SOUND SHORE FUND
P.O. BOX 588
PORTLAND, ME 04112

December 31, 2016

Dear Investor:

The Sound Shore Fund's Investor Class (ticker SSHFX) and Institutional Class (ticker SSHVX) ended December 31, 2016 with net asset values of $44.17 and $44.29 per share, respectively. The fourth quarter total returns of 4.93% and 4.99%, respectively, outperformed the Standard & Poor's 500 Index ("S&P 500") which rose 3.82% and underperformed the Dow Jones Industrial Average ("Dow Jones") which rose 8.66%.

We are required by the SEC to say that: Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. The Fund's Investor Class 1, 5, 10, and 15-year average annual total returns for the period ended December 31, 2016 were 14.63%, 15.49%, 6.10%, and 7.34%, respectively. The Fund's Institutional Class 1, 5, 10, and 15-year average annual total returns for the period ended December 31, 2016 were 14.80%, 15.70%, 6.30%, and 7.54%, respectively. As stated in the current prospectus, the total annual operating expense ratio (gross) is 0.93% for the Investor Class and 0.83% for the Institutional Class. The net expense ratio for the Institutional Class is 0.75% since the Fund Adviser agreed to reimburse all of the ordinary expenses. This agreement is in effect until at least May 1, 2017. The performance for the Institutional Class prior to its inception on 12/9/13 is based on the performance of the Investor Class, adjusted to reflect the lower expense ratio of the Institutional Class (net of expense reimbursements). For the most recent month-end performance, please visit the Fund's website at www.soundshorefund.com.

The stock market finished higher in 2016, in what was a tale of two very different halves. During the first six months, investors concerned about negative interest rates and the UK Brexit sought safety in the "bond proxy" utility and telecommunication sectors. By contrast, markets accelerated after mid-year helped by renewed corporate earnings growth, a steepening yield curve, and the prospect of 2017 fiscal stimulus from a unified US government. By December, the Standard & Poor's 500 Index neared a record high, the Fed raised rates, and oil topped $50 per barrel.

Encouragingly for Sound Shore's bottom-up process, equity performance through the year appeared increasingly driven by company specific fundamentals. Since 1978, our value investment strategy has focused on finding inexpensive, out-of-favor stocks with internally driven earnings and cash flow improvement. The backdrop of greater divergence and declining correlations was evident in Sound Shore's results. For example, Sound Shore's top five 2016 contributors, all of which advanced more than 30%, hailed from five different sectors: Technology equipment provider Applied Materials, diversified financial Bank of America, integrated natural gas supplier EQT, industrial packaging maker International Paper, and media giant Time Warner.

Similarly, Texas Instruments ("TI") was a strong 2016 performer, and Sound Shore's decade-plus investment in the name represents a great case study of our process at work. We initiated our position in this semiconductor maker in 2006 when it was valued below normal on earnings and sales. At the time, investors were skeptical of TI's plan to strategically reposition from its digital chip roots, supplying PC and mobile device customers, to being an analog chip provider for industrial and internet-of-things end users. Our research suggested, however, that the company's transition could drive growth, margins, and free cash above consensus, as well as the potential to provide a long-term "competitive moat." During our investment, management executed on its internal plan, integrated several well-timed acquisitions, and used free cash to reduce its shares outstanding by over one third. TI's shares significantly outperformed the market and its peers, and we sold the position in the fourth quarter when it achieved our target valuation.

Sound Shore's multi-year investment in Citigroup, which traced a volatile 2016 path to being a solid contributor, provides another useful example. We invested in this global bank well after the 2008 financial crisis and, importantly, following the recapitalization of its balance sheet. At that time, Citi's shares were valued below normal at 70% of tangible book and less than 10 times earnings due to Wall Street's fixation on revenue growth. Our contrarian thesis was that Citi's secure capital base appeared likely to allow its core institutional treasury and emerging market franchises to build significant value. During our investment, management has steadily executed, growing tangible book value per share by 60%, and increasing total capital return from $1 billion in 2013 to more than $10 billion in 2016. As Citi sold off sharply with financials in 2016's first half, we added to our holding, allowing us to take advantage of the 40% gain in the stock through the remainder of the year. We continue to hold Citi given its still inexpensive price-to-earnings ("P/E") of 11 times and the potential for further fundamental improvement.

Meanwhile, our holding in wireless service provider Vodafone was among our larger underperformers for the year due to more competitive than expected emerging markets and the weaker UK pound. Vodafone's management has aggressively reduced costs, which could provide the foundation for dramatic earnings improvement if the targeted sales growth returns in 2017 and 2018. We continue to hold the shares, attractively valued at less than book value and 5 times operating cash flow.

