MILLER VALUE FUNDS

3Q 2018

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Miller Opportunity Trust

Rolling Realized Value into New Ideas

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The Miller Opportunity Trust had a good quarter, rising 10.83% (Class I shares) compared to a gain of 7.71% for the S&P 500 and 5.4% for general stock funds. Year-to-date through the third quarter we were up 23.23% versus the market's 10.56%, although we have given back a chunk of that in the correction that got going in early October. We bought five new names and sold four in the quarter. We also exercised soon-to-expire warrants on JP Morgan, retaining the same weighting in the stock that we had in the warrants. The two biggest contributors to our results were specialty pharmaceutical stocks Endo International and Mallinckrodt, which rose 78.45% and 57.10%, respectively. Mr. Market has been realizing all year that these two stocks were just too cheap, with Endo rising 125% year-to-date. Mallinckrodt is up a more modest 20%. It has more than doubled from its low in May of $11.65, which was under 2x its expected earnings for 2018. They are still quite inexpensive: Endo trades at 6.7x this year's estimated earnings; Mallinckrodt at 4x.

Average Annual Total Returns and Expenses (%) as of 9/30/18

	Without Sales Charges						With Maximum Sales Charges						
	QTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception[1]	QTD	1Yr	3 Yr	5 Yr	10Yr	Inception[1]	Inception Date
Class A (LGOAX)	10.75	29.67	16.85	14.52	–	20.61	4.37	22.22	14.57	13.17	–	19.87	2/3/09
Class C (LMOPX)	10.54	28.70	15.98	13.64	12.16	7.03	9.54	27.70	15.98	13.64	12.16	7.03	12/30/99
Class FI (LMOFX)	10.75	29.65	16.81	14.46	12.92	7.03	10.75	29.65	16.81	14.46	12.92	7.03	2/13/04
Class I (LMNOX)	10.83	29.96	17.17	14.83	13.35	8.09	10.83	29.96	17.17	14.83	13.35	8.09	6/26/00
Class R (LMORX)	10.64	29.31	16.49	14.11	12.61	5.62	10.64	29.31	16.49	14.11	12.61	5.62	12/28/06
S&P 500	7.71	17.91	17.31	13.95	11.97	5.76	7.71	17.91	17.31	13.95	11.97	5.76	

[1]S&P 500 since inception return represented from 12/30/99, the Fund's oldest share class.

Gross (Net) Expenses (%): Class A 1.35 (1.35); Class C 2.12 (2.12); Class FI 1.40 (1.40); Class I 1.13 (1.10), Class R 1.67% (1.67%). Miller Value Partners, LLC (the "Adviser") has contractually agreed to waive a portion or all of the management fees payable to it by the Fund and/or to pay the Fund's operating expenses to the extent necessary to limit the Fund's aggregate annual operating expenses (other than interest expense, brokerage commissions, dividend expense on short sales, taxes, extraordinary expenses, and acquired fund fees and expenses) to 1.20% for Class A, 1.97% for Class C, 1.26% for Class FI, 0.93% for Class I and 1.55% for Class R through April 30, 2019. Net expense ratios are current to the most recent prospectus dated 4/30/18 and are applicable to investors.

***Performance shown represents past performance and is no guarantee of future results.** Current performance may be higher or lower than the performance shown. Investment return and principal value will fluctuate so shares, when redeemed, may be worth more or less than the original cost.Class A shares have a maximum front-end sales charge of 5.75%. Class C shares have a one-year contingent deferred sales charge (CDSC) of 1.0%. If sales charges were included, performance shown would be lower. Total returns assume the reinvestment of all distributions at net asset value and the deduction of all Fund expenses. Total return figures are based on the NAV per share applied to shareholder subscriptions and redemptions, which may differ from the NAV per share disclosed in Fund shareholder reports. Performance would have been lower if fees had not been waived in various periods. YTD is calculated from January 1 of the reporting year. All classes of shares may not be available to all investors or through all distribution channels. For the most recent month-end information, please call 888-593-5110.*

