

*The American Trust*  
Allegiance Fund

67 Etna Road, Suite 360  
Lebanon, New Hampshire 03766

ANNUAL REPORT  
FOR THE YEAR ENDED  
FEBRUARY 28, 2023

# American Trust Allegiance Fund

April 2023

Dear Fellow Shareholders,

At the time of this writing in late March, the financial markets are preoccupied with a banking imbroglio in the wake of higher interest rates, the world theater spotlights rising tensions between East and West – with the war in Ukraine at center stage, and consumers everywhere are preoccupied with inflation. Less in focus are the more insidious long-term challenges of climate change, and the rise of both nationalism and autocracy. Yet, despite all these events and pressures, the stock market as measured by the S&P 500® Index, or the “S&P 500”, is still up year-to-date. It may still be a “bear market”, but it's not a raging bear. We've seen worse.

Bear markets in stocks are typically brought on by recessions, but often precede them by many months. The probability of a recession now seems over 50%, a risk that the stock market has recognized. We have already been in a “bear market” for the U.S. stock market (defined as > 20% off the peak) since January of 2022, but we might yet avoid a deep economic downturn that would pull the market even lower. As likely as a full-blown recession, in our view, is a kind of “rolling” recession through various sectors as economic imbalances (of which there are many) are addressed through the forces of supply and demand. Nimble, proactive investing strategies would be key for such an environment. Beneath the headline indices, such as the U.S. benchmark S&P 500, lies a world of mid-cap and small-cap company stocks with very different risk and return profiles. Additionally, the American Trust Allegiance Fund is not limited to U.S. domiciled companies – opening another set of opportunities with its own risks and potential for reward.

So, notwithstanding the seeming state of the world and the apparent risks, we are nonetheless continuing to find what we believe are reasonable tradeoffs in the search for risk-adjusted returns, and we are acting accordingly. Despite the dour headlines, our stewardship of the Fund has shown constancy of purpose and consistency in our approach. Eschewing market-driven sentiment and focusing on underlying value has been and will be our analytical and portfolio North Star. In the Portfolio Manager's Q&A section of this shareholder letter, we discuss in more detail our application of this approach and its implications for the Fund.

In the past year we took actions to lessen portfolio risk, including carrying above normal cash balances in the Fund and keeping a relatively low exposure to high-flying technology companies owing to perceived valuation risk. Additionally, we have maintained a large exposure to developed international and selected emerging markets to diversify risk. We believe these actions were successful in reducing risk and for the period were additive to the relative performance of the Fund.

## American Trust Allegiance Fund

Please know that we are constantly assessing portfolio risk and opportunity. We continue to believe that one of the best protections for investment capital, especially in an era of higher inflation, is the purchase of high-quality companies at reasonable prices. We will continue with this discipline as we strive to balance long-term opportunity with prudent risk management.

For the fiscal year ended February 28, 2023, the Fund had a total return of +2.13%. This compares to the -7.69% return recorded by the S&P 500. Differences in performance relative to the S&P 500 on a full year basis, which net to +9.82%, are attributable to the following:

- 1) Our overseas stocks averaged just under 20% of our holdings during the period. As the U.S. stock market was hurt by rising rates and a markdown in growth stock valuations broadly and technology stocks specifically, European and Latin American stocks performed substantially better, and in the Euro Area were actually up. Latin American economies were aided by the higher commodity prices evident in the period, and our investments in pan-Latin American McDonald's franchisee Arcos Dorados and cellular operator America Movil benefitted accordingly. Altogether, our international exposure helped performance relative to the S&P 500 by 0.5%.
- 2) We gained over 2% versus the market attributable to decisions we made on sector weights. We started the year with over double the market's weight in energy, nearly double for materials and half again the market's exposure to industrials. These were the only three sectors to advance in the period, with energy in particular a standout with a 24% absolute return. Conversely, we were at four-fifths the market's weighting in communication services – the sector with the worst performance owing to social media company underperformance stemming from regulatory / public pressure and company specific missteps.
- 3) The vast majority of the net positive outperformance relative to the index, accounting for two thirds of the difference, pertains to a slight benefit from an average 7% Fund cash level held during the year, less fees, and mostly the positive impact of “style” – a euphemism for our success in stock-picking and the effect of our overall investing philosophy. Our GARP (Growth At a Reasonable Price) investment discipline aided relative performance as more value-oriented stocks fared far better than the choppy performance of growth and especially momentum style stocks. As we explore numerically in the Fund Statistical Snapshot section of this Annual Report, we are positioned in stocks that are generally less expensive but have higher long-term earnings growth prospects than the overall market. We believe this positioning reduces risk while generating upside over time.

## American Trust Allegiance Fund

As we look forward from here – in an environment characterized by inflationary pressures, rising interest rates and geopolitical uncertainty – we believe that our GARP orientation and individual stock selection should serve us well. Our emphasis on high quality franchises built on solid balance sheets has been a differentiator on a relative basis this year as valuations have come under pressure. We expect this could continue to be the case in the months and quarters ahead.

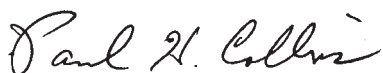
A transition from stimulus-led growth to an inflation-fighting regime has crimped valuations and may pare earnings near term, but also presents opportunities as stocks correct. We are managing portfolios at this pivotal point by: a) adding to quality companies which we believe are discounting onerous but short-term outcomes, and reducing those that are not; and b) increasing exposure to business models that have enduring competitive advantage or to international markets that are markedly less expensive.

We are confident in the companies in which we are invested in the Fund – and in the value we believe is inherent in their shares. Again, in this year's Annual Report, we invite you to share our confidence in these companies and their prospects through an “under the hood” look at the portfolio and the investment process. Our invitation has three parts: a) a statistical ‘snapshot’ of selected value and growth measures for the portfolio, the significance of which we will explain; b) an extended Question & Answer dialogue with the co-portfolio managers of the Fund which will give you a perspective on both the big picture investment opportunities in which we are investing as well as the security analysis which underpins our stock selections; and lastly, c) we welcome your questions on any and all stocks in the portfolio via email or through a telephone conversation.

The last part of our invitation is unusual but is a hallmark of our firm and its philosophy. Very few fund managers invite shareholders to call them directly, but we do! As you read through the following sections of this report – the Fund Snapshot and the Portfolio Manager Q&A, please do call us if you have questions. We always stand ready to talk about the Fund or its investments, or if you would like to discuss ways in which our investment advisory firm might be able to assist you more broadly. While we know many of you personally, there are those to whom we have not spoken, and we would love to rectify that situation.

We appreciate your support of, and investment in, the American Trust Allegiance Fund. Thank you, and we look forward to sharing with you the fruit of our work as we work through the still formidable challenges ahead in 2023 and into 2024.

Sincerely yours,



Paul H. Collins



Carey Callaghan

## American Trust Allegiance Fund



**Paul Collins** is President of American Trust Investment Advisors (ATIA), the Advisor to the American Trust Allegiance Fund. He co-founded American Trust Company, the predecessor business to ATIA, in 1991. Mr. Collins worked in the Investment Division of The First Church of Christ, Scientist, Boston, Massachusetts for eight years. He then joined State Street Bank as a Senior Trust Officer. He also served on State Street's Investment Policy Committee. Besides managing over three hundred trusts, Mr. Collins also managed the investments of four of State Street's common trust funds. He graduated from Ohio Wesleyan University with a major in Economics.



**Carey Callaghan** is Chief Investment Officer at American Trust Investment Advisors. He was previously in the equity research departments at Goldman Sachs and Lehman Brothers. While on Wall Street, Mr. Callaghan served as a research analyst covering numerous industries, and also as a Research Director. He was rated a top analyst by Institutional Investor and Greenwich Associates in several categories in both the U.S. and Latin America. Mr. Callaghan graduated from Dartmouth College with a major in economics and environmental studies and received an M.B.A. from Columbia's Graduate School of Business. He was recently an adjunct Professor at Wheaton College (MA) teaching Investments, with an emphasis on security analysis.

### FUND STATISTICAL SNAPSHOT

While the investing world is classically divided between “growth” and “value” in terms of investment style, we have a GARP (Growth at a Reasonable Price) investment discipline that combines elements of both. We want to invest in companies that are growing sales and earnings at a robust pace, but we do not want to “pay” too much for the shares of these companies.

Shown below are relevant valuation and growth statistics for the Fund as compared to the S&P 500. The first four measures are valuation measures (see definitions below if you are unfamiliar with what these mean). For these four

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valuation measures, a lower number represents a 'less expensive' stock, all else being equal. The fifth measure is dividend yield, where a higher number is favorable. The last two rows pertain to future and historical earnings per share growth. For these two measures, a higher number is favorable.

A quick glance at the numbers below shows that, across all four valuation measures, the Fund is invested in securities that are less expensive than the S&P 500. The fifth measure, dividend yield, is appreciably higher than the S&P 500. As to growth, the historical earnings growth measure is above while the long-term earnings growth number is lower versus the S&P 500 metric. We leave it to you to judge the magnitude of these differences and their potential, but we believe that the positioning of the American Trust Allegiance Fund puts it in a relatively advantageous position.

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### Selected Valuation & Growth Measures at 12/31/2022

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	<u>Allegiance Fund</u>	<u>S&amp;P 500</u>
Price/NTM Earnings	13.67	18.77
Price/Book	2.53	3.82
Price/Sales	1.07	2.18
Price/Cash Flow	6.93	12.59
Dividend Yield %	2.71	1.66
Long-Term Earnings Growth %	9.17	13.12
Historical Earnings Growth %	34.65	16.61

Source: American Trust Investment Advisors, FactSet, Morningstar

**NTM P/E ratio** – Next Twelve Months price-to-earnings ratio is a commonly used way to assess how “expensive” a stock might be; the price of a share of stock divided by the expected earnings per share over the next twelve months; higher values are considered more expensive.

**EPS** – Earnings per share. The amount of money a company earns in a given period (typically a quarter or a year) for each share of the company.

**Price/Book** – The price-to-book ratio is a ratio used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share; a lower Price/Book could mean the company is undervalued.

**Price/Sales** – The price-to-sales ratio is an indicator of the value placed on each dollar of a company's sales or revenues. It can be calculated either by dividing the company's market capitalization by its total sales over a 12-month period, or on a per-share basis by dividing the stock price by sales per share for a 12-month period; a low price/sales ratio could mean undervaluation.

