sup>	1.60%	1.66%	3.49% <sup>(d)</sup>
Ratio of net investment income to average net assets	0.08% <sup>(d)</sup>	0.24%	0.08%	0.22% <sup>(d)</sup>
Portfolio turnover rate <sup>(e)</sup>	34% <sup>(c)</sup>	73%	84%	94% <sup>(c)</sup>

(a) For the period December 23, 2013 (commencement of operations) to August 31, 2014.

(b) Total return in the above table represents the rate that the investor would have earned or lost on an investment in the Fund, assuming reinvestment of dividends.

(c) Not annualized.

(d) Annualized.

(e) Portfolio turnover is calculated on the basis on the Fund as a whole without distinguishing among the classes of shares.

*See accompanying notes which are an integral part of these financial statements.*



**MERITAGE GROWTH EQUITY FUND – INVESTOR CLASS**  
**FINANCIAL HIGHLIGHTS**  
**(For a share outstanding during each period)**

	<u>For the Six Months Ended February 28, 2017 (Unaudited)</u>	<u>For the Year Ended August 31, 2016</u>	<u>For the Year Ended August 31, 2015</u>	<u>For the Period Ended August 31, 2014 <sup>(a)</sup></u>
<b>Selected Per Share Data:</b>				
Net asset value, beginning of period	\$12.03	\$11.15	\$10.92	\$10.00
Investment operations:				
Net investment income (loss)	(0.02)	– <sup>(b)</sup>	(0.02)	– <sup>(b)</sup>
Net realized and unrealized gain on investments	<u>1.30</u>	<u>1.11</u>	<u>0.37</u>	<u>0.92</u>
Total from investment operations	<u>1.28</u>	<u>1.11</u>	<u>0.35</u>	<u>0.92</u>
Less distributions to shareholders:				
From net investment income	–	–	(0.01)	–
From net realized gains	<u>(0.12)</u>	<u>(0.23)</u>	<u>(0.11)</u>	<u>–</u>
Total distributions	<u>(0.12)</u>	<u>(0.23)</u>	<u>(0.12)</u>	<u>–</u>
Net asset value, end of period	<u>\$13.19</u>	<u>\$12.03</u>	<u>\$11.15</u>	<u>\$10.92</u>
<b>Total Return <sup>(c)</sup></b>	10.70% <sup>(d)</sup>	10.13%	3.17%	9.20% <sup>(d)</sup>
<b>Ratios and Supplemental Data:</b>				
Net assets, end of period (000 omitted)	\$ 133	\$ 367	\$ 164	\$ 136
Ratio of net expenses to average net assets	1.25% <sup>(e)</sup>	1.25%	1.25%	1.25% <sup>(e)</sup>
Ratio of expenses to average net assets before waiver	1.78% <sup>(e)</sup>	1.85%	1.91%	3.32% <sup>(e)</sup>
Ratio of net investment income (loss) to average net assets	(0.14)% <sup>(e)</sup>	(0.01)%	(0.17)%	0.01% <sup>(e)</sup>
Portfolio turnover rate <sup>(f)</sup>	34% <sup>(d)</sup>	73%	84%	94% <sup>(d)</sup>

(a) For the period December 23, 2013 (commencement of operations) to August 31, 2014.

(b) Amount is less than \$0.01.

(c) Total return in the above table represents the rate that the investor would have earned or lost on an investment in the Fund, assuming reinvestment of dividends.

(d) Not annualized.

(e) Annualized.

(f) Portfolio turnover is calculated on the basis on the Fund as a whole without distinguishing among the classes of shares.

*See accompanying notes which are an integral part of these financial statements.*

**MERITAGE VALUE EQUITY FUND – INSTITUTIONAL CLASS**  
**FINANCIAL HIGHLIGHTS**  
**(For a share outstanding during each period)**

	<u>For the Six Months Ended February 28, 2017 (Unaudited)</u>	<u>For the Year Ended August 31, 2016</u>	<u>For the Year Ended August 31, 2015</u>	<u>For the Period Ended August 31, 2014 <sup>(a)</sup></u>
<b>Selected Per Share Data:</b>				
Net asset value, beginning of period	\$ 11.07	\$ 11.00	\$ 11.00	\$10.00
Investment operations:				
Net investment income	0.05	0.08	0.10	0.04
Net realized and unrealized gain on investments	0.99	0.12	0.01 <sup>(b)</sup>	0.96
Total from investment operations	<u>1.04</u>	<u>0.20</u>	<u>0.11</u>	<u>1.00</u>
Less distributions to shareholders:				
From net investment income	(0.10)	(0.09)	(0.04)	–
From net realized gains	–	(0.04)	(0.07)	–
Total distributions	<u>(0.10)</u>	<u>(0.13)</u>	<u>(0.11)</u>	<u>–</u>
Net asset value, end of period	<u>\$ 12.01</u>	<u>\$ 11.07</u>	<u>\$ 11.00</u>	<u>\$11.00</u>
<b>Total Return <sup>(c)</sup></b>	9.41% <sup>(d)</sup>	1.85%	0.94%	10.00% <sup>(d)</sup>
<b>Ratios and Supplemental Data:</b>				
Net assets, end of period (000 omitted)	\$14,743	\$13,854	\$11,321	\$9,673
Ratio of net expenses to average net assets	1.00% <sup>(e)</sup>	1.00%	1.00%	1.00% <sup>(e)</sup>
Ratio of expenses to average net assets before waiver	1.60% <sup>(e)</sup>	1.67%	1.66%	3.58% <sup>(e)</sup>
Ratio of net investment income to average net assets	0.79% <sup>(e)</sup>	0.89%	0.96%	0.86% <sup>(e)</sup>
Portfolio turnover rate <sup>(f)</sup>	47% <sup>(d)</sup>	67%	62%	50% <sup>(d)</sup>

(a) For the period December 23, 2013 (commencement of operations) to August 31, 2014.

