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

December 31, 2018

Dear Investor:

The Sound Shore Fund Investor (SSHFX) and Institutional (SSHVX) class shares declined 15.71% and 15.65%, respectively, in the 4th quarter of 2018, which trailed the declines of 11.72% for the Russell 1000 Value Index (Russell Value) and 13.52% for the Standard & Poor's 500 Index (S&P 500). The 2018 full year declines for SSHFX of 12.64% and for SSHVX of 12.50% were also behind the declines of the Russell Value's 8.27% and the S&P 500's 4.38%. As long term investors, we know patience is a must, even though the market is currently showing none. We are proud to highlight that our 20 year average annual returns of 6.47% for the SSHFX and 6.68% for the SSHVX were ahead of the Russell Value's return of 6.16% and the S&P 500's return of 5.62%.

We are required by the SEC to say that: Past performance 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 their original cost. The Fund's Investor Class 1, 5, and 10-year average annual total returns for the period ended December 31, 2018 were -12.64%, 4.32%, and 10.76%, respectively. The Fund's Institutional Class 1, 5, and 10-year average annual total returns for the period ended December 31, 2018 were -12.50%, 4.49%, and 10.96%, respectively. Fund returns assume the reinvestment of all dividend and capital gain distributions. As stated in the current prospectus, the total annual operating expense ratio (gross) is 0.91% for the Investor Class and 0.82% for the Institutional Class. The net expense ratio for the Institutional Class is 0.76% pursuant to an expense limitation agreement between the Adviser and the Fund. This agreement is in effect until at least May 1, 2019. 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.

Stocks sold off sharply and broadly in the fourth quarter of 2018, leaving the major indices with their worst annual return since 2008. Equity investors had plenty of company. Among the major asset classes, only treasury bills and the US dollar finished up for the year. Indeed, 2018 is being dubbed by many as "the year nothing worked."

Consensus estimates for 2018 Standard & Poor's 500 earnings actually rose more than 10% during the year. With the 6.5% decline in the index price, the value placed on those earnings declined from 18.4 times at the beginning of the year to 15.5 times by year end. Concerns about tightening monetary policy in the U.S. and its implications for global GDP growth, trade wars, and geopolitical uncertainties built throughout the year. Fears about the outlook elevated further during the fourth quarter. Despite their persistently high P/E multiples, the "bond proxy" utility and consumer staples stocks significantly outperformed the last three months.

As with the broader market, many of Sound Shore's holdings delivered strong earnings in 2018 only to experience even greater declines in their price-earnings valuations. One such example is Capital One, a long-term investment. Entering 2018, consensus earnings estimates for Capital One were slightly below $9 per share. Capital One needed only three quarters to achieve this level of profitability, as credit metrics improved more than expected. Current earnings estimates for 2019 are now more than $11. Capital One has a seasoned management team that has steered capably through previous cycles. Strong credit management along with advanced technology platforms (for example, Capital One has one of the highest rated mobile banking apps in the industry) keep us enthusiastic about the investment, which currently trades below 7 times 2019 consensus earnings estimates and at a 20% discount to book value.

AIG was another holding which underperformed in 2018. In this case, near-term earnings estimates declined moderately as underwriting performance improvement lagged and as insurance claims due to unpredictable natural disaster losses exceeded expectations. We started the investment early in the year at below book value, seeing great opportunity with proven CEO Brian Duperreault attracting key senior management hires out of Marsh & McLennan, Berkshire Hathaway, Aon, and Arch Capital. We believe that this leadership team, with a strengthened balance sheet, has ample room to greatly improve performance over time. Currently valued at 60% of book value, we see significant upside over the coming years. And while we wait for performance to improve, management has increased dividends and share repurchases, which are very accretive to growth in book value per share at current valuation levels.