## **American Trust Allegiance Fund**

**Price/Cash Flow** – The price-to-cash flow ratio is a ratio used to compare a company's market value to its cash flow. It is calculated by dividing the company's market cap by the company's operating cash flow in the most recent fiscal year (or the most recent four fiscal quarters); or, equivalently, divide the per-share stock price by the per-share operating cash flow; a low single digit ratio may indicate the stock is undervalued.

**Dividend Yield %** – Dividend Yield percentage is a financial ratio that indicates how much a company pays out in dividends each year relative to its share price. Dividend yield is represented as a percentage and calculated by dividing the dollar value of dividends paid in a given year per share of stock held by the dollar value of one share of stock. Dividend yield is a way to measure how much cash flow you are getting for each dollar invested in an equity position. As of 12/31/2022 the Fund's 30 day SEC yield was: Subsidized: +0.39% and Unsubsidized: -0.11%

**Long-Term Earnings %** – Earnings are what remains of a firm's revenues after it pays expenses, costs and taxes. Projected earnings growth is an estimate of a company's expected long-term growth in earnings; companies whose earnings grow faster than those of their industry peers usually see better price performance for their stocks.

**Historical Earnings %** – The historical earnings growth rate for a stock is a measure of how the stock's earnings per share (EPS) have grown over the last five years. The historical earnings growth rate can tell investors how quickly a company's profits are growing. A company may increase its earnings per share by increasing its sales, decreasing its costs or reducing the number of shares outstanding in the marketplace.

### ***Portfolio Managers' Q & A Session***

A discussion with **Paul Collins** and **Carey Callaghan**, co-portfolio managers of the American Trust Allegiance Fund.

**Q: Gentlemen, at the time of this interview two U.S. regional banks have been placed under government control owing to what looks like an old-fashioned "run on the bank". Fear of contagion has now spread to European banks and interest rates have plunged as investors move to Treasuries for safety, and as the bond market prices in the prospect that the Federal Reserve will back off from its rate raising regime. What are your thoughts on this environment and its implications for the Fund?**

**A: (Paul)** – We've just witnessed significant volatility in the financial sector, particularly amongst smaller banks, as fallout from the failure of Silicon Valley Bank and Signature Bank has shaken confidence. While these two institutions, focused on venture capital finance and having significant exposure to cryptocurrency respectively, are arguably outliers, they have prompted an overdue look at risk in banking across-the-board.

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Whenever a fundamental shift in the financial markets takes place, such as 2022's sharp rise in interest rates – the biggest such move in forty years – the eventual effects can be surprising. Warren Buffett memorably noted that “A rising tide floats all boats... only when the tide goes out do you discover who's been swimming naked”. This seems to be one of those “tide out” times.

**A: (Carey)** – In terms of the Fund, our equity investments in Financials have declined in value in the past few days along with the sector, but we have no holdings in regional banks, preferring well-capitalized insurance, investment banking, and selected alternative asset management companies. We are monitoring the secondary exposure of these companies and will take portfolio action if prudent. But we are of the view that inflationary pressures will prove more sticky than the market is currently expecting, which is usually a recipe for higher rates. Financials tend to do well in a higher rate environment, so long as credit losses are contained.

More broadly, higher interest rates have caused a reappraisal of unprofitable and highly valued growth companies. Partly this is due to a higher “discount rate” of faraway profits – meaning that the stock market has effectively less patience to wait for these companies to return cash to shareholders. But higher rates also increase the cost of borrowing for companies, and rising rates also increase the opportunity cost for investors who can earn more on potentially less risky assets. Fallout from higher rates in the last year has included cryptocurrencies, an end to SEC-skirting IPOs through Special Purpose Acquisition Companies and the end for a number of “Zombie” companies kept on life support by ultra-low interest rates.

**Q: Ouch, that is quite a list.**

**Q: Paul, as the Allegiance Fund passes the 26-year mark, you have lived and invested through a number of cycles for both the economy and the stock market. What advice would you offer to your shareholders in terms of how to think about investing across these cycles?**

**A: (Paul)** – Well, I am glad that you said “across these cycles”, because it suggests that you are looking across the chasm to solid ground on the other side. We certainly look at investing that way. Cycles are largely man-made and we know that humanity is prone to bouts of fear, and alternatively to greed. As shareholders, we can take solace from knowing that extreme market behavior inevitably reverses. Further, we can be courageous enough to keep a sense of prudence when prices are high and there is a widespread fear of missing out. Similarly, we can be brave enough to take risk when prices are falling and there is panic – even to the point of helping to stop the panic through judicious buying activity.

Lastly on cycles, we believe in doing our own work and forming our own opinions – whatever the noise from the investing world. This is challenging but



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we have built our investment process around security analysis and industry expertise. We invest in companies whose businesses we understand well, in which we have confidence in the management team and where we see potential for realizing a reasonable return on investment. We specifically seek out companies that have shown an ability to deliver strong returns, and whose ability to do so is sustainable in our view. An on-going growth opportunity, and the talent and resources to capitalize on the opportunity, are important criteria for most of our stock selections. Lastly, we look for resiliency in the business model – typically through competitive advantage and/or a strong balance sheet.

**Q: As Chief Investment Officer, Carey, how do you navigate the investment process through unexpected volatility and through these cycles?**

**A: (Carey)** – As investors, we can arm ourselves by being attentive to cycles. Additionally, and this might sound a bit geeky, but we can have the confidence to act, or to not act, that stems from understanding security valuations. This can help shield us from the “bullish” forces of greed, over exuberance, over confidence, unwarranted risk tolerance and aggressiveness. Similarly, such a grounding in security valuation can also help shield us from the “bearish” forces of fear, pessimism, uncertainty, skepticism and undue caution.

The current environment is not typical, and therefore may represent an underappreciated opportunity for investors. Typically, the end of an economic expansion is characterized by high returns for industrial and commodity-oriented sectors operating at high capacity utilization and with high prices. This leads to further investment in capacity, often seeding the demise of the cycle. The old saw that “the best cure for high prices is high prices” – meaning that high returns will attract investment – didn’t really play out this cycle. When demand does return, say from China’s emergence from pandemic lockdown or from a more resilient than expected U.S. economy, companies in some industrial and commodity-linked areas should enjoy high profits much earlier in the cycle than usual.

**Q: You mentioned high prices for commodities, and certainly inflation is bedeviling consumers and companies alike. How is the Fund positioned for this environment?**

**A: (Carey)** – Despite market skepticism on this topic, we continue to see ongoing inflationary pressures pressing interest rates beyond current expectations (as to both level and duration). This could be a potential catalyst not only for interest-correlated sectors such as financials but also for further underperformance on some overly extended growth stocks – we believe to the relative benefit of our overall value orientation. Additionally, specific commodity-linked portfolio equities in the pulp, oil, liquified natural gas, copper and uranium industries should fare well in an inflationary environment.

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**A: (Paul)** – At the sector level, we continue to find a pro-cyclical overweight (relative to the S&P 500) in energy, industrials, and materials to be attractive in our view. Reflecting our pro-cyclical stance and specific catalysts, we own three Engineering & Construction companies in the Fund: **Fluor Corporation**, **Jacobs** and **BWX Technologies**. With broad portfolios of industry and geographic exposure, these companies should be beneficiaries of infrastructure funding, rising defense spending, commodity-related capital spending both in the U.S. and abroad and reshoring of manufacturing capacity to address supply chain concerns.

**Q: What changes have you made to the Fund in terms of your stock holdings or sector weightings?**

**A: (Paul)** – Carey mentioned our commodity-linked stocks – we recently moved to reduce position size in our most successful investments across various commodity-linked equities but chose to largely reinvest in similar exposure but with more stock-specific upside in our opinion. Accordingly, we trimmed both Conoco Phillips and Fluor, but added new positions in Oil & Gas E&P company **APA Corp.**, agricultural trading giant **Bunge** and copper mining behemoth **Freeport-McMoRan**. Reflecting a similar approach, we pared our position in **Netflix** after a nice run, using the proceeds to more than quadruple our position in **Meta Platforms** after a sharp earnings-driven drop.

**A: (Carey)** – Earlier in the year, our position in utility giant **Exelon** bore fruit with the spin of its generation assets into **Constellation Energy** – the largest nuclear fleet owner in the U.S. Beyond realizing our initial “sum of the parts” thesis for Exelon, the spin presented us with the further opportunity to be positioned in a largely fixed cost electric generator at a time when surging natural gas prices have pushed up electric rates nationwide. We sold our remaining Exelon holdings to fund additional Constellation stock – which has fared very well in this environment.

Constellation is one of four nuclear power-related holdings in the Fund. A second is **Cameco Corporation**, a Canadian uranium mining company that has now acquired half of Westinghouse Electric Company – which is the world's largest nuclear services business. **BWX Technologies** supplies nuclear fuel assemblies and reactors to the U.S. Navy, but also is working with a number of entities on advanced reactor technology. Lastly, **Fluor Corporation** owns 57% of NuScale, a small modular nuclear reactor technology company that has uniquely received approval from the U.S. Department of Energy to proceed with construction of its first SMR (small modular reactors) unit. All four of these companies stand to benefit from nuclear's zero emissions status as the world struggles to reduce greenhouse gas emissions.

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**Q:** In early March you mailed a special shareholder letter. In it was a reprint of the *Wall Street Journal's* "Best Stock Fund Managers of 2022" report, which cited the American Trust Allegiance Fund as the best-performing Large-Cap Core mutual fund for the year, #1 in a universe of 628 peer funds. Congratulations. How should we think about this distinction for the future of the Fund?

**A: (Paul)** – First, let me point out that the citation you referenced was for the calendar year 2022. Second, as proud as we are of that accomplishment, we are quick to note that the Fund has lagged in prior periods. Our Growth-at-A-Reasonable Price (GARP) investment philosophy has fared much better in an environment in which value is being restored to stock valuations, and value stocks have fared better than growth. Such was the case in calendar 2022. We can't be sure that this environment will continue, but we can assure you that we are doing our best to harness volatility through the lens of our valuation work.

**A: (Carey)** – And let me also point out that "past performance is no guarantee of future performance". Not only are we required to say this, but in some prior years this statement might have actually been a source of hope!

**Q: What is your investment outlook for the Fund?**

**A: (Paul)** – Valuations today are not so high at about 17x earnings, but neither are they so low. The probability of lower earnings is only partly baked into the market, in our opinion. We could most certainly have a second down year for the stock market, particularly in a deep recession, as the earnings outlook worsens. Fortunately, we do not typically invest solely in the S&P 500, and today more than in the past this is less a stock market than a market of stocks. Value stocks still represent opportunity, and formerly high-flying "fallen angels" do as well. Our research focus is bearing fruit in this environment.