We were proud that Barron's January 9, 2017 magazine included the Sound Shore Fund as one of only 7 selected in their cover story, "How to Pick Great Funds." Barron's analysis made the case – as we here at Sound Shore Management have for almost forty years – that funds with more concentrated portfolios (i.e. greater "active share") and longer time horizons (i.e. lower turnover) are better positioned to outperform the market. Indeed, Sound Shore's portfolio of typically 35-45 stocks and our 3 year average holding period, elements unchanged since Sound Shore Management's 1978 founding, provided the basis for our selection to their list (along with performance). Barron's also referenced an academic study by finance professors from the University of Notre Dame and Rutgers University[1] that provided the historical data backing up the magazine's work (please visit our website, www.soundshore.com, for links to both articles). We remain committed to our active, long-term investment philosophy and take this opportunity to highlight that an investment in the Sound Shore Fund at its inception would have grown 27-fold in less than 32 years, assuming reinvestment of dividends and capital gains.

Though the current economic expansion is now in its eighth year, renewed corporate earnings growth and new US fiscal stimulus could make for a steady economic backdrop. With an eye on the macro, our contrarian investment process remains focused on low P/E stocks where managements are building

[1] Patient Capital Outperformance: The Investment Skill of High Active Share Managers Who Trade Infrequently.

value ahead of diminished expectations. To that end, Sound Shore's portfolio was valued at 15.2 times forward earnings, a slightly wider than normal discount to the S&P 500 Index at 17.3 times.

Thank you for your investment alongside ours in Sound Shore.

Sincerely,

SOUND SHORE FUND

Harry Burn, III
John P. DeGulis
T. Gibbs Kane, Jr.

Co-Portfolio Managers

Important Information

Fund returns assume the reinvestment of all dividend and capital gain distributions. The Standard & Poor's 500 Index is an unmanaged index representing the average performance of 500 widely held, publicly traded, large capitalization stocks. The Dow Jones Industrial Average consists of 30 stocks that are considered to be major factors in their industries and that are widely held by individuals and institutional investors. The Russell 1000 Value Index consists of stocks in the Russell 1000 Index with lower price-to-book ratios and lower forecasted growth values. It is not possible to invest directly in an Index or Average.

Short-term performance, in particular, is not a good indication of the Fund's future performance, and an investment should not be made based solely on returns. Because of ongoing market volatility, Fund performance may be subject to substantial short-term changes.

The price-to-earnings (P/E) of an index is the total price of the index divided by its total earnings. Free cash flow is the amount of cash left over after the company has paid all its expenses and what was spent for reinvesting into the company (capital expenditures). Forward price-earnings is a measure of the P/E using forecasted earnings for the P/E calculation. If earnings are expected to grow in the future, the estimated Forward P/E will be lower than the current P/E. The free cash flow yield is an overall return evaluation ratio of a stock, which standardizes the free cash flow per share a company is expected to earn against its market price per share. Generally, the lower the ratio, the less attractive the investment is and vice versa.

This letter may contain discussions about certain investments both held and not held in the portfolio. As required by the Financial Industry Regulatory Authority (FINRA), we must remind you that current and future portfolio holdings are subject to risk. Percent of net assets as of 12/31/16: Applied Materials, Inc.: 2.68%; Bank of America Corp.: 3.48%; CitiGroup, Inc.: 3.46%; EQT Corp.: 0.00%; International Paper Co.: 2.51%; Texas Instruments, Inc.: 0.00%; Time Warner, Inc.: 2.13%; and Vodafone Group PLC: 2.57%.

An investment in the Fund is subject to risk, including the possible loss of principal amount invested. Mid Cap Risk: Securities of medium sized companies may be more volatile and more difficult to liquidate during market downturns than securities of large, more widely traded companies. Foreign Securities Risk: The Fund may invest in foreign securities primarily in the form of American Depositary Receipts. Investing in the securities of foreign issuers also involves certain special risks, which are not typically associated with investing in U.S. dollar-denominated securities or quoted securities of U.S. issuers including increased risks of adverse issuer, political, regulatory, market or economic developments. Investments in foreign securities also may be affected favorably or unfavorably by changes in currency rates and in exchange control regulations.

The views in this letter were those of the Fund managers as of 12/31/16 and may not necessarily reflect their views on the date this letter is first published or anytime thereafter. These views (i) are intended to assist shareholders in understanding the Fund's present investment methodology and (ii) do not constitute investment advice. ***This letter must be preceded or accompanied by a current Fund prospectus.*** *Distributed by Foreside Fund Services, LLC.*