During the first half of the year, we sold several technology positions as they hit our price targets, including Intel, Micron and long-held Keysight Technologies. We still own electronic payments firm First Data, which while flat for the year, outperformed the tech sector. We invested in First Data in 2016 when its shares were valued under 10 times earnings and after it had underperformed. In contrast to Wall Street's bearish view, our research indicated that First Data's plans to improve its core merchant acquiring product and reduce debt would create significant value. Our 34% gain in the stock since our initial purchase coincides with the company executing on its plan. First Data remains a full position and was still valued at a 30% discount to peers on price to free cash flow. [NOTE: As we were finishing our letter, First Data agreed to be acquired by a competitor for a 25% premium.]

Meanwhile, Sound Shore's best contributor for the year was drug maker Merck, which provides a classic Sound Shore case study. We initiated our position in 2015 when the stock was valued below normal at 15 times earnings. At that time, we believed consensus concerns were overstating the impact of patent expirations and undervaluing Merck's strong new product pipeline. Benefitting from a "best-in-class" research and development team, Merck's progress is being fueled by the impressive growth of its immuno-oncology cancer drug, Keytruda. In fact, revenue estimates for Keytruda have increased from $3 billion when we invested, to approaching $8 billion for next year. The stock remains a full position and is still attractive at less than 16 times 2019 earnings.

Despite the difficult backdrop, we used the fourth quarter selloff to invest opportunistically, as stock prices often change significantly more than the underlying value of the companies. There have been a number of sharp selloffs in the last ten years, post-crisis, including two greater than 10% in 2018. As the cycle debate continues, the market may be entering an era of more normal, but higher volatility. Recent market weakness may indicate a recession is imminent, but even the best prognosticators don't know for sure. With that in mind, we are keenly aware that risks build over time and we remain focused on the durability of our holdings, including their strong balance sheets, to withstand an uncertain outlook. To quote Warren Buffett, "The most common cause of low prices is pessimism – sometimes pervasive, sometimes specific to a company or industry. We want to do business in such an environment, not because we like the pessimism, but because we like the prices it produces."