**A: (Carey)** – Our investors know that we invest for the long term, and hopefully this Q&A discussion on cycles and investing for the long-term will help steel them for the bumps that may lie ahead.

We believe that our GARP orientation and individual stock selection, emphasizing high quality franchises built on solid balance sheets, is serving us well on a relative basis as valuations have come under pressure, which could well continue to be the case in the months and quarters ahead. We see ongoing inflationary pressures putting pressure on interest rates, a potential catalyst not only for interest-correlated sectors such as financials but also putting pressure on some overly extended growth stocks – we believe to the relative benefit of our overall value orientation. Lastly, as mentioned, commodity-linked equities should fare well in an inflationary environment.

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**Q: Thank you both for your time and insights.**

**A: (Paul)** – Thank you. We both very much enjoy discussing the Fund and our work at ATIA, and we look forward to speaking to our clients and fellow shareholders in the Fund at every opportunity.

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**We invite you to please contact us if you have questions about the investments in the Fund, or if you would like to simply discuss our outlook (603-448-6415).**

**Past performance is not a guarantee of future results.**

Must be preceded or accompanied by a prospectus.

Opinions expressed are those of American Trust Investment Advisors, LLC, the Fund's investment advisor, are subject to change at any time, are not guaranteed and should not be considered investment advice or a recommendation to buy or sell any security.

**The Fund's socially responsible policy could cause it to make or avoid investments that could result in the portfolio under-performing similar funds that do not have similar policies. The Fund may invest in small- and medium-capitalization companies, which tend to have limited liquidity and greater price volatility than larger-capitalization companies. The Fund invests in foreign securities, which are subject to the risks of currency fluctuation, political and economic stability and differences in accounting standards. These risks are greater in emerging markets.**

The S&P 500® Index is an unmanaged index commonly used to measure performance of U.S. stocks.

**Growth stocks typically are more volatile than value stocks; however, value stocks have a lower expected growth rate in earnings and sales.**

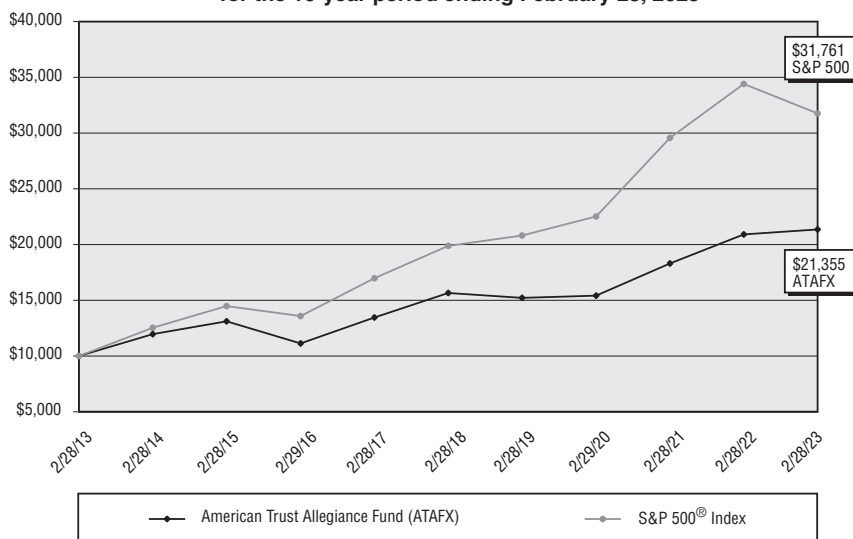
Fund holdings and sector allocations are subject to change at any time and should not be considered a recommendation to buy or sell any security. Please refer to the Schedule of Investments for complete holdings.

**P/E ratio** – Price to earnings ratio. A commonly used way to assess how 'expensive' a stock might be; the price of a share of stock divided by the expected earnings per share for the current fiscal year; higher values are considered more expensive.

The Fund is distributed by Quasar Distributors, LLC.

# American Trust Allegiance Fund

**Comparison of the change in value of a hypothetical \$10,000 investment in the American Trust Allegiance Fund vs the S&P 500® Index for the 10-year period ending February 28, 2023**



**Average Annual Total Return:**

American Trust Allegiance Fund  
S&P 500® Index

**1 Year**

2.13%  
-7.69%

**5 Years\***

6.41%  
9.82%

**10 Years\***

7.88%  
12.25%

*Performance data quoted represents past performance; past performance 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. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 1-800-385-7003.*

The performance data and graph do not reflect the deduction of taxes that a shareholder may pay on dividends, capital gain distributions, or redemption of Fund shares. Returns reflect the reinvestment of dividends and capital gains. Investment performance reflects fee waivers in effect. In the absence of such waivers, total return would be reduced. Indices do not incur expenses and are not available for investment.

The Fund may invest in small- and medium-capitalization companies, which tend to have limited liquidity and greater price volatility than large-capitalization companies.

The S&P 500® Index is an unmanaged capitalization-weighted index of 500 stocks designed to represent the broad domestic economy.

\* Average annual total return represents the average change in account value over the periods indicated.

# American Trust Allegiance Fund

## EXPENSE EXAMPLE at February 28, 2023 (Unaudited)

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As a shareholder of a fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase payments; redemption fees; and exchange fees; and (2) ongoing costs, including management fees; distribution and/or service 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 (9/1/22 – 2/28/23).

### Actual Expenses

The first line of the table below provides information about actual account values and actual expenses. Although the Fund charges no sales load or transaction fees, you will be assessed fees for outgoing wire transfers, returned checks, and stop payment orders at prevailing rates charged by U.S. Bancorp Fund Services, LLC, the Fund's transfer agent. The example below includes, but is not limited to, management fees, fund accounting, custody and transfer agent fees. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during 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 and do not reflect any transactional costs, such as sales charges (loads), redemption fees, or exchange fees. Therefore, the second line of the table is useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

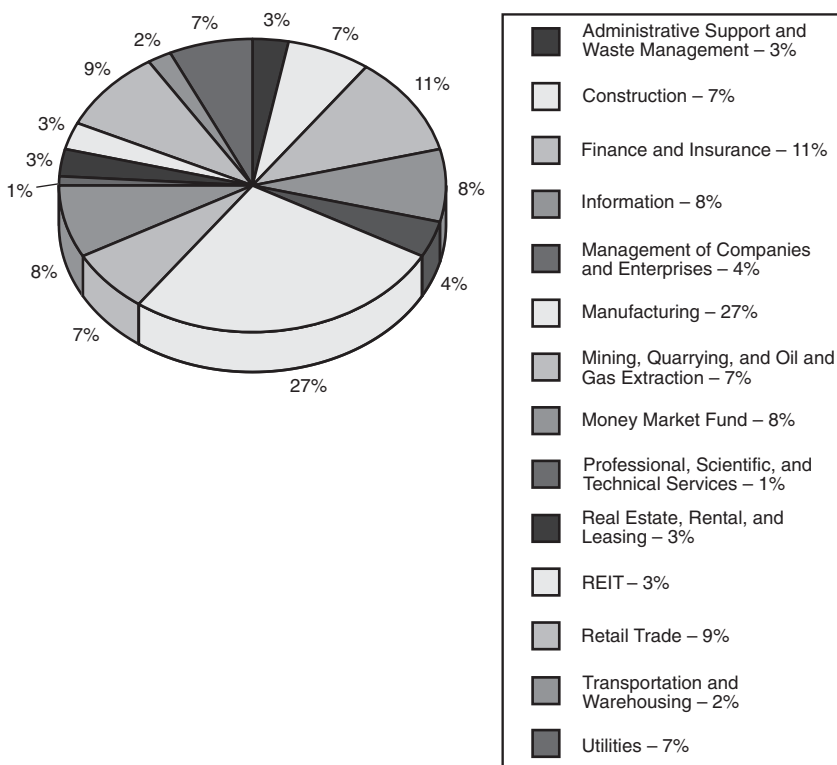
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## EXPENSE EXAMPLE at February 28, 2023 (Unaudited), Continued

	Beginning Account Value 9/1/22	Ending Account Value 2/28/23	Expenses Paid During Period 9/1/22 – 2/28/23*
Actual	\$1,000.00	\$1,042.60	\$7.04
Hypothetical (5% return before expenses)	\$1,000.00	\$1,017.90	\$6.95

\* Expenses are equal to the Fund's annualized expense ratio of 1.39%, multiplied by the average account value over the period, multiplied by 181 (days in most recent fiscal half-year)/365 days to reflect the one-half year expense.

## SECTOR ALLOCATION OF PORTFOLIO ASSETS at February 28, 2023 (Unaudited)



Percentages represent market value as a percentage of total investments.

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## SCHEDULE OF INVESTMENTS at February 28, 2023

Shares	COMMON STOCKS: 89.59%	Value
	<b>Administrative Support and Services: 2.61%</b>	
9,075	PayPal Holdings, Inc.* .....	\$ 667,920
	<b>Air Transportation: 1.87%</b>	
10,000	Alaska Air Group, Inc.* .....	478,300
	<b>Apparel Manufacturing: 1.51%</b>	
15,570	VF Corp. ....	386,447
	<b>Chemical Manufacturing: 2.88%</b>	
26,940	Cameco Corp.#.....	736,540
	<b>Computer and Electronic Product Manufacturing: 12.78%</b>	
4,580	Analog Devices, Inc. ....	840,293
3,740	Apple, Inc. ....	551,313
5,500	International Business Machines Corp. ....	711,150
570	Northrop Grumman Corp. ....	264,543
2,755	NXP Semiconductors N.V.#.....	491,712
4,970	Sony Corp. – ADR.....	415,393
		3,274,404
	<b>Construction of Buildings: 3.08%</b>	
8,160	Lennar Corp. – Class A .....	789,398
	<b>Crude Petroleum Extraction: 2.62%</b>	
6,505	ConocoPhillips .....	672,292
	<b>Entertainment Software: 2.16%</b>	
7,250	Activision Blizzard, Inc. ....	552,813
	<b>Fabricated Metal Product Manufacturing: 2.86%</b>	
12,000	BWX Technologies, Inc. ....	733,320
	<b>Food Manufacturing: 6.30%</b>	
9,170	Archer-Daniels-Midland Co. ....	729,932
3,880	Bunge Limited#.....	370,540
7,885	Mondelez International, Inc. – Class A .....	513,944
		1,614,416
	<b>Food Services and Drinking Places: 1.94%</b>	
60,167	Arcos Dorados Holdings, Inc. – Class A#.....	496,979
	<b>General Merchandise Stores: 5.10%</b>	
7,180	BJ's Wholesale Club Holdings, Inc.* .....	515,524
4,690	Target Corp. ....	790,265
		1,305,789

The accompanying notes are an integral part of these financial statements.