(b) The amount shown for a share outstanding throughout the period does not accord with the aggregate gains and losses in the portfolio securities during the period because of the timing of sales and purchases of fund shares in relation to fluctuating market values during the period.

(c) Total return in the above table represents the rate that the investor would have earned or lost on an investment in the Fund, assuming reinvestment of dividends.

(d) Not annualized.

(e) Annualized.

(f) Portfolio turnover is calculated on the basis on the Fund as a whole without distinguishing among the classes of shares.

*See accompanying notes which are an integral part of these financial statements.*

**MERITAGE YIELD-FOCUS EQUITY FUND – INSTITUTIONAL CLASS**  
**FINANCIAL HIGHLIGHTS**  
(For a share outstanding during each period)

	<u>For the Six Months Ended February 28, 2017 (Unaudited)</u>	<u>For the Year Ended August 31, 2016</u>	<u>For the Year Ended August 31, 2015</u>	<u>For the Period Ended August 31, 2014 <sup>(a)</sup></u>
<b>Selected Per Share Data:</b>				
Net asset value, beginning of period	\$ 10.00	\$ 9.44	\$ 11.27	\$ 10.00
Investment operations:				
Net investment income	0.19	0.32	0.33	0.10
Net realized and unrealized gain (loss) on investments	0.44	0.56	(1.71)	1.17
Total from investment operations	<u>0.63</u>	<u>0.88</u>	<u>(1.38)</u>	<u>1.27</u>
Less distributions to shareholders:				
From net investment income	(0.14)	(0.32)	(0.41)	–
From net realized gains	–	–	(0.03)	–
From return of capital	–	–	(0.01)	–
Total distributions	<u>(0.14)</u>	<u>(0.32)</u>	<u>(0.45)</u>	<u>–</u>
Net asset value, end of period	<u>\$ 10.49</u>	<u>\$ 10.00</u>	<u>\$ 9.44</u>	<u>\$ 11.27</u>
<b>Total Return <sup>(b)</sup></b>	6.34% <sup>(c)</sup>	9.58%	(12.56)%	12.70% <sup>(c)</sup>
<b>Ratios and Supplemental Data:</b>				
Net assets, end of period (000 omitted)	\$27,262	\$29,340	\$28,316	\$26,436
Ratio of net expenses to average net assets	1.00% <sup>(d)</sup>	1.00%	1.00%	1.00% <sup>(d)</sup>
Ratio of expenses to average net assets before waiver	1.44% <sup>(d)</sup>	1.49%	1.44%	2.62% <sup>(d)</sup>
Ratio of net investment income to average net assets	3.61% <sup>(d)</sup>	3.41%	3.17%	2.70% <sup>(d)</sup>
Portfolio turnover rate <sup>(e)</sup>	29% <sup>(c)</sup>	99%	86%	63% <sup>(c)</sup>

(a) For the period December 23, 2013 (commencement of operations) to August 31, 2014.

(b) Total return in the above table represents the rate that the investor would have earned or lost on an investment in the Fund, assuming reinvestment of dividends.

(c) Not annualized.

(d) Annualized.

(e) Portfolio turnover is calculated on the basis on the Fund as a whole without distinguishing among the classes of shares.

*See accompanying notes which are an integral part of these financial statements.*

**MERITAGE YIELD-FOCUS EQUITY FUND – INVESTOR CLASS**  
**FINANCIAL HIGHLIGHTS**  
**(For a share outstanding during each period)**

	<u>For the Six Months Ended February 28, 2017 (Unaudited)</u>	<u>For the Year Ended August 31, 2016</u>	<u>For the Year Ended August 31, 2015</u>	<u>For the Period Ended August 31, 2014 <sup>(a)</sup></u>
<b>Selected Per Share Data:</b>				
Net asset value, beginning of period	\$ 9.98	\$ 9.42	\$ 11.25	\$10.00
Investment operations:				
Net investment income	0.17 <sup>(b)</sup>	0.32	0.29	0.01
Net realized and unrealized gain (loss) on investments	<u>0.48</u>	<u>0.54</u>	<u>(1.70)</u>	<u>1.24</u>
Total from investment operations	<u>0.65</u>	<u>0.86</u>	<u>(1.41)</u>	<u>1.25</u>
Less distributions to shareholders:				
From net investment income	(0.13)	(0.30)	(0.38)	–
From net realized gains	–	–	(0.03)	–
From return of capital	<u>–</u>	<u>–</u>	<u>(0.01)</u>	<u>–</u>
Total distributions	<u>(0.13)</u>	<u>(0.30)</u>	<u>(0.42)</u>	<u>–</u>
Net asset value, end of period	<u>\$10.50</u>	<u>\$ 9.98</u>	<u>\$ 9.42</u>	<u>\$11.25</u>
<b>Total Return <sup>(c)</sup></b>	6.53% <sup>(d)</sup>	9.35%	(12.85)%	12.50% <sup>(d)</sup>
<b>Ratios and Supplemental Data:</b>				
Net assets, end of period (000 omitted)	\$ 554	\$10,714	\$10,708	\$2,627
Ratio of net expenses to average net assets	1.25% <sup>(e)</sup>	1.25%	1.25%	1.25% <sup>(e)</sup>
Ratio of expenses to average net assets before waiver	1.69% <sup>(e)</sup>	1.74%	1.69%	2.46% <sup>(e)</sup>
Ratio of net investment income to average net assets	3.35% <sup>(e)</sup>	3.17%	2.84%	2.26% <sup>(e)</sup>
Portfolio turnover rate <sup>(f)</sup>	29% <sup>(d)</sup>	99%	86%	63% <sup>(d)</sup>

(a) For the period December 23, 2013 (commencement of operations) to August 31, 2014.

