Cedar Ridge Partners

Q&A: Cedar Ridge Unconstrained Credit Fund

Institutional: CRUMX / Investor: CRUPX

December 31, 2018

Overall MORNINGSTAR® Rating

★★★★ / ★★★★★

(Institutional / Investor)

Overall rating based on risk adjusted returns against 45 Morningstar Long-Short Credit Funds as of 12/31/2018. The Overall Rating is derived from a weighted average of performance figures associated with its 3-, 5-, and 10-year (if applicable) Morningstar Rating metrics.

Portfolio Management

Alan Hart, CIO
34 Years of Investment Experience

Jeffrey Rosenkranz, Co-CIO
21 Years of Investment Experience

David Falk, Portfolio Manager
34 Years of Investment Experience

Guy Benstead, Portfolio Manager
34 Years of Investment Experience

Fund Facts

Dividend:	Quarterly
AUM:	$73.6M
Inception:	12/12/13
Number of Holdings:	94
Modified Duration:	2.63

About Cedar Ridge Partners

Founded in 2004, Cedar Ridge Partners is an investment manager focused on the domestic credit markets. Collectively, the team has over 120 years of credit structuring, investment and analysis experience and manages various long/short credit strategies.

The portfolio managers recently discussed the Fund, which posted positive results in 2018 despite a challenging fixed income environment.

1. Would you please comment on the Fund's performance for the year?

We are pleased the Fund has produced a positive return for the year despite the increased volatility across markets in the fourth quarter. In fact, the Fund's Institutional class (CRUMX) outperformed the Bloomberg Barclays US Aggregate Bond Index by 252 basis points, with a return of 2.53% compared to 0.01% for the Index as of December 31, 2018.

On December 12, 2018, the Fund reached a significant milestone with its 5-year anniversary. We are proud of the track record we have built for investors: For the 5-year period ended December 31, 2018, CRUMX produced an annualized return of 4.12%, more than double that of the Morningstar Long-Short Credit category's return of 1.82%. By focusing on what we know best, U.S. high-yield and investment grade municipal and corporate bonds, we have achieved our goal over the Fund's first five years of providing a positive total return regardless of the economic environment or the direction of interest rates.

2. As an unconstrained fund, the long portfolio is more focused on municipal obligations and corporate bonds. Why are these two asset classes featured within the broader fixed income universe?

There are three reasons the Fund focuses on municipals and corporate bonds:

1. **We invest in what we know.** Our extensive experience in these markets provides us the ability to construct and manage a portfolio geared to total return. We only invest in markets that match with our areas of expertise.
2. **They are among the least efficient fixed income markets.** This inefficiency provides the opportunity to apply our credit analysis capabilities, trading relationships and research experience to identify total return ideas. In addition, municipal bonds in particular tend to be noticeably under-researched. As a result, many pricing dislocations may exist providing outsized total return opportunities.
3. **These markets represent ample opportunity.** We typically hold long positions in in municipal obligations and corporate bonds. Conversely, we often short corporate bonds for additional return potential and short treasuries to reduce duration risk. These are some of the largest securities markets in the world, thus there is almost always opportunity somewhere.

From the municipal bond perspective, we tend to focus on essential service revenue bonds, such as water and sewer obligations, and well-structured transportation credits, such as toll roads and airports. With regard to corporate bonds, we are finding long opportunities in credits that we believe have the potential to receive a credit upgrade, particularly in long-dated BB-rated corporate bonds. Conversely, we are shorting BBB-rated bonds that we believe may be downgraded on leverage concerns.

From an overall portfolio perspective, we have reduced the Fund's risk profile by lowering gross positions and reducing duration. In the municipal bond sleeve, we have sold select longer duration bonds and reduced at-risk tobacco settlement bond exposure.

3. Would you please expand on the opportunities in corporate bonds?

It appears the U.S. is in the later part of the credit cycle. As a result of the market selloff during 4Q 2018, the spreads in investment grade and high yield were at their widest and yields were at or around their highs. As a result, over the past few months, certain bonds have become cheaper and increased our universe of long opportunities. In particular, we are finding total return opportunities in "rising stars," i.e., BB-rated bonds with long-term maturities that may migrate to investment grade, as well as B-rated securities that feature attractive price points. With the recent heightened volatility, there could potentially be more reward on our short positions if certain catalysts we observe are correct. Specifically, BBB-rated investment grade bonds hold fertile opportunity for shorting and capturing total return as a result of companies' rising leverage and rating agency complacency.

