SILVERPEPPER COMMODITY STRATEGIES GLOBAL MACRO FUND

2Q 2014

OUR HEDGE FUND EXPERTS SPEAK THEIR MIND:

FOOT ON THE GAS

At the SilverPepper Commodity Strategies Global Macro Fund, we view the world through a commodity lens. By recognizing the interplay between commodity prices and other assets, such as stocks, bonds, and currencies, we have the freedom to not only look across the globe, but also across diverse asset classes, to find what we believe are the best, most cost-effective ways to profit from global changes in commodity prices.

In the second quarter of 2014, we uncovered a number of interesting opportunities directly within commodity markets. As a result, the bulk of the Fund's portfolio is invested directly in commodities, with relatively modest exposures to other asset classes.

Foot on the Gas.

The United States is now the largest producer of natural gas, inching out Russia for the top spot. Production has soared in recent years, as technological improvements have shifted the supply curve upward for decades to come. The huge increase in supply has battered natural gas prices over the past few years, and slack demand is currently taking its toll.

Over the past two months, as current natural gas prices have fallen below $4.00, we have started to see value. The cool temperatures this summer have tempered natural gas use, and started to swell inventories. Like many value investors, we like low prices, and at these nearly eight-month lows in price, we think the risk and return tradeoff is tempting. We have, therefore, slowly built natural gas into the biggest position in the portfolio. In particular, we have gone long on natural gas, by buying futures contracts for the summer of 2015 into 2016, in contrast to more volatile front-month futures contracts. To date, the trade has gone modestly against us, but we continue to increase our stake at lower prices. We believe it will be quite difficult for gas to stay below $4.00 before the unknowns of the 2014 and 2015 winters.

Within the energy sector, **we have also made an investment based on Mexican energy production.** Since late 2013, Mexico has begun to de-nationalize its oil production assets, which are all run by state-owned Pemex. The assets have been poorly operated, and oil production has begun to taper. To increase production and long-term revenue, Mexico is allowing more foreign investment and outside operational expertise into the country. Oil is crucial to the Mexican economy, with oil revenue funding 34% of the national budget. These reforms should lead to higher GDP and current account surpluses, as oil production and exports rise. As a way, therefore, to participate in the growth of Mexican energy markets, we have taken a stake in the currency, going long on Mexican Pesos.

High on the Hog.

The price of lean hogs is up 52% in 2014. The price jump is a result of a devastating pig virus, called Porcine Epidemic Diarrhea, which has hit piglets pretty hard and has depleted stocks. Indeed, the virus has a 100% mortality rate for pigs less than two weeks old. As a result, the virus has pushed wholesale **pork prices north of $1.35, which is an all-time high.** We took a profit on half of our April 2015 lean-hog futures position, where we believe the futures curve will become more normal.

Interestingly, **we are also seeing an interplay between pork and beef prices**. The pig situation is feeding robust demand for beef, and has made cattle prices soar. Cattle prices were already high, on the news, posted back in January, that the U.S. cattle heard was the smallest it has been in the past 63 years. Cattle farmers and ranchers are trying to find ways to increase their supplies, but it takes time to raise cattle, and rebuild supply. We closed out our long position in cattle in June for a profit. We don't want to be short the front-month futures contract, but we are looking to opportunistically use options on futures to take advantage of price swings.

Knee High by Fourth of July.

I walked the corn and soybean fields of the Midwest in the past weeks. Hence, it was hardly surprising to us when the contents of the recent USDA reports indicated what we had already discovered: The all-important I-States (Iowa, Illinois, and Indiana) are potentially headed for record yields in both corn and soybeans.

Because future supply for both crops looks plentiful, and because the two crops are often viewed as substitutes for one another, both crops are exhibiting high correlation to one another at the moment. Hence, we are viewing these positions collectively from a risk and reward perspective.

Weather has been so good that corn stalks were up to my knee by July 4th, and we are just now entering the pollination stage. If we get through the next month without any major surprises in weather, it's entirely possible **corn yields will be in excess of 170 bushels per acre,** which would exceed the USDA's June estimate of 165 bushels.

The verdant crops and increased expectations of supply have worried markets. Corn has slumped, as have soybeans. Unlike an index fund that is automatically long commodity markets, **we have the freedom to take advantage of markets** where we see supply and demand imbalances pushing prices lower. This helps us preserve assets as well as find other avenues to profit in the commodity markets.