(b) Calculated using the average shares method.

(c) Total return in the above table represents the rate that the investor would have earned or lost on an investment in the Fund, assuming reinvestment of dividends.

(d) Not annualized.

(e) Annualized.

(f) Portfolio turnover is calculated on the basis on the Fund as a whole without distinguishing among the classes of shares.

*See accompanying notes which are an integral part of these financial statements.*

***MERITAGE FUNDS***  
***NOTES TO THE FINANCIAL STATEMENTS***  
**February 28, 2017 (Unaudited)**

**NOTE 1. ORGANIZATION**

The Meritage Growth Equity Fund (the “Growth Equity Fund”), the Meritage Value Equity Fund (the “Value Equity Fund”), and the Meritage Yield-Focus Equity Fund (the “Yield-Focus Equity Fund”) (each a “Fund” and, collectively the “Funds”) were each organized as a diversified series of the Capitol Series Trust (the “Trust”). The Trust is an open-end investment company established under the laws of Ohio by an Agreement and Declaration of Trust dated September 18, 2013 (the “Trust Agreement”). The Trust Agreement permits the Trust’s Board of Trustees (the “Board”) to issue an unlimited number of shares of beneficial interest of separate series without par value. The Growth Equity and Yield-Focus Equity Funds each offer two share classes, Institutional Class Shares and Investor Class Shares. As disclosed in a prospectus supplement dated February 15, 2017, the Value Equity Fund has discontinued the sale of its Investor Shares, and will continue to offer Institutional Shares. The Funds commenced operations on December 23, 2013. The Funds’ investment adviser is Meritage Portfolio Management, Inc. (the “Adviser”). The investment objective of the Growth Equity Fund is to seek growth of capital. The investment objective of the Value Equity Fund is to seek growth of capital, with income as a secondary objective. The investment objective of the Yield-Focus Equity Fund is to seek long-term growth of capital with an emphasis on high current income.

Each Fund’s prospectus provides a description of the investment objective, policies and strategies, along with information on the classes of shares currently being offered.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

The Funds are investment companies and follow accounting and reporting guidance under Financial Accounting Standards Board Accounting Standards Codification (“ASC”) Topic 946, “Financial Services-Investment Companies”. The following is a summary of significant accounting policies consistently followed by each Fund in the preparation of its financial statements. These policies are in conformity with generally accepted accounting principles in the United States of America (“GAAP”).

*Estimates* – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

*Securities Valuation* – All investments in securities are recorded at their estimated fair value as described in Note 3.

*Foreign Currency Translation* – The accounting records of the Funds are maintained in U.S. dollars. Foreign currency amounts are translated into U.S. dollars at the current rate of exchange each business day to determine the value of investments, and other assets and liabilities. Purchases and sales of foreign securities, and income and expenses, are translated at the prevailing rate of exchange on the respective date of these transactions. The Funds do not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from fluctuation arising from changes in market prices of securities held. These fluctuations are included with the net realized and unrealized gain or loss from investments.

*Federal Income Taxes* – The Funds make no provision for federal income or excise tax. Each Fund has qualified and intends to qualify each year as a regulated investment company (“RIC”) under subchapter M of the Internal Revenue Code of 1986, as amended, by complying with the requirements applicable to RICs and by distributing substantially all of its taxable income. Each Fund also intends to distribute sufficient net investment income and

***MERITAGE FUNDS***  
***NOTES TO THE FINANCIAL STATEMENTS – (continued)***  
**February 28, 2017 (Unaudited)**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES – continued**

net capital gains, if any, so that it will not be subject to excise tax on undistributed income and gains. If the required amount of net investment income or gains is not distributed, the Funds could incur a tax expense.

As of and during the six months ended February 28, 2017, the Funds did not have a liability for any unrecognized tax benefits. The Funds recognize interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statement of Operations. During the period, the Funds did not incur any interest or penalties.

*Expenses* – Expenses incurred by the Trust that do not relate to a specific fund of the Trust are allocated to the individual funds based on each Fund’s relative net assets or another appropriate basis (as determined by the Board). Expenses specifically attributable to any class are borne by that class. Income, realized gains and losses, unrealized appreciation and depreciation, and expenses are allocated to each class based on the net assets in relation to the relative net assets of the Fund.

*Security Transactions and Related Income* – Throughout the reporting period, security transactions are accounted for no later than one business day following the trade date. For financial reporting purposes, security transactions are accounted for on trade date on the last business day of the reporting period. The specific identification method is used for determining gains or losses for financial statements and income tax purposes. Dividend income is recorded on the ex-dividend date. Interest income is recorded on an accrual basis and includes, where applicable, the amortization of premium or accretion of discount. Dividend income from real estate investment trusts (REITs) and distributions from limited partnerships are recognized on the ex-date and included in dividend income. The calendar year-end classification of distributions received from REITs during the fiscal year are reported subsequent to year end; accordingly, the Fund estimates the character of REIT distributions based on the most recent information available. Income or loss from limited partnerships is reclassified among the components of net assets upon receipt of K-1’s.