4. Why should an investor choose this fund within their fixed income allocation?

With our flexible strategy, we seek to take advantage of market opportunity and provide total return regardless of the interest rate environment or business cycle. Our focus on total return is unlike most other fixed income funds. Since inception, the Fund has derived approximately 50% of its total return from capital appreciation and 50% from income. Additionally, as result of our municipal holdings and unique portfolio strategy, a large majority of the Fund's distributions (100% in 2018) have been exempt from Federal income taxes. This is an added advantage to investors subjected to higher income tax brackets.

Performance *as of December 31, 2018*

	YTD	1 Year	3 Year	5 Year	Since Inception (12/12/13)
Institutional – CRUMX	2.53%	2.53%	3.37%	4.12%	3.96%
Investor – CRUPX	2.26	2.26	3.11	3.88	3.72
Bloomberg Barclays US Aggregate Bond Index	0.01	0.01	2.06	2.52	2.47
Morningstar Long-Short Credit Cat. Avg.	-1.65	-1.65	2.94	1.82	-
Morningstar Category Rank - CRUMX*	-	7%	46%	1%	-
Morningstar Category Rank - CRUPX*	-	9%	49%	5%	-
# of Funds in Category	-	55	45	28	-

**Based on total return.*

Quoted performance is historical and does not guarantee future results. Current performance may be lower or higher. Call 855-550-5090 for the most recent month-end returns. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Quoted performance is total return. Returns would have been lower without an expense limitation agreement in effect.

Annual Fund operating expenses, as a percentage of the value of your investment, as of the prospectus dated 3/1/18, were 4.38% and 4.63% (4.18% and 4.43%, respectively, after waiver/reimbursement) for Institutional Class and Investor Class shares, respectively.

The Fund's advisor has contractually agreed to waive its fees and/or pay for operating expenses of the Fund to ensure that total annual fund operating expenses (excluding any taxes, leverage interest, brokerage commissions, dividend and interest expenses on short sales, acquired fund fees and expenses (as determined in accordance with Form N-1A), expenses incurred in connection with any merger or reorganization, and extraordinary expenses such as litigation expenses) do not exceed 1.39% and 1.64% of the average daily net assets of Institutional Class and Investor Class shares of the Fund, respectively. This agreement is in effect until 2/28/19, and it may be terminated before that date only by the Trust's Board of Trustees. The Fund's advisor is permitted to seek reimbursement from the Fund, subject to certain limitations, of fees waived or payments made to the Fund for a period of three years from the date of the waiver or payment.

Consider the investment objectives, risks, charges, and expenses of the Cedar Ridge Unconstrained Credit Fund carefully before investing. Read it carefully before investing. To obtain a prospectus please call toll free at 1-855-550-5090.

Mutual fund investing involves risk, including possible loss of principal. Credit-related instruments typically decrease in value when interest rates increase. Concentration in a small number of issuers increases the risk that one issuer could have a large adverse impact on the Fund's return. Borrowing and frequent trading could increase the Fund's operating expenses. High-yield bonds involve greater risk of default, and may be more volatile and less liquid, than investment grade securities. Subordinated and unsecured loans may be disproportionately affected by default and downgrade. Foreign investments may be adversely affected by currency fluctuations, lower liquidity, lax regulation, and political instability. Derivatives can be highly illiquid and difficult to unwind. The Fund's short positions may equal up to 100% of the Fund's net asset value. Short sales theoretically involve unlimited loss potential since the market price of securities sold short may continuously increase.

Morningstar rankings are based on total return, including the reinvestment of dividends and capital gains but do not include sales charges for the periods indicated. Mutual funds are assigned a rank within a universe of funds, relative to a peer group and similar in investment objective as determined by Morningstar. The lower the number rank, the better the fund performed compared to other funds in the classification group. Morningstar also calculates a percentile measure for each fund ranging from 1% (best) to 100% (worst). The Morningstar Rating™ for funds, or "star rating," is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. The Cedar Ridge Unconstrained Credit Fund (CRUMX & CRUPX) received 3 stars for the 3-year period and 5 stars for the 5-year period ended 12/31/18, out of 45 and 28 Long-Short Credit funds, respectively. Past performance is no guarantee of future results.