So, that's what we did with soybeans. We spend a lot of time looking into inventories, talking to farmers and grain elevator operators. Our research told us that inventories of old crop beans — those already harvested — were larger than being reported. Anticipating a downside move in old crop soybeans prices, we built a short position in August soybean-futures contracts. (New beans don't start to get picked and put in the bins until October, running into December). In addition, with 84.1 million acres planted this summer, we view the supply of new beans as being large. And, we see the demand for new beans getting soft, particularly with China looking like they may not take delivery of some beans. To date, it appears **we got the supply and demand imbalance right**, and we have started to cover our short soybean position. But, we are value buyers, and with soybean prices in the basement, we are interested in getting long at $10.50 to $11.50 in the months of November and December, where we see the most value.

In contrast, we have largely been on the sidelines with corn so far in 2014. But, with the recent bear market in corn, we are starting to smell value. Why? Three reasons.

First, at prices below $4.00, we don't think farmers will sell. After speaking with farmers and grain elevator operators, we now believe that much of the corn crop will not be sold, but instead stored, as farmers prefer to wait for profitable prices, rather than sell the crop now at sub-$4.00 prices.

SILVERPEPPER COMMODITY STRATEGIES GLOBAL MACRO FUND MONTHLY RETURNS (%) As of June 30, 2014

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2013											0.10	0.00	0.10
2014	-0.30	0.00	0.50	0.00	0.10	0.70							1.00
Total Return Since Inception													1.10

Performance shown is historical and is not indicative of future returns. Investment returns 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. Performance shown is as of date indicated, and current performance may be lower or higher than the performance data quoted. To obtain performance as of the most recent month end, please call 855-554-5540. Total annual fund operating expenses of 2.27% gross; after contractual fee waiver and/or expense reimbursement, are capped at 1.99%. The Advisor has contractually agreed to waive its fees and/or pay for expenses to ensure that total fund operating expenses do not exceed 1.99% for the Institutional share class. This agreement is in effect until October 31, 2014.

Second, as prices fall, **we believe we will see a pickup in demand for corn used as animal feed**. Approximately, 40% of corn supplies are used for feeding livestock. It's an important input cost to raising cattle and hogs, and with prices down, farmers are happy to substitute in more and cheaper corn, in place of soybeans and other feed substitutes.

Third, about 30% of corn supplies are used for ethanol. Currently, ethanol is $0.80 to $1.00 less than gasoline. Yet, even at those lower prices, ethanol production remains profitable. Ethanol production is currently high, and near maximum industry output, but our research tells us that corn's current market price is underestimating the demand for corn in the production of fuel. For these reasons, **we are patiently waiting to build a position in corn as prices fall below $4.00.**

Round Up.

Commodities are a diverse lot. They don't move in-sync, but instead move as a result of a myriad of factors: individual costs of production, short-term as well as long-term supply and demand, not to mention global macro-economic and political factors.

We pay attention to all of these factors, using fingernails-in-the-dirt research and valuation work, to help us uncover investment opportunities based on our view of commodity prices, and their impact on other asset prices. At this point in time, we see **continued opportunities in these ever- changing markets** to generate returns with modest correlation to stock, bond and even commodity markets.

Thank you for entrusting us with your hard-earned assets.

Renee Haugerud
Portfolio Manager
SilverPepper Commodity Strategies Global Macro Fund

As of 6/30/14, long notional exposure of several Natural Gas contracts represented 7.7%, Mexican Peso 8.4%, Lean Hogs 0.6%, Corn 3.3% and short notional exposure of Soybeans represented 13.0% of the SilverPepper Commodity Strategies Global Macro Fund's total net assets. None of the other names mentioned represent a position in the Fund. Portfolio holdings are subject to change without notice and are not intended as recommendations.

Investors should carefully consider the Fund's investment objectives, risks, charges and expenses. Please see the prospectus for a complete discussion of the risks of investing in these Funds. To obtain a prospectus, please call 855-554-5540 or visit silverpepperfunds.com. The prospectus is boring but should be read carefully before investing.

All investing involves risk including the possible loss of principal. There can be no assurance that the Fund will achieve its investment objective. The Commodity Strategies Global Macro Fund's risks are defined by its freedom to trade both long and short positions in an array of asset classes and investment instruments located anywhere in the world. Long positions could fall in value and short positions may rise or be imperfect hedges. Specific risks include futures/commodities risk, derivatives risk, Subsidiary risk, high fee risk, tax risk, foreign investment risk and non-diversification risk. Please see the prospectus for a complete discussion of the risk of investing in this Fund. To obtain a prospectus, please call 855-554-5540 or visit silverpepperfunds.com. The prospectus should be read carefully before investing.

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