*Dividends and Distributions* – Each Fund intends to distribute substantially all of its net investment income, if any, as dividends to its shareholders on at least an annual basis, except for Yield-Focus Fund which will normally distribute dividends on a quarterly basis. Each Fund intends to distribute its net realized long term capital gains and its net realized short term capital gains, if any, at least once a year. Dividends to shareholders are recorded on the ex-dividend date. The amounts of dividends from net investment income and distributions from net realized gains are determined in accordance with federal income tax regulations, which may differ from GAAP. These differences are caused primarily by differences in the timing of the recognition of certain components of income, expense or realized capital gains for federal income tax purposes. Where such differences are permanent in nature, they are reclassified in the components of the net assets based on their ultimate characterization for federal income tax purposes. Any such reclassifications will have no effects on net assets, results of operations or net asset values per share of the Funds.

**NOTE 3. SECURITIES VALUATION AND FAIR VALUE MEASUREMENTS**

Fair value is defined as the price that a Fund would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. GAAP establishes a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes.

*MERITAGE FUNDS*  
*NOTES TO THE FINANCIAL STATEMENTS – (continued)*  
February 28, 2017 (Unaudited)

**NOTE 3. SECURITIES VALUATION AND FAIR VALUE MEASUREMENTS – continued**

Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk (the risk inherent in a particular valuation technique used to measure fair value such as pricing model and/or the risk inherent in the inputs to the valuation technique). Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Various inputs are used in determining the value of each Fund's investments. These inputs are summarized in the three broad levels listed below.

- Level 1 – unadjusted quoted prices in active markets for identical investments and/or registered investment companies where the value per share is determined and published and is the basis for current transactions for identical assets or liabilities at the valuation date
- Level 2 – other significant observable inputs (including, but not limited to, quoted prices for an identical security in an inactive market, quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Funds' own assumptions in determining fair value of investments based on the best information available)

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

In computing the net asset value ("NAV") of the Funds, fair value is based on market valuations with respect to portfolio securities for which market quotations are readily available. Pursuant to Board approved policies, the Funds rely on independent third-party pricing services to provide the current market value of securities. Those pricing services value equity securities traded on a securities exchange at the last reported sales price on the principal exchange. Equity securities quoted by NASDAQ are valued at the NASDAQ Official Closing Price. If there is no reported sale on the principal exchange, equity securities are valued at the mean between the most recent quoted bid and asked price. If a non-exchange traded security does not trade on a particular day, then the mean between the last quoted closing bid and asked price will be used. When using the market quotations or close prices provided by the pricing service and when the market is considered active, the security will be classified as a Level 1 security.

Sometimes, an equity security owned by a Fund will be valued by the pricing service with factors other than market quotations or when the market is considered inactive. When this happens, the security may be classified as a Level 2 security. When market quotations are not readily available, when the Fund determines that the market quotation or the price provided by the pricing service does not accurately reflect the current fair value, or when certain restricted or illiquid securities are being valued, such securities are valued as determined in good faith by the Adviser, in conformity with guidelines adopted by and subject to review by the Board. These securities are generally categorized as Level 3 securities.

**MERITAGE FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS – (continued)**  
**February 28, 2017 (Unaudited)**

**NOTE 3. SECURITIES VALUATION AND FAIR VALUE MEASUREMENTS – continued**

Investments in open-end mutual funds, including money market mutual funds, are generally priced at the ending NAV provided by the service agent of the funds. These securities are categorized as Level 1 securities.

In accordance with the Trust's valuation procedures, the Adviser is required to consider all appropriate factors relevant to the value of securities for which it has determined other pricing sources are not available or reliable as described above. No single standard exists for determining fair value, because fair value depends upon the circumstances of each individual case. As a general principle, the current fair value of an issue of securities being valued by the Adviser would be the amount which the Funds might reasonably expect to receive for them upon their current sale. Methods which are in accordance with this principle may, for example, be based on (i) a multiple of earnings; (ii) a discount from market of a similar freely traded security (including a derivative security or a basket of securities traded on other markets, exchanges or among dealers); or (iii) yield to maturity with respect to debt issues, or a combination of these and other methods. Fair value pricing is permitted if, in the Adviser's opinion, the validity of market quotations appears to be questionable based on factors such as evidence of a thin market in the security based on a small number of quotations, a significant event occurs after the close of a market but before a Fund's NAV calculation that may affect a security's value, or the Adviser is aware of any other data that calls into question the reliability of market quotations.

The following is a summary of the inputs used to value the Funds' investments as of February 28, 2017:

	<b>Valuation Inputs</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Growth Equity Fund</b>				
Common Stocks	\$ 16,984,522	\$ –	\$ –	\$ 16,984,522
Exchange-Traded Funds	1,901,430	–	–	1,901,430
Money Market Securities	1,130,643	–	–	1,130,643
Total	20,016,595	–	–	20,016,595
<b>Value Equity Fund</b>				
Common Stocks	13,135,828	–	–	13,135,828
Exchange-Traded Funds	1,384,092	–	–	1,384,092
Money Market Securities	17,596	–	–	17,596
Total	14,537,516	–	–	14,537,516
<b>Yield-Focus Equity Fund</b>				
Common Stocks	24,997,477	–	–	24,997,477
Convertible Preferred Stocks	1,588,537	–	–	1,588,537
Money Market Securities	1,646,378	–	–	1,646,378
Total	28,232,392	–	–	28,232,392

The Funds did not hold any investments at any time during the reporting period in which significant unobservable inputs were used in determining fair value; therefore, no reconciliation of Level 3 securities is included for this reporting period. The Funds did not hold any derivative instruments during the reporting period.

The Trust recognizes transfers between fair value hierarchy levels at the end of the reporting period. There were no transfers between any levels as of February 28, 2017 based on input levels assigned as of August 31, 2016.