# American Trust Allegiance Fund

## SCHEDULE OF INVESTMENTS at February 28, 2023, Continued

Shares		Value
	<b>Heavy and Civil Engineering</b>	
	<b>Construction: 4.20%</b>	
29,280	Fluor Corp. * .....	\$ 1,073,698
	<b>Insurance Carriers and Related Activities: 8.17%</b>	
5,060	Berkshire Hathaway, Inc. – Class B* .....	1,544,211
17,480	Equitable Holdings, Inc. ....	549,222
		2,093,433
	<b>Machinery Manufacturing: 0.89%</b>	
470	Lam Research Corp. ....	228,425
	<b>Miscellaneous Manufacturing: 2.38%</b>	
65,325	Nintendo Co., Ltd. – ADR .....	609,482
	<b>Oil and Gas Extraction: 5.98%</b>	
12,910	APA Corp. ....	495,486
6,580	Cheniere Energy, Inc. ....	1,035,297
		1,530,783
	<b>Other Information Services: 3.99%</b>	
5,840	Meta Platforms, Inc. – Class A* .....	1,021,650
	<b>Paper Manufacturing: 2.14%</b>	
60,130	Suzano SA – ADR .....	548,987
	<b>Professional, Scientific, and     Technical Services: 0.99%</b>	
2,125	Jacobs Solutions, Inc. ....	253,938
	<b>Publishing Industries (except Internet): 2.08%</b>	
2,130	Microsoft Corp. ....	531,264
	<b>Real Estate: 1.15%</b>	
3,466	CBRE Group, Inc. – Class A* .....	295,095
	<b>Rental and Leasing Services : 2.01%</b>	
1,600	Netflix, Inc. * .....	515,407
	<b>Securities, Commodity Contracts,     and Other Finance: 4.97%</b>	
2,255	Goldman Sachs Group, Inc. ....	792,971
8,530	KKR & Co., Inc. ....	480,666
		1,273,637
	<b>Telecommunications: 2.17%</b>	
27,010	America Movil SAB de CV – Class L – ADR .....	555,865

The accompanying notes are an integral part of these financial statements.

# American Trust Allegiance Fund

## SCHEDULE OF INVESTMENTS at February 28, 2023, Continued

Shares		Value
	<b>Utilities: 2.76%</b>	
9,426	Constellation Energy Corp. ....	\$ 705,913
	TOTAL COMMON STOCKS (Cost \$15,769,362) .....	<u>22,946,195</u>
	<b>REIT: 2.52%</b>	
	<b>Warehousing and Storage: 2.52%</b>	
12,285	Iron Mountain, Inc. ....	648,034
	TOTAL REIT (Cost \$405,175).....	<u>648,034</u>
	<b>MONEY MARKET FUND: 7.55%</b>	
1,933,213	Fidelity Investments Money Market Government Portfolio – Class I, 4.46%† .....	<u>1,933,213</u>
	TOTAL MONEY MARKET FUND (Cost \$1,933,213) ...	<u>1,933,213</u>
	Total Investments in Securities (Cost \$18,107,750): 99.66% .....	25,527,442
	Other Assets in Excess of Liabilities: 0.34% .....	86,195
	Net Assets: 100.00% .....	<u><u>\$25,613,637</u></u>

\* Non-income producing security.

# U.S. traded security of a foreign issuer.

† Rate shown is the 7-day annualized yield as of February 28, 2023.

ADR – American Depository Receipt

REIT – Real Estate Investment Trust

The accompanying notes are an integral part of these financial statements.

# American Trust Allegiance Fund

## STATEMENT OF ASSETS AND LIABILITIES at February 28, 2023

### ASSETS

Investments in securities, at value (cost \$18,107,750)...	\$25,527,442
Receivables:	
Fund shares issued .....	85,976
Dividends and interest .....	45,296
Dividend tax reclaim .....	1,224
Prepaid expenses .....	13,177
Total assets .....	<u>25,673,115</u>

### LIABILITIES

Payables:	
Due to advisor .....	9,594
Fund shares redeemed .....	25
Administration fees .....	11,581
Audit fees .....	21,000
Transfer agent fees and expenses .....	6,931
Fund accounting fees .....	4,449
Custody fees .....	849
Shareholder reporting .....	610
Chief Compliance Officer fee .....	2,500
Accrued other expenses .....	1,939
Total liabilities .....	<u>59,478</u>

NET ASSETS..... \$25,613,637

#### Net asset value, offering and redemption

**price per share** [\$25,613,637/857,254 shares  
outstanding; unlimited number of  
shares (par value \$0.01) authorized] ..... \$29.88

### COMPONENTS OF NET ASSETS

Paid-in capital .....	\$17,372,667
Total distributable earnings .....	<u>8,240,970</u>
Net assets .....	<u><u>\$25,613,637</u></u>

The accompanying notes are an integral part of these financial statements.

# American Trust Allegiance Fund

## STATEMENT OF OPERATIONS For the Year Ended February 28, 2023

### INVESTMENT INCOME

#### Income

Dividends (net of foreign tax withheld and issuance fees of \$8,650).....	\$ 431,820
Interest .....	31,683
Total income .....	<u>463,503</u>

#### Expenses

Advisory fees (Note 4) .....	247,848
Administration fees (Note 4) .....	66,545
Transfer agent fees and expenses (Note 4) .....	46,683
Fund accounting fees (Note 4) .....	28,461
Registration fees .....	21,889
Audit fees.....	21,000
Chief Compliance Officer fee (Note 4) .....	15,001
Trustee fees and expenses.....	13,282
Reports to shareholders.....	10,861
Legal fees.....	8,717
Miscellaneous expense.....	5,496
Custody fees (Note 4) .....	5,229
Insurance expense.....	<u>2,053</u>
Total expenses .....	493,065
Less: advisory fee waiver (Note 4) .....	<u>(128,959)</u>
Net expenses.....	<u>364,106</u>
<b>Net investment income .....</b>	<u><b>99,397</b></u>

### REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS

Net realized gain on investments.....	1,152,465
Net change in unrealized appreciation/(depreciation) on investments.....	<u>(691,988)</u>
Net realized and unrealized gain on investments.....	<u>460,477</u>
<b>Net increase in net assets resulting from operations .....</b>	<u><b>\$ 559,874</b></u>

The accompanying notes are an integral part of these financial statements.

# American Trust Allegiance Fund

## STATEMENTS OF CHANGES IN NET ASSETS

	Year Ended February 28, 2023	Year Ended February 28, 2022
<b>INCREASE/(DECREASE) IN NET ASSETS FROM:</b>		
<b>OPERATIONS</b>		
Net investment income .....	\$ 99,397	\$ 43,532
Net realized gain on investments .....	1,152,465	658,042
Net change in unrealized appreciation/ (depreciation) on investments.....	<u>(691,988)</u>	<u>2,865,115</u>
<b>Net increase in net assets resulting from operations .....</b>	<u>559,874</u>	<u>3,566,689</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS</b>		
Net dividends and distributions.....	<u>(500,050)</u>	<u>(43,145)</u>
<b>Total dividends and distributions ....</b>	<u>(500,050)</u>	<u>(43,145)</u>
<b>CAPITAL SHARE TRANSACTIONS</b>		
Net decrease in net assets derived from net change in outstanding shares (a).....	<u>(2,639,650)</u>	<u>(577,668)</u>
<b>Total increase/(decrease) in net assets.....</b>	<u>(2,579,826)</u>	<u>2,945,876</u>
<b>NET ASSETS</b>		
Beginning of year.....	<u>28,193,463</u>	<u>25,247,587</u>
<b>End of year.....</b>	<u><u>\$25,613,637</u></u>	<u><u>\$28,193,463</u></u>

(a) A summary of share transactions is as follows:

	Year Ended February 28, 2023		Year Ended February 28, 2022	
	Shares	Paid-in Capital	Shares	Paid-in Capital
Shares sold .....	24,078	\$ 704,690	33,317	\$ 984,179
Shares issued in reinvestment of distributions.....	16,179	480,191	1,368	41,661
Shares redeemed .....	<u>(127,674)</u>	<u>(3,824,531)</u>	<u>(54,956)</u>	<u>(1,603,508)</u>
Net decrease .....	<u>(87,417)</u>	<u>\$(2,639,650)</u>	<u>(20,271)</u>	<u>\$( 577,668)</u>

The accompanying notes are an integral part of these financial statements.

# American Trust Allegiance Fund

## FINANCIAL HIGHLIGHTS

For a share outstanding throughout each year

	Year Ended				
	2/28/23	2/28/22	2/28/21	2/29/20	2/28/19
Net asset value, beginning of year.....	<u>\$29.84</u>	<u>\$26.16</u>	<u>\$24.69</u>	<u>\$27.05</u>	<u>\$29.63</u>
<b>Income from</b>					
<b>investment operations:</b>					
Net investment income.....	0.12	0.05	0.06	0.15	0.05
Net realized and unrealized gain/(loss) on investments.....	<u>0.51</u>	<u>3.68</u>	<u>4.41</u>	<u>0.47</u>	<u>(1.00)</u>
Total from investment operations ....	<u>0.63</u>	<u>3.73</u>	<u>4.47</u>	<u>0.62</u>	<u>(0.95)</u>
Less distributions:					
From net investment income .....	(0.34)	(0.05)	(0.00) <sup>^</sup>	(0.17)	—
From net realized gain on investments.....	<u>(0.25)</u>	<u>—</u>	<u>(3.00)</u>	<u>(2.81)</u>	<u>(1.63)</u>
Total distributions.....	<u>(0.59)</u>	<u>(0.05)</u>	<u>(3.00)</u>	<u>(2.98)</u>	<u>(1.63)</u>
Net asset value, end of year....	<u>\$29.88</u>	<u>\$29.84</u>	<u>\$26.16</u>	<u>\$24.69</u>	<u>\$27.05</u>
Total return .....	2.13%	14.24%	18.72%	1.31%	-2.79%
<b>Ratios/supplemental data:</b>					
Net assets, end of year (thousands).....					
	\$25,614	\$28,193	\$25,248	\$22,524	\$24,656
Ratio of expenses to average net assets:					
Before fee waiver.....	1.89%	1.88%	1.93%	1.88%	1.84%
After fee waiver.....	1.40%	1.45%	1.45%	1.45%	1.45%
Ratio of net investment income/(loss) to average net assets:					
Before fee waiver.....	(0.11)%	(0.28)%	(0.24)%	0.06%	(0.21)%
After fee waiver.....	0.38%	0.15%	0.24%	0.49%	0.18%
Portfolio turnover rate .....	31.40%	14.27%	63.18%	46.04%	63.14%

<sup>^</sup> Amount is less than \$0.005.