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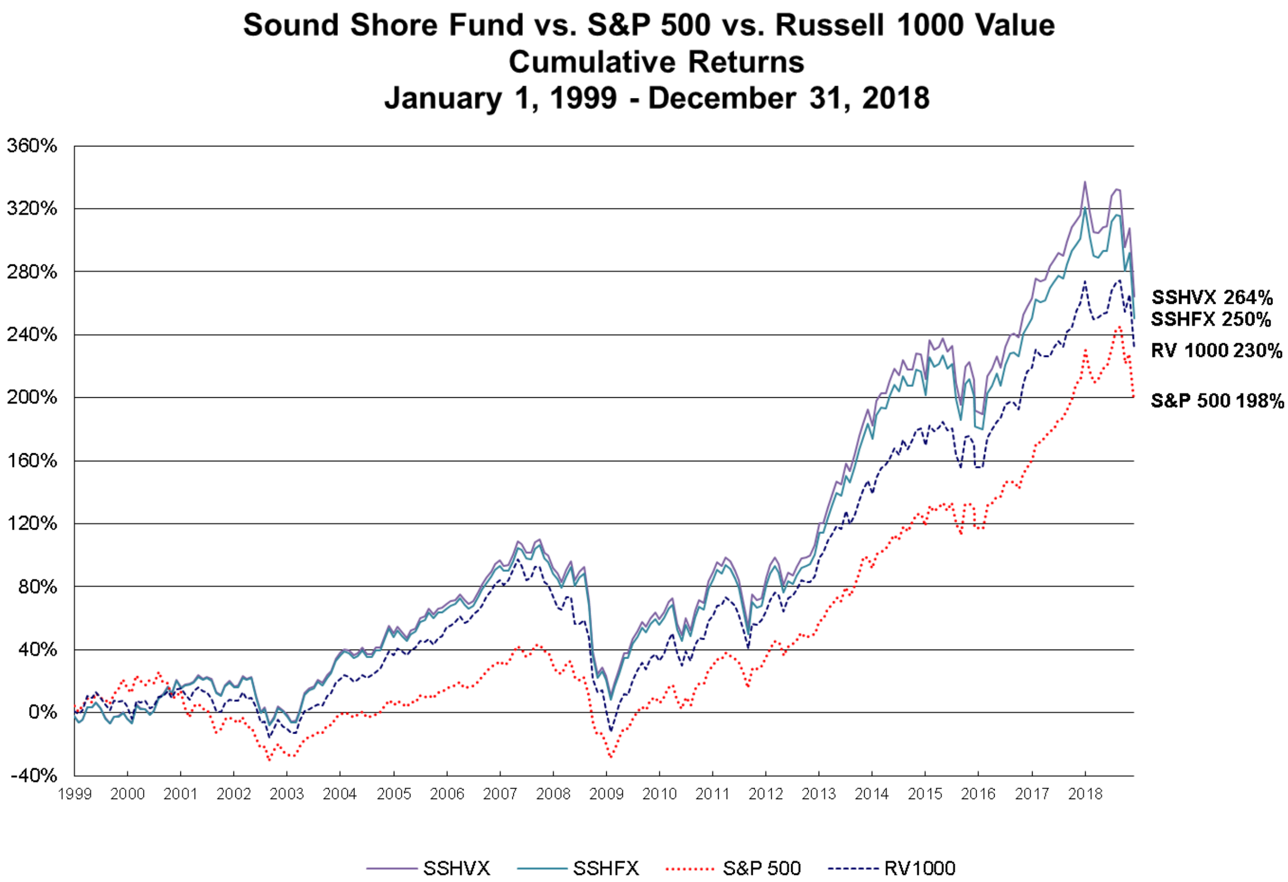
If history is any guide, now is a good time to invest with Sound Shore. For the past 20 years, we have outperformed the value and broad market indices as shown in the Exhibit below. These results include shorter term periods, like the current one, where our process is out of step and we lag. We believe this track record confirms the merits of our consistent process, though timing is always uncertain.



Our conviction is high and we remain steadfast in our approach. Sound Shore's portfolio is attractively valued at 10.9 times forward earnings versus 14.4 times for the S&P 500 and 12.3 times for the Russell 1000 Value. As markets return to rewarding company specific drivers, our holdings should benefit. Thank you for your investment in Sound Shore.

Sincerely,

SOUND SHORE FUND

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

Co-Portfolio Managers

<u>Important Information</u>

The Standard & Poor's 500 Index is an unmanaged index representing the average performance of 500 widely held, publicly traded, large capitalization stocks. The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values. It is not possible to invest directly in an Index. "Best-in-class" is solely the opinion of Sound Shore Management, Inc. and is subject to change. Those companies that hold leading market share positions, strong growth potential, historically good profitability, and management teams known for integrity and good corporate governance are generally considered to be "best-in-class."

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 12/31/18: American International Group, Inc.: 2.28%; Aon PLC: 2.94%; Arch Capital: 0.00%; Berkshire Hathaway, Inc. Cl. B: 4.05%; Capital One Financial Corp.: 3.09%; First Data Corporation: 3.25%; Intel Corporation: 0.00%; Keysight Technologies, Inc.: 0.00%; Marsh & McLennan Companies, Inc.: 2.72%; Merck & Co., Inc.: 5.13%; and Micron Technology, Inc.: 0.00%.

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, changes in currency rates and in exchange control regulations. The Fund is also subject to other risks, including, but not limited to, risks associated with value investing.

The views in this letter were those of the Fund managers as of 12/31/18 and may not necessarily reflect their views on the date this letter is first published or anytime thereafter.

You should consider the Fund's investment objective, risks, charges and expenses carefully before investing. The summary prospectus and/or the prospectus contain this and other information about the Fund and are available from your financial intermediary or www.soundshorefund.com. The summary prospectus and/or prospectus should be read carefully before investing.

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