**MERITAGE FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS – (continued)**  
**February 28, 2017 (Unaudited)**

**NOTE 4. FEES AND OTHER TRANSACTIONS WITH AFFILIATES**

Under the terms of the management agreement, on behalf of the Funds (the “Agreement”), the Adviser manages each Fund’s investments subject to oversight of the Board. As compensation for its management services each Fund is obligated to pay the Adviser a fee computed and accrued daily and paid monthly at an annual rate of 0.75% of the average daily net assets of each Fund. For the six months ended February 28, 2017, the Adviser earned fees of \$67,398 from the Growth Equity Fund, \$50,311 from the Value Equity Fund and \$141,604 from the Yield-Focus Equity Fund before the reimbursements described below.

The Adviser has contractually agreed to waive or limit its fees and to assume other expenses of each Fund until December 31, 2017, so that total annual fund operating expenses do not exceed 1.00%. This operating expense limitation does not apply to borrowing costs (such as interest and dividend expenses on securities sold short), taxes, extraordinary expenses, brokerage fees and commissions, and expenses incurred under a plan of distribution adopted pursuant to Rule 12b-1 under the Investment Company Act of 1940 (“Excluded Expenses”). This limitation also excludes any “acquired fund fees and expenses” as that term is described in each Fund’s prospectus.

The waiver and/or reimbursement by the Adviser with respect to the Funds are subject to repayment by the Funds within three years following the date in which that particular waiver and/or reimbursement occurred, provided that the Funds are able to make the repayment without exceeding the expense limitations that were in effect at the time of the waiver or reimbursement.

The amounts subject to repayment by the Funds, pursuant to the aforementioned conditions are as follows:

	<b>Amount Waived or Reimbursed</b>	<b>Recoverable through August 31,</b>
Growth Equity Fund	\$ 63,949	2017
	83,727	2018
	93,928	2019
	47,703	2020
Value Equity Fund	60,770	2017
	72,434	2018
	88,618	2019
	40,559	2020
Yield-Focus Equity Fund	98,556	2017
	190,960	2018
	186,012	2019
	83,468	2020

**MERITAGE FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS – (continued)**  
**February 28, 2017 (Unaudited)**

**NOTE 4. FEES AND OTHER TRANSACTIONS WITH AFFILIATES – continued**

The Trust retains Ultimus Asset Services, LLC (“Ultimus”) to provide the Funds with non-investment related administration and compliance, fund accounting and transfer agent services. For the six months ended February 28, 2017, fees incurred for administration, fund accounting and transfer agent services, and the amounts due to Ultimus at February 28, 2017 were as follows:

	<u>Growth Equity Fund</u>	<u>Value Equity Fund</u>	<u>Yield-Focus Equity Fund</u>
Administration	\$14,112	\$10,594	\$30,932
Fund Accounting	9,434	7,022	20,736
Transfer Agent	7,575	5,644	16,800
Payable to Ultimus	4,955	4,123	10,724

Certain officers and one Trustee of the Trust are employees of Ultimus. Unified Financial Securities, LLC (the “Distributor”) acts as the principal distributor of the Funds’ shares. Both Ultimus and the Distributor operate as wholly-owned subsidiaries of Ultimus Fund Solutions, LLC. Certain officers of the Trust are officers of the Distributor; such persons may be deemed to be affiliates of the Distributor.

The Funds have adopted a Distribution Plan (the “Plan”) pursuant to Rule 12b-1 under the 1940 Act. The Plan provides that the Funds will pay the Distributor and/or any registered securities dealer, financial institution or any other person (the “Recipient”) a fee of 0.25% of the average daily net assets of each Fund’s Investor Shares in connection with the promotion and distribution of each Fund’s Investor Shares or the provision of personal services to shareholders, including, but not necessarily limited to, advertising, compensation to underwriters, dealers and selling personnel, the printing and mailing of prospectuses to other than current shareholders of Investor Shares, the printing and mailing of sales literature and servicing shareholder accounts. The Funds may pay all or a portion of these fees to any Recipient who renders assistance in distributing or promoting the sale of shares, or who provides certain shareholder services, pursuant to a written agreement. The Plan is a compensation plan, which means that compensation is provided regardless of 12b-1 expenses actually incurred. The Board believes that the Plan will significantly enhance the Funds’ ability to expand distribution of Investor Shares of each Fund. For the six months ended February 28, 2017, Investor Shares 12b-1 expense incurred by the Growth Equity Fund was \$185, \$11 for the Value Equity Fund, and \$12,569 for the Yield-Focus Equity Fund. At February 28, 2017, the Distributor was owed \$47 by the Growth Equity Fund and \$3,632 for the Yield-Focus Equity Fund for Investor Shares 12b-1 expenses.

**NOTE 5. PURCHASES AND SALES OF SECURITIES**

For the six months ended February 28, 2017, purchases and sales of investment securities, excluding short-term securities were as follows:

<u>Fund</u>	<u>Purchases</u>	<u>Sales</u>
Growth Equity Fund	\$ 5,814,259	\$ 6,171,496
Value Equity Fund	6,258,919	6,645,757
Yield-Focus Equity Fund	10,570,958	24,851,863

There were no purchases or sales of long-term U.S. government obligations during the six months ended February 28, 2017.