The accompanying notes are an integral part of these financial statements.

# American Trust Allegiance Fund

## NOTES TO FINANCIAL STATEMENTS at February 28, 2023

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### NOTE 1 – ORGANIZATION

The American Trust Allegiance Fund (the “Fund”) is a diversified series of Advisors Series Trust (the “Trust”), which is registered under the Investment Company Act of 1940, as amended, (the “1940 Act”) as an open-end management investment company. The Fund follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (“FASB”) Accounting Standard Codification Topic 946 “Financial Services – Investment Companies.” The investment objective of the Fund is to seek capital appreciation. The Fund began operations on March 11, 1997.

### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Fund. These policies are in conformity with accounting principles generally accepted in the United States of America.

- A. *Security Valuation:* All investments in securities are recorded at their estimated fair value, as described in Note 3.
- B. *Federal Income Taxes:* It is the Fund’s policy to comply with the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no federal income or excise tax provision is required.

The Fund recognizes the tax benefits of uncertain tax positions only where the position is “more likely than not” to be sustained assuming examination by tax authorities. The tax returns of the Fund’s prior three fiscal years are open for examination. Management has reviewed all open tax years in major jurisdictions and concluded that there is no impact on the Fund’s net assets and no tax liability resulting from unrecognized tax events relating to uncertain income tax positions taken or expected to be taken on a tax return. The Fund identifies its major tax jurisdictions as U.S. Federal and the state of Wisconsin; however, the Fund is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

- C. *Security Transactions, Income and Distributions:* Security transactions are accounted for on the trade date. Realized gains and losses on securities sold are calculated on the basis of first in, first out. Interest income is recorded on an accrual basis. Dividend income and distributions to

# American Trust Allegiance Fund

## NOTES TO FINANCIAL STATEMENTS at February 28, 2023, Continued

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shareholders are recorded on the ex-dividend date. Withholding taxes on foreign dividends have been provided for in accordance with the Fund's understanding of the applicable country's tax rules and rates.

Common expenses of the Trust are typically allocated among the funds in the Trust based on a fund's respective net assets, or by other equitable means.

The Fund distributes substantially all net investment income, if any, and net realized gains, if any, annually. Distributions from net realized gains for book purposes may include short-term capital gains. All short-term capital gains are included in ordinary income for tax purposes.

The amount of dividends and distributions to shareholders from net investment income and net realized capital gains is determined in accordance with federal income tax regulations which differ from accounting principles generally accepted in the United States of America. To the extent these book/tax differences are permanent, such amounts are reclassified within the capital accounts based on their federal tax treatment.

- D. *Reclassification of Capital Accounts:* Accounting principles generally accepted in the United States of America require that certain components of net assets relating to permanent differences be reclassified between financial and tax reporting. These reclassifications have no effect on net assets or net asset value per share. There were no reclassifications during the year ended February 28, 2023.
- E. *Use of Estimates:* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets during the reporting period. Actual results could differ from those estimates.
- F. *REITs:* The Fund has made certain investments in real estate investment trusts ("REITs") which pay dividends to their shareholders based upon available funds from operations. It is quite common for these dividends to exceed the REITs' taxable earnings and profits resulting in the excess portion being designated as a return of capital. The Fund intends to include the gross dividends from such REITs in its annual distributions to its shareholders and, accordingly, a portion of the Fund's distributions may also be designated as a return of capital.



# American Trust Allegiance Fund

## NOTES TO FINANCIAL STATEMENTS at February 28, 2023, Continued

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- G. *Events Subsequent to the Fiscal Year End:* In preparing the financial statements as of February 28, 2023, management considered the impact of subsequent events for potential recognition or disclosure in the financial statements. Refer to Note 10 for more information about subsequent events.

### NOTE 3 – SECURITIES VALUATION

The Fund has adopted authoritative fair value accounting standards which establish an authoritative definition of fair value and set out a hierarchy for measuring fair value. These standards require additional disclosures about the various inputs and valuation techniques used to develop the measurements of fair value, a discussion in changes in valuation techniques and related inputs during the period and expanded disclosure of valuation levels for a majority of security types. These inputs are summarized in the three broad levels listed below:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.
- Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.
- Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Fund's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

Following is a description of the valuation techniques applied to the Fund's major categories of assets and liabilities measured at fair value on a recurring basis.

The Fund determines the fair value of its investments and computes its net asset value per share as of the close of regular trading on the New York Stock Exchange (4:00 pm EST).

# American Trust Allegiance Fund

## NOTES TO FINANCIAL STATEMENTS at February 28, 2023, Continued

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*Equity Securities:* The Fund's investments are carried at fair value. Equity securities, including common stocks and real estate investment trusts, that are primarily traded on a national securities exchange shall be valued at the last sale price on the exchange on which they are primarily traded on the day of valuation or, if there has been no sale on such day, at the mean between the bid and asked prices. Securities primarily traded in the NASDAQ Global Market System for which market quotations are readily available shall be valued using the NASDAQ Official Closing Price ("NOCP"). If the NOCP is not available, such securities shall be valued at the last sale price on the day of valuation, or if there has been no sale on such day, at the mean between the bid and asked prices. Over-the-counter securities which are not traded in the NASDAQ Global Market System shall be valued at the most recent sales price. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy.

*Investment Companies:* Investments in open-end mutual funds, including money market funds, are generally priced at their net asset value per share provided by the service agent of the funds and will be classified in Level 1 of the fair value hierarchy.

*Short-Term Securities:* Short-term debt securities, including those securities having a maturity of 60 days or less, are valued at the evaluated mean between the bid and asked prices. To the extent the inputs are observable and timely, these securities would be classified in Level 2 of the fair value hierarchy.

Prior to the effectiveness of Rule 2a-5, the Board of Trustees ("Board") had delegated day-to-day valuation issues to a Valuation Committee of the Trust which was comprised of representatives from the Fund's administrator, U.S. Bancorp Fund Services, LLC, doing business as U.S. Bank Global Fund Services ("Fund Services"). The function of the Valuation Committee was to value securities where current and reliable market quotations were not readily available, or the closing price did not represent fair value by following procedures approved by the Board. These procedures considered many factors, including the type of security, size of holding, trading volume and news events. All actions taken by the Valuation Committee were subsequently reviewed and ratified by the Board. The Valuation Committee served through September 7, 2022. Effective September 8, 2022, the Board of Trustees approved American Trust Investment Advisors, LLC (the "Advisor") as the Fund's valuation designee under Rule 2a-5.

Depending on the relative significance of the valuation inputs, fair valued securities may be classified in either Level 2 or Level 3 of the fair value hierarchy.

# American Trust Allegiance Fund

## NOTES TO FINANCIAL STATEMENTS at February 28, 2023, Continued

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value the Fund's securities as of February 28, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Common Stocks</b>				
Administrative Support and Waste Management	\$ 667,920	\$ —	\$ —	\$ 667,920
Construction	1,863,096	—	—	1,863,096
Finance and Insurance	2,886,403	—	—	2,886,403
Insurance	2,105,727	—	—	2,105,727
Management of Companies and Enterprises	971,258	—	—	971,258
Manufacturing	6,980,089	—	—	6,980,089
Mining, Quarrying, and Oil and Gas Extraction	1,904,317	—	—	1,904,317
Professional, Scientific, and Technical Services	253,938	—	—	253,938
Real Estate, Rental, and Leasing	810,503	—	—	810,503
Retail Trade	2,283,434	—	—	2,283,434
Transportation and Warehousing	478,300	—	—	478,300
Utilities	1,741,210	—	—	1,741,210
<b>Total Common Stocks</b>	<u>22,946,195</u>	<u>—</u>	<u>—</u>	<u>22,946,195</u>
<b>REIT</b>	648,034	—	—	648,034
<b>Money Market Fund</b>	1,933,213	—	—	1,933,213
<b>Total Investments in Securities</b>	<u>\$25,527,442</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$25,527,442</u>

Refer to the Fund's schedule of investments for a detailed break-out of securities by industry classification.

*Accounting Pronouncements* – In June 2022, the FASB issued Accounting Standards Update 2022-03, which amends Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions ("ASU 2022-03"). ASU 2022-03 clarifies guidance for fair value measurement of an equity security subject to a contractual sale restriction and establishes new disclosure requirements for such equity securities. ASU 2022-03 is effective for fiscal years beginning after December 15, 2023 and for interim periods within those fiscal years, with early adoption permitted. Management is currently evaluating the impact of these amendments on the Fund's financial statements.

# American Trust Allegiance Fund

## NOTES TO FINANCIAL STATEMENTS at February 28, 2023, Continued

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In October 2020, the Securities and Exchange Commission (the “SEC”) adopted new regulations governing the use of derivatives by registered investment companies (“Rule 18f-4”). Funds were required to implement and comply with Rule 18f-4 by August 19, 2022. Rule 18f-4 imposes limits on the amount of derivatives a fund can enter into, eliminates the asset segregation framework currently used by funds to comply with Section 18 of the 1940 Act, treats derivatives as senior securities and requires funds whose use of derivatives is more than a limited specified exposure amount to establish and maintain a comprehensive derivatives risk management program and appoint a derivatives risk manager. As of the Fund’s most recently filed Statement of Additional Information, the Fund cannot enter into derivatives transactions.

In December 2020, the SEC adopted a new rule providing a framework for fund valuation practices (“Rule 2a-5”). Rule 2a-5 establishes requirements for determining fair value in good faith for purposes of the 1940 Act. Rule 2a-5 permits fund boards to designate certain parties to perform fair value determinations, subject to board oversight and certain other conditions. Rule 2a-5 also defines when market quotations are “readily available” for purposes of the 1940 Act and the threshold for determining whether a fund must fair value a security. In connection with Rule 2a-5, the SEC also adopted related recordkeeping requirements and rescinded previously issued guidance, including with respect to the role of a board in determining fair value and the accounting and auditing of fund investments. The Fund is in compliance with Rule 2a-5, which had a compliance date of September 8, 2022.