Our purchases were Avon Products, Eventbrite, Newell Brands, NXP Semiconductors, and Qualcomm. We sold Foot Locker, MGIC Investment, Platform Specialty Products, and Wayfair. Footlocker and Wayfair reached what we considered fair value or close to it. The other two were sold because we thought the funds could be more productively employed in what we judged were even more undervalued names. Avon, as probably everyone knows, sells beauty and other products through a direct sales force. The company has disposed of its U.S.-based business and now sells principally in emerging markets. The senior management team is almost entirely new in the past year or so. We think their strategic plan, announced at an investor day in late September, is sound. The stock hit an all-time low of $1.37 in the third quarter. We think it is easily worth $3 and potentially multiples of that if the plan works. Eventbrite went public at what we thought was an attractive valuation and it has done very well since. The company provides an online platform that allows users to plan events. It also sells tickets. We like the management team and especially the CFO, Randy Befumo, whom we know quite well since he used to work for us. Newell is a consumer products company that has done nothing but go down the past two years. It was over $50 in 2017 and now trades at under $20. It trades at just over 7x this year's estimated earnings, has a 5% yield, is selling non-core assets to reduce debt and is buying back stock. We think it is worth at least 50% more than the current price. NXP and Qualcomm were slated to merge, but the deal was cancelled when Chinese regulatory authorities would not approve it. Both companies have significant operations in China. Subsequent to the deal's falling apart both companies announced dramatic share repurchase programs, each amounting to around 30% of the outstanding shares, a move we think is exactly right as the companies are, in our judgment, worth up to twice the current price in a few years and have ample cash to retire shares at these bargain prices.

As always, we appreciate your confidence and if you have any questions please feel free to contact your financial advisor or us directly, and we will be happy to answer them.

Bill Miller, CFA

October 14, 2018
S&P 500 2,767.13

FUND HIGHLIGHTS

During the third quarter of 2018, the Miller Opportunity Trust – Class I shares generated a total return of 10.83% excluding sales charges. In comparison, the Fund's unmanaged benchmark, the S&P 500 Index, returned 7.71%.

Using a three-factor performance attribution model, allocation and interaction effects contributed to the portfolio's outperformance, which was partially offset by selection effects. Endo International plc, Mallinckrodt plc, Amazon.com Inc., Stitch Fix Inc. and United Continental Holdings were the largest contributors to performance, while Flexion Therapeutics, Facebook Inc., Pulte Group Inc., Lennar Corp. and Teva Pharmaceutical were the largest detractors.

Relative to the Index, the Fund was overweight the Consumer Discretionary, Financials, Health Care, Industrials, and Communication Services sectors on average during the quarter. With zero allocation to Energy, Materials, Real Estate and Utilities, the Fund was dramatically underweight these groups and more moderately underweight the Information Technology and Consumer Staples sectors. In terms of sector allocation, the underweight position in the Information Technology sector, which outperformed the Index, detracted the most from the portfolio's relative performance. On the other hand, the overweight in Health Care, which outperformed the Index, contributed the most to relative performance.

The portfolio added five positions and eliminated four positions during the quarter, ending the quarter with 38 holdings where the top 10 represented 42.4% of total assets compared to 21.9% for the Index, highlighting the Fund's meaningful active share of around 96%.

Top Contributors

Top Ten by Issuer as of 9/30/18	
Name	**% of Portfolio**
Amazon.com Inc.	6.4
Endo International PLC	5.4
RH	4.6
Bausch Health Companies Inc.	4.5
OneMain Holdings Inc.	3.7
United Continental Holdings Inc.	3.7
Delta Air Lines Inc.	3.7
JPMorgan Chase & Co.	3.6
Mallinckrodt PLC	3.4
Quotient Technology Inc.	3.4
Total	**42.4**

- **Endo International plc (ENDP)** increased 78.5% over the quarter. Endo gained over the quarter after announcing strong 2Q results. Revenues came in at $714.7M above consensus of $697.7M driven by strong performance in the branded segments with Xiaflex sales up 27% year-over-year (YoY) and earnings per share (EPS) coming in at $0.76, far ahead of the $0.54 expected. The company raised full year revenue guidance to $2.75-2.85B from $2.6-2.8B. The company also announced that it had entered into an exclusive licensing agreement with Nevakar Inc. for development of five differentiated sterile injectable products in the U.S. and Canada. The company also benefited from the FDA issuing a Federal Register notice proposing that Vasopressin be left off the 503 Bulks list. The final decision is expected by December 31st.
- **Mallinckrodt plc (MNK)** had a strong quarter rising 57.1%. The company announced 2Q revenues of $632M ahead of consensus of $621M and EPS of $1.78, beating expectations for $1.48. Acthar revenue came in ahead of expectations at $293M versus $260M, while management reiterated that Acthar would achieve at least $1B in sales this year. The company raised full year net sales growth to +4-7% up from +3-6% and raised adjusted EPS to $6.50-6.90 from $6.00-6.50. Over the quarter, MNK received a complete response letter from the FDA related to its new drug application for Stannsoporfin to treat severe jaundice in newborns. The FDA granted the company Fast Track designation for its Phase III trial of inhaled Xeon for post cardiac arrest patients.
- **Amazon.com Inc. (AMZN)** climbed higher over the quarter returning 17.8%. The company had another strong Prime Day, adding the most prime members in one day and seeing record sales across many of its devices. Small and medium sized businesses sold more than $1B on Prime Day. The company reported 2Q results with revenue of $52.9B versus $53.4B expected, but reported generally accepted accounting principle (GAAP) EPS of $5.07 compared to $2.49 consensus on strong margin improvement. Amazon Web Services (AWS) had 49% revenue growth along with 26.9% margins. The company guided for 3Q net revenue of $54-$57.5B versus consensus of $58.1B with operating income of $1.4-2.4B ahead of consensus of $1.2B. The company hosted a device event where they released a plethora of new devices, as well as new capabilities and use cases for Alexa. At this event the company also announced their strategic initiative with ADT. It was also reported that AMZN is considering opening as many as 3,000 Amazon Go stores over the next few years with about 50 slated for 2019.