**MERITAGE FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS – (continued)**  
**February 28, 2017 (Unaudited)**

**NOTE 6. BENEFICIAL OWNERSHIP**

The beneficial ownership, either directly or indirectly, of 25% or more of the voting securities of a fund creates a presumption of control of a fund, under Section 2(a)(9) of the Investment Company Act of 1940. At February 28, 2017, National Financial Services LLC (“NFS”) and Charles Schwab & Co. Inc. (“Schwab”) owned, as record shareholder, 52.93% and 43.17%, respectively, of the outstanding shares of the Growth Equity Fund. At February 28, 2017, NFS and Schwab owned, as record shareholder, 53.89% and 43.31%, respectively, of the outstanding shares of the Value Equity Fund. At February 28, 2017, NFS and Schwab owned, as record shareholder, 56.69% and 32.01%, respectively, of the outstanding shares of the Yield-Focus Equity Fund. It is not known whether NFS, Schwab or any of the underlying beneficial owners owned or controlled 25% or more of the voting securities of the Funds.

**NOTE 7. FEDERAL TAX INFORMATION**

At February 28, 2017, the net unrealized appreciation (depreciation) of investments for tax purposes was as follows:

	<u>Tax Cost of Securities</u>	<u>Unrealized Appreciation</u>	<u>Unrealized Depreciation</u>	<u>Net Unrealized Appreciation</u>
Growth Equity Fund	\$16,146,147	\$3,885,531	\$ (15,083)	\$3,870,448
Value Equity Fund	12,141,674	2,513,472	(117,630)	2,395,842
Yield-Focus Equity Fund	25,126,163	3,460,184	(353,955)	3,106,229

The tax character of distributions paid during the fiscal year ended August 31, 2016, was as follows:

	<u>Ordinary Income</u>	<u>Net Long-Term Capital Gains</u>	<u>Total Distributions Paid</u>
Growth Equity Fund	\$ 208,724	\$109,499	\$ 318,223
Value Equity Fund	105,289	50,549	155,838
Yield-Focus Equity Fund	1,250,094	–	1,250,094

For the fiscal year ended August 31, 2016, the components of distributable earnings (accumulated losses) on a tax basis were as follows:

	<u>Ordinary Income</u>	<u>Accumulated Capital and Other Losses</u>	<u>Unrealized Appreciation/ Depreciation</u>	<u>Total Accumulated Earnings (Losses)</u>
Growth Equity Fund	\$ 35,392	\$ (70,172)	\$2,428,110	\$ 2,393,330
Value Equity Fund	115,338	(593,588)	1,328,069	849,819
Yield-Focus Equity Fund	48,559	(6,260,008)	2,890,512	(3,320,937)

The difference between book basis and tax basis unrealized appreciation is primarily attributable to the tax deferral of wash losses.

***MERITAGE FUNDS***  
***NOTES TO THE FINANCIAL STATEMENTS – (continued)***  
**February 28, 2017 (Unaudited)**

**NOTE 7. FEDERAL TAX INFORMATION – continued**

As of August 31, 2016, the Growth Equity Fund, Value Equity Fund, and Yield-Focus Equity Fund, respectively, had available for tax purposes an unused capital loss carryforward of \$41,212, \$71,283, and \$2,930,258 of short-term capital losses with no expiration, which was available to offset against future taxable net capital gains. To the extent that these carryforwards are used to offset future gains, it is probable that the amount offset will not be distributed to shareholders.

Certain capital losses incurred after October 31, and within the current taxable year, are deemed to arise on the first business day of the Fund's following taxable year. For the tax year ended August 31, 2016, the Growth Equity Fund, Value Equity Fund, and Yield-Focus Equity Fund, respectively, deferred post-October capital losses in the amount of \$28,960, \$522,305, and \$2,853,786.

**NOTE 8. COMMITMENTS AND CONTINGENCIES**

The Funds indemnify their officers and trustees for certain liabilities that may arise from the performance of their duties to the Funds. Additionally, in the normal course of business, the Funds enter into contracts that contain a variety of representations and warranties which provide general indemnifications. The Funds' maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Funds that have not yet occurred.

**NOTE 9. SUBSEQUENT EVENTS**

Management has evaluated events or transactions that may have occurred since February 28, 2017 through the date the financial statements were issued, that would merit recognition or disclosure in the financial statements. There were no items requiring adjustment of the financial statements or additional disclosure.

## ***SUMMARY OF FUND EXPENSES – (Unaudited)***

As a shareholder of a Fund, you incur ongoing costs, including management fees 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 September 1, 2016 to February 28, 2017.

### Actual Expenses

The first line 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 = \$8.60), then multiply the result by the number in the first line under the heading entitled “Expenses Paid During the Period” to estimate the expenses you paid on your account during this period.

### Hypothetical Example for Comparison Purposes

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the 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 the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the 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 below is useful in comparing ongoing costs only and will not help you determine the relative costs of owning different funds.

	<b>Beginning Account Value September 1, 2016</b>	<b>Ending Account Value February 28, 2017</b>	<b>Expenses Paid During Period*</b>	<b>Annualized Expense Ratio</b>
<b>Meritage Growth Equity Fund Institutional Class</b>				
Actual	\$ 1,000.00	\$ 1,108.20	\$ 5.23	1.00%
Hypothetical**	\$ 1,000.00	\$ 1,019.84	\$ 5.01	1.00%
<b>Investor Class</b>				
Actual	\$ 1,000.00	\$ 1,107.00	\$ 6.53	1.25%
Hypothetical**	\$ 1,000.00	\$ 1,018.60	\$ 6.26	1.25%
<b>Meritage Value Equity Fund Institutional Class</b>				
Actual	\$ 1,000.00	\$ 1,094.10	\$ 5.19	1.00%
Hypothetical**	\$ 1,000.00	\$ 1,019.84	\$ 5.01	1.00%

**SUMMARY OF FUND EXPENSES – (Unaudited) (continued)**

	<b>Beginning Account Value September 1, 2016</b>	<b>Ending Account Value February 28, 2017</b>	<b>Expenses Paid During Period*</b>	<b>Annualized Expense Ratio</b>
<b>Meritage Yield-Focus Equity Fund</b>				
<b>Institutional Class</b>				
Actual	\$ 1,000.00	\$ 1,063.40	\$ 5.12	1.00%
Hypothetical**	\$ 1,000.00	\$ 1,019.84	\$ 5.01	1.00%
<b>Investor Class</b>				
Actual	\$ 1,000.00	\$ 1,065.30	\$ 6.40	1.25%
Hypothetical**	\$ 1,000.00	\$ 1,018.60	\$ 6.26	1.25%

\* Expenses are equal to the Fund's annualized expense ratio multiplied by the average account value over the period, multiplied by 181/365.