The global outbreak of COVID-19 (commonly referred to as “coronavirus”) has disrupted economic markets and the prolonged economic impact is uncertain. Although vaccines for COVID-19 are becoming more widely available, the ultimate economic fallout from the pandemic, amid the spread of COVID-19 variants, and the long-term impact on economies, markets, industries and individual companies are not known. The operational and financial performance of individual companies and the market in general depends on future developments, including the duration and spread of any future outbreaks and the pace of recovery which may vary from market to market, and such uncertainty may in turn adversely affect the value and liquidity of the Fund’s investments, impair the Fund’s ability to satisfy redemption requests, and negatively impact the Fund’s performance.

### NOTE 4 – INVESTMENT ADVISORY FEE AND OTHER TRANSACTIONS WITH AFFILIATES

The Advisor provides the Fund with investment management services under an investment advisory agreement. The Advisor furnishes all investment advice,

# American Trust Allegiance Fund

## NOTES TO FINANCIAL STATEMENTS at February 28, 2023, Continued

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office space, facilities, and provides most of the personnel needed by the Fund. As compensation for its services, the Advisor is entitled to a monthly fee at the annual rate of 0.95% based upon the average daily net assets of the Fund. For the year ended February 28, 2023, the Fund incurred \$247,848 in advisory fees.

The Fund is responsible for its own operating expenses. The Advisor has contractually agreed to reduce fees payable to it by the Fund and to pay Fund operating expenses (excluding acquired fund fees and expenses, taxes, interest expense and extraordinary expenses) to the extent necessary to limit the Fund's aggregate annual operating expenses to 1.39% of average daily net assets. Prior to April 1, 2022, the expense cap was 1.45% of average daily net assets. The Advisor may request recoupment of previously waived fees and paid expenses in any subsequent month in the 36-month period from the date of the management fee reduction and expense payment if the aggregate amount actually paid by the Fund toward the operating expenses for such fiscal year (taking into account the reimbursement) will not cause the Fund to exceed the lesser of: (1) the expense limitation in place at the time of the management fee reduction and expense payment; or (2) the expense limitation in place at the time of the reimbursement. Any such reimbursement is also contingent upon Board of Trustees review and approval. Such reimbursement may not be paid prior to the Fund's payment of current ordinary operating expenses. For the year ended February 28, 2023, the Advisor reduced its fees in the amount of \$128,959; no amounts were reimbursed to the Advisor. The Advisor may recapture portions of the amounts shown below no later than the corresponding dates:

<u>Date</u>	<u>Amount</u>
2/29/24	\$107,016
2/28/25	121,166
2/28/26	<u>128,959</u>
	<u>\$357,141</u>

Fund Services serves as the Fund's administrator, fund accountant and transfer agent. U.S. Bank N.A. serves as custodian (the "Custodian") to the Fund. The Custodian is an affiliate of Fund Services. Fund Services maintains the Fund's books and records, calculates the Fund's NAV, prepares various federal and state regulatory filings, coordinates the payment of fund expenses, reviews expense accruals and prepares materials supplied to the Board of Trustees. The officers of the Trust and the Chief Compliance Officer are also employees of Fund Services. Fees paid by the Fund to Fund Services for these services for the year ended February 28, 2023 are disclosed in the Statement of Operations.

Quasar Distributors, LLC ("Quasar") acts as the Fund's principal underwriter in a continuous public offering of the Fund's shares. Quasar is a wholly-owned broker-dealer subsidiary of Foreside Financial Group, LLC ("Foreside"), doing business as ACA Foreside, a division of ACA Group.

# American Trust Allegiance Fund

## NOTES TO FINANCIAL STATEMENTS at February 28, 2023, Continued

### NOTE 5 – PURCHASES AND SALES OF SECURITIES

For the year ended February 28, 2023, the cost of purchases and the proceeds from sales of securities, excluding short-term securities, were \$7,643,467 and \$9,876,786, respectively. There were no purchases and sales of U.S. government securities during the year ended February 28, 2023.

### NOTE 6 – LINE OF CREDIT

The Fund has an unsecured line of credit in the amount of \$1,300,000. This line of credit is intended to provide short-term financing, if necessary, subject to certain restrictions, in connection with shareholder redemptions. The credit facility is with the Fund's custodian, U.S. Bank N.A. During the year ended February 28, 2023, the Fund did not draw upon the line of credit.

### NOTE 7 – INCOME TAXES AND DISTRIBUTIONS TO SHAREHOLDERS

The tax character of distributions paid during the years ended February 28, 2023 and February 28, 2022 were as follows:

	February 28, 2023	February 28, 2022
Ordinary income	\$142,894	\$43,145
Long-term capital gains	\$357,156	\$ —

As of February 28, 2023, the components of accumulated earnings/(losses) on a tax basis were as follows:

Cost of investments (a)	\$18,107,750
Gross tax unrealized appreciation	8,126,926
Gross tax unrealized depreciation	(707,234)
Net tax unrealized appreciation (a)	7,419,692
Undistributed ordinary income	—
Undistributed long-term capital gain	821,278
Total distributable earnings	821,278
Other accumulated gains/(losses)	—
Total accumulated earnings/(losses)	\$ 8,240,970

(a) The book-basis and tax-basis net unrealized appreciation and cost are the same.

# American Trust Allegiance Fund

## NOTES TO FINANCIAL STATEMENTS at February 28, 2023, Continued

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### NOTE 8 – PRINCIPAL RISKS

Below is a summary of some, but not all, of the principal risks of investing in the Fund, each of which may adversely affect the Fund's net asset value and total return. The Fund's most recent prospectus provides further descriptions of the Fund's investment objective, principal investment strategies and principal risks.

- *General Market Risk.* Economies and financial markets throughout the world are becoming increasingly interconnected, which increases the likelihood that events or conditions in one country or region will adversely impact markets or issuers in other countries or regions. Securities in the Fund's portfolio may underperform in comparison to securities in general financial markets, a particular financial market or other asset classes due to a number of factors, including inflation (or expectations for inflation), deflation (or expectations for deflation), interest rates, global demand for particular products or resources, market instability, debt crises and downgrades, embargoes, tariffs, sanctions and other trade barriers, regulatory events, other governmental trade or market control programs and related geopolitical events. In addition, the value of the Fund's investments may be negatively affected by the occurrence of global events such as war, terrorism, environmental disasters, natural disasters or events, country instability, and infectious disease epidemics or pandemics. For example, the outbreak of COVID-19, a novel coronavirus disease, has negatively affected economies, markets and individual companies throughout the world, including those in which the Fund invests. The effects of this pandemic to public health and business and market conditions, including exchange trading suspensions and closures, may continue to have a significant negative impact on the performance of the Fund's investments, increase the Fund's volatility, exacerbate pre-existing political, social and economic risks to the Fund, and negatively impact broad segments of businesses and populations. The Fund's operations may be interrupted as a result, which may contribute to the negative impact on investment performance. In addition, governments, their regulatory agencies, or self-regulatory organizations may take actions in response to the pandemic that affect the instruments in which the Fund invests, or the issuers of such instruments, in ways that could have a significant negative impact on the Fund's investment performance. The full impact of the COVID-19 pandemic, or other future epidemics or pandemics, is currently unknown.

# American Trust Allegiance Fund

## NOTES TO FINANCIAL STATEMENTS at February 28, 2023, Continued

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- *Foreign Securities Risk.* Investing in foreign securities typically involves more risks than investing in U.S. securities, and includes risks associated with: (1) internal and external political and economic developments – e.g., the political, economic and social policies and structures of some foreign countries may be less stable and more volatile than those in the U.S. or some foreign countries may be subject to trading restrictions or economic sanctions; (2) trading practices – e.g., government supervision and regulation of foreign securities and currency markets, trading systems and brokers may be less than in the U.S.; (3) availability of information – e.g., foreign issuers may not be subject to the same disclosure, accounting and financial reporting standards and practices as U.S. issuers; (4) limited markets – e.g., the securities of certain foreign issuers may be less liquid (harder to sell) and more volatile; and (5) currency exchange rate fluctuations and policies.
- *Emerging Markets Risk.* Investing in securities of issuers located in emerging markets poses greater risk of social, political and economic instability, which could affect the Fund's investments. Emerging market countries may have smaller securities markets and therefore less liquidity and greater price volatility than more developed markets.
- *ADR Risk.* Investing in ADRs may involve risks in addition to the risks in domestic investments, including less regulatory oversight and less publicly- available information, less stable governments and economies, and non-uniform accounting, auditing and financial reporting standards.
- *Sector Emphasis Risk.* If the Fund's portfolio is overweighted in certain sectors or related sectors, any negative development affecting that sector will have a greater impact on the Fund than a fund that is not overweight in that sector.
- *Socially Responsible Investing Policy Risk.* The Fund's portfolio is subject to socially responsible investment criteria. As a result, the Fund may pass up opportunities to buy certain securities when it is otherwise advantageous to do so or may sell securities for social reasons when it is otherwise disadvantageous to do so.
- *Small- and Medium-Sized Company Risk.* Securities of companies with smaller market capitalizations tend to be more volatile and less liquid than larger market capitalization stocks.



# American Trust Allegiance Fund

## NOTES TO FINANCIAL STATEMENTS at February 28, 2023, Continued

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- *Large-Sized Companies Risk.* The stocks of larger companies may underperform relative to those of small and mid-sized companies. Larger, more established companies may be unable to respond quickly to new competitive challenges, such as changes in technology and consumer tastes. Many larger companies may not be able to attain the high growth rate of successful smaller companies, especially during extended periods of economic expansion.
- *Real Estate Investment Trust (REIT) Risk.* Investments in REITs will be subject to the risks associated with the direct ownership of real estate and annual compliance with tax rules applicable to REITs. Risks commonly associated with the direct ownership of real estate include fluctuations in the value of underlying properties, defaults by borrowers or tenants, changes in interest rates and risks related to general or local economic conditions. In addition, REITs have their own expenses, and the Fund will bear a proportionate share of those expenses.

### NOTE 9 – CHANGE IN OFFICERS

At a meeting held December 7-8, 2022, by vote of the majority of the Board of Trustees (not including Mr. Joe Redwine), Mr. Redwine's term as Trustee was extended for three additional years. Ms. Michele Rackey was approved by the Board as an Independent Trustee effective January 1, 2023. Mr. Kevin Hayden was approved by the Board as Vice President, Treasurer and Ms. Cheryl King was approved as Assistant Treasurer effective January 1, 2023. Mr. Ryan Charles resigned as Assistant Secretary effective January 1, 2023.