Top Detractors

- **Flexion Therapeutics Inc. (FLXN)** declined 27.6% over the quarter. The company announced 2Q results with sales of $3.8M below consensus of $4.3B, with operating expenses slightly below consensus at $44.1M versus expectations of $45.1M, coming in with lower R&D expenses than expected. The company stated that 60% of target accounts have either purchased or received samples of Zilretta and >55% of ordering accounts have placed reorders. The company received a dedicated Q-code in the third quarter with expectations of receiving a J-code in January. Over the quarter, the company announced that the Zilretta study met its primary endpoints in patients with osteoarthritis knee pain and Type 2 diabetes.
- **Facebook Inc. (FB)** declined 15.4% over the quarter. The company reported 2Q results with revenues and EPS of $13.2B and $1.74, respectively, compared to consensus of $13.3B and $1.71. The company saw engagement of 65.8% below consensus of 66.1% with daily active users (DAUs) growing 2% Quarter-over-Quarter and monthly active users (MAUs) growing 11% YoY to 2.234B. The company guided to high-single digit deceleration in revenue growth rates in both 3Q and 4Q, while also stating that expenses will grow at a faster rate than revenue growth in 2019 leading operating margins to trend towards the mid-30s compared to their current operating margins in the mid-40s. Later in the quarter, the company announced that it had discovered a security breach that affected almost 50 million accounts, but had fixed the breach.
- **Pulte Group Inc. (PHM)** declined 13.6% over the quarter. The company reported 2Q EPS of $0.97 above consensus of $0.75 however, new orders declined 1% far below the 8% growth expected as the company has focused on pricing over pace. The company raised its 3Q and 4Q gross margin guidance to 24-24.5% and 23.8-24.3%, respectively from 23-23.5% in 3Q previously, while also raising full year 2018 operating cash flow guidance to $900M-1.1B from $700-900M previously. Pulte was further pressured as new home sales dropped to a 9-month low in August.

Contact

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About Miller Value Funds

We think and invest differently in our pursuit of long-term performance. We believe that our edge comes from understanding and capitalizing on human behavioral tendencies. We value research from uncommon sources to help us understand that market as a complex adaptive system. Our investment approach remains consistent: we value businesses and invest in them for the long term. **millervaluefunds.com**

The **S&P 500 Index** is a market capitalization-weighted index of 500 widely held common stocks. An investor cannot invest directly in an index. Unmanaged index returns do not reflect any fees, expenses or sales charges. **Active Share** measures the degree of difference between a fund portfolio and its benchmark index. **Earnings per share (EPS)** is the portion of a company's profit allocated to each outstanding share of common stock and serves as an indicator of a company's profitability.

Earnings growth is not representative of the Fund's future performance. Growth stocks typically are more volatile than value stocks; however, value stocks have a lower expected growth rate in earnings and sales.

Equity securities are subject to price fluctuation and possible loss of principal. Small- and mid-cap stocks involve greater risks and volatility than large-cap stocks. The Fund may focus its investments in certain regions or industries, increasing its vulnerability to market volatility. International investments are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. Derivatives, such as options and futures, can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. The manager's investment style may become out of favor and/or the manager's selection process may prove incorrect, which may have a negative impact on the Fund's performance. Short selling is a speculative strategy. Unlike the possible loss on a security that is purchased, there is no limit on the amount of loss on an appreciating security that is sold short. The Fund is more susceptible to any economic, business, political, regulatory or other developments that adversely affect issuers in the financial services industry than a Fund that does not concentrate its investments in the financial services industry. As a non-diversified Fund, it is permitted to invest a higher percentage of its assets in any one issuer than a diversified fund, which may magnify the Fund's losses from events affecting a particular issuer.

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