\*\* Assumes 5% return before expenses.

## ***APPROVAL OF INVESTMENT ADVISORY AGREEMENT – (Unaudited)***

At a quarterly meeting of the Board of Trustees of Capitol Series Trust (“Trust”) on September 28, 2016, the Trust’s Board of Trustees (“Board”), including all of the Trustees who are not “interested persons” of the Trust as that term is defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (“Independent Trustees”), considered and approved the renewal of the Investment Advisory Agreement between the Trust and Meritage Portfolio Management, Inc. (“Meritage”) for an additional one-year period (the “Investment Advisory Agreement”), regarding the Meritage Growth Equity Fund, Meritage Value Equity Fund, and Meritage Yield-Focus Equity Fund (each a “Fund” and together the “Funds”). Each Fund is a series of the Trust.

Prior to the meeting, the Trustees received and considered information from Meritage and the Trust’s administrator designed to provide the Trustees with the information necessary to evaluate the terms of the proposed renewal of the Investment Advisory Agreement between the Trust and Meritage (the “Support Materials”). Before voting to approve the renewal of the Investment Advisory Agreement, the Trustees reviewed the terms and the form of Investment Advisory Agreement and the Support Materials with Trust management and with counsel to the Independent Trustees and received a memorandum from such counsel discussing the legal standards for their consideration of the renewal of the Investment Advisory Agreement, which memorandum described the various factors that the U.S. Securities and Exchange Commission (“SEC”) and U.S. Courts over the years have suggested would be appropriate for trustee consideration, including the factors outlined in the case of *Gartenberg v. Merrill Lynch Asset Management Inc.*, 694 F.2d 923, 928 (2d Cir. 1982); cert. denied sub. nom. *Andre v. Merrill Lynch Ready Assets Trust, Inc.*, 461 U.S. 906 (1983). Representatives from Meritage also provided additional information to the Trustees in the Board materials for the meeting regarding its proposed services to the Funds, including but not limited to, information regarding its investment philosophy, the firm’s compliance culture, resources and profitability.

In determining whether to approve the renewal of the Investment Advisory Agreement, the Trustees considered all factors they believed relevant with respect to each Fund, including the following: (1) the nature, extent, and quality of the services to be provided by Meritage; (2) the cost of the services to be provided and the profits to be realized by Meritage from services rendered to the Trust and each Fund; (3) comparative fee and expense data for each Fund and other investment companies with similar investment objectives, as well other accounts that Meritage advises; (4) the extent to which economies of scale would be realized as each Fund grows and whether the proposed advisory fee for each Fund, and the Funds together, reflects these economies of scale for each Fund’s benefit; and (5) other financial benefits to Meritage resulting from services to be rendered to the Funds. In their deliberations, the Trustees did not identify any particular information that was all-important or controlling.

Based upon the information provided to the Board throughout the course of the year and the Support Materials, the Board considered whether the overall arrangements between the Trust and Meritage set forth in the Investment Advisory Agreement and the investment advisory fees that each Fund pays, continue to be fair and reasonable in light of the services Meritage performs, as well as such other matters as the Trustees considered relevant in the exercise of their reasonable business judgment. The material factors and conclusions that formed the basis of the Trustees’ determination to approve the continuation of the Investment Advisory Agreement are summarized below.

**Nature, Extent and Quality of Services Provided.** The Trustees considered the scope of services that Meritage provides under the Investment Advisory Agreement, noting that such services include but are not limited to the following: (1) investing each Fund’s assets consistent with the Fund’s investment objective and investment policies; (2) determining the portfolio securities to be purchased, sold or otherwise disposed of and the timing of such transactions; (3) voting all proxies with respect to each Fund’s portfolio securities; (4) maintaining the required books and records for transactions that Meritage effects on behalf of the Funds; and (5) selecting broker-dealers to execute orders on behalf of the Funds. The Trustees considered Meritage’s capitalization and its assets under management. The Trustees further considered the investment philosophy and experience of the portfolio

## ***APPROVAL OF INVESTMENT ADVISORY AGREEMENT – (Unaudited)***

managers, and noted the lead portfolio manager's experience managing assets using investment philosophies similar to that employed for the Funds. The Trustees also noted each Fund's performance compared to its respective benchmark. The Trustees considered that each Fund underperformed its benchmark for certain periods since its inception, but noted that the Funds had each achieved positive returns at other times over the course of its limited operations, and had exceeded its benchmark during certain quarters. The Trustees also considered each Fund's performance compared to its respective Morningstar peer group category. They noted that the Meritage Growth Equity Fund is outperforming the average of its peer group for the one-year and year-to-date periods ended June 30, 2016, that the Meritage Value Equity Fund is underperforming the average of its peer group for the same one-year and year-to-date periods, and that the Meritage Yield-Focus Equity Fund is underperforming the average of its peer group for the one-year period and outperforming the average of its peer group for the year-to-date period ended June 30, 2016. The Trustees further noted that it is difficult to make meaningful comparisons with short-term results. The Trustees concluded that they are satisfied with the nature, extent and quality of services that Meritage provides to the Funds under the Investment Advisory Agreement.