### NOTE 10 – SUBSEQUENT EVENTS

Effective March 1, 2023, the Advisor agreed to limit the total annual operating expenses to 1.29% of the average daily net assets.

# American Trust Allegiance Fund

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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### To the Board of Trustees Advisors Series Trust and Shareholders of The American Trust Allegiance Fund

#### Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities of The American Trust Allegiance Fund (the "Fund"), a series of Advisors Series Trust, including the schedule of investments, as of February 28, 2023, the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and financial highlights for each of the five years in the period then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of February 28, 2023, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We have served as the Fund's auditor since 2003.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of February 28, 2023 by correspondence with the custodian. We believe that our audits provide a reasonable basis for our opinion.

**TAIT, WELLER & BAKER LLP**

**Philadelphia, Pennsylvania  
April 28, 2023**

# **American Trust Allegiance Fund**

## **NOTICE TO SHAREHOLDERS at February 28, 2023 (Unaudited)**

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For the year ended February 28, 2023, the Fund designated \$142,894 and \$357,156 as ordinary income and long-term capital gains, respectively for purposes of the dividends paid deduction.

For the year ended February 28, 2023, certain dividends paid by the Fund may be subject to a maximum tax rate of 23.8%, as provided by the Tax Cuts and Jobs Act 2017. The percentage of dividends declared from ordinary income designated as qualified dividend income was 100.00%.

For corporate shareholders in the Fund, the percentage of ordinary income distributions qualifying for the corporate dividends received deduction for the year ended February 28, 2023 was 100.00%.

The percentage of taxable ordinary income distributions that are designated as short-term capital gain distributions under Internal Revenue Sections 871(k)(2)(C) for the Fund was 0.00%.

The percentage of taxable ordinary income distributions that are designated as interest related dividends under Internal Revenue Sections 871(k)(1)(C) for the was 0.00%.

### **How to Obtain a Copy of the Fund's Proxy Voting Policies**

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, by calling 1-800-385-7003 or on the SEC's website at <http://www.sec.gov>.

### **How to Obtain a Copy of the Fund's Proxy Voting Records for the 12-Month Period Ended June 30**

Information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available without charge, upon request, by calling 1-800-385-7003. Furthermore, you can obtain the Fund's proxy voting records on the SEC's website at <http://www.sec.gov>.

### **Quarterly Filings on Form N-PORT**

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Part F of Form N-PORT. The Fund's Form N-PORT is available on the SEC's website at [www.sec.gov](http://www.sec.gov). Information included in the Fund's Form N-PORT is also available, upon request, by calling 1-800-385-7003.

# **American Trust Allegiance Fund**

## **STATEMENT REGARDING LIQUIDITY RISK MANAGEMENT PROGRAM**

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The Fund has adopted a liquidity risk management program (the “program”). The Board has designated a committee at the Advisor to serve as the administrator of the program. The Advisor’s committee conducts the day-to-day operation of the program pursuant to policies and procedures administered by the committee.

Under the program, the Advisor’s committee manages the Fund’s liquidity risk, which is the risk that the Fund could not meet shareholder redemption requests without significant dilution of remaining shareholders’ interests in the Fund. This risk is managed by monitoring the degree of liquidity of the Fund’s investments, limiting the amount of the Fund’s illiquid investments, and utilizing various risk management tools and facilities available to the Fund for meeting shareholder redemptions, among other means. The committee’s process of determining the degree of liquidity of the Fund’s investments is supported by one or more third-party liquidity assessment vendors.

The Board reviewed a report prepared by the committee regarding the operation and effectiveness of the program for the period July 1, 2021 through June 30, 2022. No significant liquidity events impacting the Fund were noted in the report. In addition, the committee provided its assessment that the program had been effective in managing the Fund’s liquidity risk.

# American Trust Allegiance Fund

## INFORMATION ABOUT TRUSTEES AND OFFICERS (Unaudited)

This chart provides information about the Trustees and Officers who oversee the Fund. Officers elected by the Trustees manage the day-to-day operations of the Fund and execute policies formulated by the Trustees.

### Independent Trustees<sup>(1)</sup>

<u>Name, Address and Age</u>	<u>Position Held with the Trust</u>	<u>Term of Office and Length of Time Served*</u>	<u>Principal Occupation During Past Five Years</u>	<u>Number of Portfolios in Fund Complex Overseen by Trustee<sup>(2)</sup></u>	<u>Other Directorships Held During Past Five Years<sup>(3)</sup></u>
David G. Mertens (age 62) 615 E. Michigan Street Milwaukee, WI 53202	Trustee	Indefinite term; since March 2017.	Partner and Head of Business Development Ballast Equity Management, LLC (a privately-held investment advisory firm) (February 2019 to present); Managing Director and Vice President, Jensen Investment Management, Inc. (a privately-held investment advisory firm) (2002 to 2017).	1	Trustee, Advisors Series Trust (for series not affiliated with the Fund).
Joe D. Redwine (age 75) 615 E. Michigan Street Milwaukee, WI 53202	Trustee	Indefinite term; since September 2008.	Retired; formerly Manager, President, CEO, U.S. Bancorp Fund Services, LLC and its predecessors (May 1991 to July 2017).	1	Trustee, Advisors Series Trust (for series not affiliated with the Fund).

## American Trust Allegiance Fund

### INFORMATION ABOUT TRUSTEES AND OFFICERS (Unaudited), Continued

Name, Address and Age	Position Held with the Trust	Term of Office and Length of Time Served*	Principal Occupation During Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee <sup>(2)</sup>	Other Directorships Held During Past Five Years <sup>(3)</sup>
Raymond B. Woolson (age 64) 615 E. Michigan Street Milwaukee, WI 53202	Chairman of the Board	Indefinite term; since January 2020.	President, Apogee Group, Inc. (financial consulting firm) (1998 to present).	1	Trustee, Advisors Series Trust (for series not affiliated with the Fund); Independent Trustee, DoubleLine Funds Trust (an open-end investment company with 19 portfolios), DoubleLine Opportunistic Credit Fund, DoubleLine Income Solutions Fund, and DoubleLine Yield Opportunities Fund from 2010 to present; Independent Trustee, DoubleLine ETF Trust (an open-end investment company with 2 portfolios) from March 2022 to present.
	Trustee	Indefinite term; since January 2016.			

# American Trust Allegiance Fund

## INFORMATION ABOUT TRUSTEES AND OFFICERS (Unaudited), Continued

Name, Address and Age	Position Held with the Trust	Term of Office and Length of Time Served*	Principal Occupation During Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee <sup>(2)</sup>	Other Directorships Held During Past Five Years <sup>(3)</sup>
Michele Rackey (age 64) 615 E. Michigan Street Milwaukee, WI 53202	Trustee	Indefinite term; since January 2023.	Chief Executive Officer, Government Employees Benefit Association (GEBA) (benefits and wealth management organization) (2004 to 2020); Board Member, Association Business Services Inc. (ABSI) (for-profit subsidiary of the American Society of Association Executives) (2019 to present).	1	Trustee, Advisors Series Trust (for series not affiliated with the Fund).

# American Trust Allegiance Fund

## INFORMATION ABOUT TRUSTEES AND OFFICERS (Unaudited), Continued

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### Officers

<u>Name, Address and Age</u>	<u>Position Held with the Trust</u>	<u>Term of Office and Length of Time Served</u>	<u>Principal Occupation During Past Five Years</u>
Jeffrey T. Rauman (age 54) 615 E. Michigan Street Milwaukee, WI 53202	President, Chief Executive Officer and Principal Executive Officer	Indefinite term; since December 2018.	Senior Vice President, Compliance and Administration, U.S. Bank Global Fund Services (February 1996 to present).
Kevin J. Hayden (age 51) 615 E. Michigan Street Milwaukee, WI 53202	Vice President, Treasurer and Principal Financial Officer	Indefinite term; since January 2023.	Vice President, Compliance and Administration, U.S. Bank Global Fund Services (June 2005 to present).
Cheryl L. King (age 61) 615 E. Michigan Street Milwaukee, WI 53202	Assistant Treasurer	Indefinite term; since January 2023.	Vice President, Compliance and Administration, U.S. Bank Global Fund Services (October 1998 to present).
Richard R. Conner (age 40) 615 E. Michigan Street Milwaukee, WI 53202	Assistant Treasurer	Indefinite term; since December 2018.	Assistant Vice President, Compliance and Administration, U.S. Bank Global Fund Services (July 2010 to present).
Michael L. Ceccato (age 65) 615 E. Michigan Street Milwaukee, WI 53202	Vice President, Chief Compliance Officer and AML Officer	Indefinite term; since September 2009.	Senior Vice President, U.S. Bank Global Fund Services and Senior Vice President, U.S. Bank N.A. (February 2008 to present).



# American Trust Allegiance Fund

## INFORMATION ABOUT TRUSTEES AND OFFICERS (Unaudited), Continued

<u>Name, Address and Age</u>	<u>Position Held with the Trust</u>	<u>Term of Office and Length of Time Served</u>	<u>Principal Occupation During Past Five Years</u>
Elaine E. Richards (age 54) 2020 E. Financial Way, Suite 100 Glendora, CA 91741	Vice President and Secretary	Indefinite term; since September 2019.	Senior Vice President, U.S. Bank Global Fund Services (July 2007 to present).

\* The Trustees have designated a mandatory retirement age of 75, such that each Trustee, serving as such on the date he or she reaches the age of 75, shall submit his or her resignation not later than the last day of the calendar year in which his or her 75th birthday occurs ("Retiring Trustee"). Upon request, the Board may, by vote of a majority of Trustees eligible to vote on such matter, determine whether or not to extend such Retiring Trustee's term and on the length of a one-time extension of up to three additional years. Joe Redwine's term as Independent Trustee has been extended for an additional three years to expire December 31, 2025.

- (1) The Trustees of the Trust who are not "interested persons" of the Trust as defined under the 1940 Act ("Independent Trustees").
- (2) As of February 28, 2023, the Trust was comprised of 35 active portfolios managed by unaffiliated investment advisors. The term "Fund Complex" applies only to the Fund. The Fund does not hold itself out as related to any other series within the Trust for investment purposes, nor does it share the same investment advisor with any other series.
- (3) "Other Directorships Held" includes only directorships of companies required to register or file reports with the SEC under the Securities Exchange Act of 1934, as amended, (that is, "public companies") or other investment companies registered under the 1940 Act.

The Statement of Additional Information includes additional information about the Fund's Trustees and Officers and is available, without charge, upon request by calling 1-800-385-7003.

# American Trust Allegiance Fund

## APPROVAL OF INVESTMENT ADVISORY AGREEMENT (Unaudited)

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At meetings held on October 18, 2022 and December 7-8, 2022, the Board (which is comprised of three persons, all of whom are Independent Trustees as defined under the Investment Company Act of 1940, as amended), considered and approved, for another annual term, the continuance of the investment advisory agreement (the "Advisory Agreement") between Advisors Series Trust (the "Trust") and American Trust Investment Advisors, LLC (the "Advisor") on behalf of the American Trust Allegiance Fund (the "Fund"). At both meetings, the Board received and reviewed substantial information regarding the Fund, the Advisor and the services provided by the Advisor to the Fund under the Advisory Agreement. This information, together with the information provided to the Board throughout the course of the year, formed the primary (but not exclusive) basis for the Board's determinations. Below is a summary of the factors considered by the Board and the conclusions that formed the basis for the Board's approval of the continuance of the Advisory Agreement:

1. THE NATURE, EXTENT AND QUALITY OF THE SERVICES PROVIDED AND TO BE PROVIDED BY THE ADVISOR UNDER THE ADVISORY AGREEMENT. The Board considered the nature, extent and quality of the Advisor's overall services provided to the Fund, as well as its specific responsibilities in all aspects of day-to-day investment management of the Fund. The Board considered the qualifications, experience and responsibilities of the portfolio managers, as well as the responsibilities of other key personnel of the Advisor involved in the day-to-day activities of the Fund. The Board also considered the resources and compliance structure of the Advisor, including information regarding its compliance program, its chief compliance officer and the Advisor's compliance record, as well as the Advisor's cybersecurity program, liquidity risk management program, business continuity plan, and risk management process. The Board further considered the prior relationship between the Advisor and the Trust, as well as the Board's knowledge of the Advisor's operations, and noted that during the course of the prior year they had met with certain personnel of the Advisor to discuss the Fund's performance and investment outlook as well as various marketing and compliance topics. The Board concluded that the Advisor had the quality and depth of personnel, resources, investment processes and compliance policies and procedures essential to performing its duties under the Advisory Agreement and that they were satisfied with the nature, overall quality and extent of such management services.

# American Trust Allegiance Fund

## APPROVAL OF INVESTMENT ADVISORY AGREEMENT (Unaudited), Continued

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2. THE FUND'S HISTORICAL PERFORMANCE AND THE OVERALL PERFORMANCE OF THE ADVISOR. In assessing the quality of the portfolio management delivered by the Advisor, the Board reviewed the short-term and long-term performance of the Fund as of June 30, 2022, on both an absolute basis and a relative basis in comparison to its peer funds utilizing a Morningstar classification, an appropriate securities market benchmark, a cohort that is comprised of similarly managed funds selected by an independent third-party consulting firm engaged by the Board to assist it in its 15(c) review (the "Cohort"). The Board noted that the Advisor represented it does not have any similarly managed accounts. While the Board considered both short-term and long-term performance, it placed greater emphasis on longer term performance. When reviewing performance against the comparative Morningstar peer group universe, the Board took into account that the investment objectives and strategies of the Fund, as well as its level of risk tolerance, may differ significantly from funds in the peer universe. When reviewing the Fund's performance against a broad market benchmark, the Board took into account the differences in portfolio construction between the Fund and such benchmark as well as other differences between actively managed funds and passive benchmarks, such as objectives and risks. In assessing periods of relative underperformance or outperformance, the Board took into account that relative performance can be significantly impacted by performance measurement periods and that some periods of underperformance may be transitory in nature while others may reflect more significant underlying issues.

The Board noted that the Fund's performance was above the average of both its Morningstar peer group and Cohort for the one-year period, and above its Cohort average, but below the average of its Morningstar peer group for the three-, five-, and ten-year periods ended June 30, 2022.

The Board recognized that the Fund's investments are subject to socially responsible investment criteria as set forth in its prospectus, which are generally stricter than that employed by many of the funds in its Morningstar peer group or Cohort and that shareholders investing in the Fund accept and desire a fund employing such criteria, even if it may impact performance to a greater extent than other socially responsible funds.

The Board reviewed the performance of the Fund against a broad-based securities market benchmark, noting that it had outperformed its primary benchmark index for the one-year period and underperformed for the three-, five-, and ten-year periods ended June 30, 2022. The Board also noted that the Advisor stated it does not manage any other accounts similarly to the Fund.

# American Trust Allegiance Fund

## APPROVAL OF INVESTMENT ADVISORY AGREEMENT (Unaudited), Continued

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3. THE COSTS OF THE SERVICES TO BE PROVIDED BY THE ADVISOR AND THE STRUCTURE OF THE ADVISOR'S FEE UNDER THE ADVISORY AGREEMENT. In considering the advisory fee and total fees and expenses of the Fund, the Board reviewed comparisons to the Morningstar peer group and Cohort, as well as all expense waivers and reimbursements. The Board noted that the Advisor represented it does not manage any other accounts with a similar strategy, but the Board did consider the fees charged by the Advisor to its separate account clients who invest the equity portion of their separately managed accounts in the Fund and considered the Advisor's description of the services it provides to separate account holders for that separate account fee.

The Board noted that, effective March 1, 2023, the Advisor has agreed to amend the operating expenses limitation agreement, which will cap the annual expense ratio (excluding certain operating expenses) for the Fund at 1.29% (the "Expense Cap"). Previously, the expense cap was 1.39%. The Board noted that the contractual management fee was above the median and average of its Cohort. The Board also noted that the net expense ratio was above both the Morningstar peer group average and Cohort median and average.

The Board determined that it would continue to monitor the appropriateness of the advisory fee for the Fund and concluded that the fee to be paid to the Advisor was fair and reasonable.

4. ECONOMIES OF SCALE. The Board also considered whether economies of scale were being realized by the Advisor that should be shared with shareholders. The Board further noted that the Advisor has contractually agreed to reduce its advisory fees or reimburse Fund expenses so that the Fund does not exceed the specified Expense Cap. The Board noted that at current asset levels it did not appear that there were additional significant economies of scale being realized by the Advisor and concluded that it would continue to monitor economies of scale in the future as circumstances changed and assuming asset levels increase. The Board also took into account the Advisor's marketing efforts to increase Fund assets.
5. THE PROFITS TO BE REALIZED BY THE ADVISOR AND ITS AFFILIATES FROM THEIR RELATIONSHIP WITH THE FUND. The Board reviewed the Advisor's financial information and took into account both the direct benefits and the indirect benefits to the Advisor from advising the Fund. The Board noted that the Advisor maintained a modest balance sheet. The Board considered the profitability to the Advisor from its relationship with

# **American Trust Allegiance Fund**

## **APPROVAL OF INVESTMENT ADVISORY AGREEMENT (Unaudited), Continued**

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the Fund and considered any additional material benefits derived by the Advisor from its relationship with the Fund, including the receipt of additional separate account management fees from certain separately managed accounts that are also invested in the Fund. The Board considered that the overall amount of this additional separate account fee was minimal and that the fee was for different services than those provided by the Advisor to the Fund. The Board also considered that the Fund does not charge Rule 12b-1 fees or utilize “soft dollars.” After such review, the Board determined that the profitability to the Advisor with respect to the Advisory Agreement was not excessive, and that the Advisor had maintained adequate profit levels to support the services it provides to the Fund.

No single factor was determinative of the Board’s decision to approve the continuance of the Advisory Agreement for the Fund, but rather the Trustees based their determination on the total mix of information available to them. Based on a consideration of all the factors in their totality, the Trustees determined that the advisory arrangement with the Advisor, including the advisory fees, was fair and reasonable to the Fund. The Board, including a majority of the Independent Trustees, therefore determined that the continuance of the Advisory Agreement for the Fund would be in the best interest of the Fund and its shareholders.

# **American Trust Allegiance Fund**

## **HOUSEHOLDING**

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In an effort to decrease costs, the Fund will reduce the number of duplicate prospectuses, supplements, and certain other shareholder documents that you receive by sending only one copy of each to those addresses shown by two or more accounts. Please call the Fund's transfer agent toll free at 1-800-385-7003 to request individual copies of these documents. The Fund will begin sending individual copies 30 days after receiving your request. This policy does not apply to account statements.

# **American Trust Allegiance Fund**

## **PRIVACY NOTICE**

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The Fund collects non-public information about you from the following sources:

- Information we receive about you on applications or other forms;
- Information you give us orally; and/or
- Information about your transactions with us or others.

We do not disclose any non-public personal information about our customers or former customers without the customer's authorization, except as permitted by law or in response to inquiries from governmental authorities. We may share information with affiliated and unaffiliated third parties with whom we have contracts for servicing the Fund. We will provide unaffiliated third parties with only the information necessary to carry out their assigned responsibilities. We maintain physical, electronic and procedural safeguards to guard your non-public personal information and require third parties to treat your personal information with the same high degree of confidentiality.

In the event that you hold shares of the Fund through a financial intermediary, including, but not limited to, a broker-dealer, bank, or trust company, the privacy policy of your financial intermediary would govern how your non-public personal information would be shared by those entities with unaffiliated third parties.

**Advisor**

American Trust Investment Advisors, LLC  
67 Etna Road, Suite 360  
Lebanon, NH 03766  
(603) 448-6415

**Distributor**

Quasar Distributors, LLC  
111 East Kilbourn Avenue, Suite 2200  
Milwaukee, WI 53202

**Transfer Agent**

U.S. Bank Global Fund Services  
615 East Michigan Street  
Milwaukee, WI 53202  
(800) 385-7003

**Custodian**

U.S. Bank N.A.  
1555 North RiverCenter Drive, Suite 302  
Milwaukee, WI 53212

**Independent Registered Public Accounting Firm**

Tait, Weller & Baker LLP  
Two Liberty Place  
50 South 16th Street, Suite 2900  
Philadelphia, PA 19102

**Legal Counsel**

Sullivan & Worcester LLP  
1633 Broadway, 32nd Floor  
New York, NY 10019

This report is intended for shareholders of the Fund and may not be used as sales literature unless preceded or accompanied by a current prospectus. For a current prospectus please call 1-800-385-7003.