**Cost of Advisory Services and Profitability.** The Trustees considered the annual management fee that the Funds pay to Meritage under the Investment Advisory Agreement, as well as Meritage's profitability from the services that it rendered to the Funds. In that regard, the Trustees noted that Meritage subsidizes the costs of all distribution services rendered to the Funds which exceed the amounts payable by the Funds under their Rule 12b-1 Distribution Plan. The Trustees considered that Meritage has contractually agreed to reduce its management fees and, if necessary, reimburse the Funds for operating expenses, as specified in each Fund's prospectus. The Trustees noted that Meritage has begun to realize a small profit as a result of its advisory services to the Funds.

**Comparative Fee and Expense Data.** The Trustees noted that each Fund's management fee and total expense ratio were either below or equal to the average management fee and total expense ratio (after waivers and expense reimbursements) reported for its relevant Morningstar peer group. The Trustees also noted that the peer group comparisons included in the Support Materials were based upon funds with net asset levels similar to each Fund. They further considered the lower fee schedule, based upon breakpoints for account size, paid by Meritage's separately managed accounts compared to the gross management fee charged to the Funds, and noted the significant and distinct differences in the services that Meritage provides to the Funds, including greater regulatory, compliance and Board reporting responsibilities. The Board also noted that the Funds and separately managed accounts differ in retention expectations, economics and market forces, which were contributors to the difference in fees. While recognizing that it is difficult to compare advisory fees because the scope of advisory services provided may vary from one investment adviser to another or from one account to another, the Trustees concluded that Meritage's advisory fee continues to be reasonable.

**Economies of Scale.** The Trustees considered whether the Funds may benefit from any economies of scale, but did not find that any material economies exist at this time. The Board considered the fee structures of the Funds' various service providers. It was noted that recent negotiations of competitive fees for various services may allow for future economies of scale with respect to the Funds for those services rendered to the Funds.

**Other Benefits.** The Trustees considered the extent to which Meritage utilizes soft dollar arrangements with respect to portfolio transactions, and noted that Meritage does utilize brokers with whom it has soft dollar relationships to execute the Funds' portfolio transactions. The Trustees noted that Meritage had been successful over the course of the previous year in negotiating lower commission rates for the Funds. While the Trustees noted that Rule 12b-1 fees may be paid to Meritage as compensation for shareholder and distribution services performed on behalf of the Funds, the Trustees also observed that the distribution expenses that Meritage incurred continue to exceed any Rule 12b-1 payments from the Funds. After considering all relevant information, the Trustees concluded that Meritage does not receive material additional financial benefits from services rendered to the Funds.



## *CAPITOL SERIES TRUST*

### *Privacy Policy (Unaudited)*

Capitol Series Trust (the “Trust”) on behalf of each of its series (each a “Fund,” collectively the “Funds”) adopts the following privacy policy in order to safeguard the personal information of its consumers and customers that are individuals in accordance with Securities and Exchange Commission Regulation S-P, 17 CFR 284.30.

We collect only relevant information about a Fund’s shareholders that the law allows or requires us to have in order to conduct our business and properly service you. We collect financial and personal information about you (“Personal Information”) directly (e.g., information on account applications and other forms, such as your name, address, and social security number, and information provided to access account information or conduct account transactions online, such as password, account number, e-mail address, and alternate telephone number), and indirectly (e.g., information about your transactions with us, such as transaction amounts, account balance and account holdings).

The Trust does not disclose any non-public personal information about its shareholders or former shareholders other than for everyday business purposes such as to process a transaction, service an account, to respond to court orders and legal investigations or as otherwise permitted by law. Third parties that may receive this information include companies that provide transfer agency, technology and administrative services to a Fund, as well as the Fund’s investment adviser who is an affiliate of the Fund. If you maintain a retirement/educational custodial account directly with a Fund, we may also disclose your Personal Information to the custodian for that account for shareholder servicing purposes. We limit access to your Personal Information provided to unaffiliated third parties to information necessary to carry out their assigned responsibilities to a Fund. All shareholder records will be disposed of in accordance with applicable law.

The Trust maintains physical, electronic and procedural safeguards to protect Personal Information and requires its third parties service providers with access to such information to treat the Personal Information with the same high degree of confidentiality.

In the event that a shareholder holds shares of a Fund through a financial intermediary, including, but not limited to, a broker-dealer, bank, credit union or trust company, the privacy policy of the shareholders’ financial intermediary would govern how their non-public personal information would be shared with unaffiliated third parties.

*PROXY VOTING – (Unaudited)*

A description of the policies and procedures that the Funds use to determine how to vote proxies relating to portfolio securities and information regarding how each Fund voted those proxies during the most recent twelve month period ended June 30, is available without charge upon request by (1) calling the Funds at (855) 261-0104 and (2) from Funds documents filed with the Securities and Exchange Commission (“SEC”) on the SEC’s website at [www.sec.gov](http://www.sec.gov).

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Walter B. Grimm  
Mary M. Morrow

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John C. Swhear, Chief Compliance Officer and  
AML Officer  
Stacey Havens, Vice President  
Zachary P. Richmond, Treasurer and Chief Financial  
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This report is intended only for the information of shareholders or those who have received the Funds’ prospectus which contains information about the Funds’ management fee and expenses. Please read the prospectus carefully before investing.

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