SILVERPEPPER COMMODITY STRATEGIES GLOBAL MACRO FUND

4Q 2017

OUR HEDGE FUND EXPERTS SPEAK THEIR MINDS:

GET IN THE READY POSITION

All these global changes are changing our worldview. During the past 10 years, the most prominent economic question was: "Will we have growth?" Now, it's "How much growth will we have?" This sharp change in economic psychology and the prospect for a synchronized uptick in growth across the globe is, well, great for commodities.

That's Why We're "In The Ready Position."

As of June 30, 2017, the Fund's portfolio was ready, and positioned for rising commodity prices. Our exposure to commodities ended the quarter with approximately 130% gross exposure. Moreover, despite our ability to be long or short other assets (stocks, bonds or currencies) that are tied to commodities, the portfolio ended the year with 94% of the portfolio exposed to commodities, and with only one small short position of 2%.

We started to become believers in rising commodity prices toward the end of 2016. At that time, supply was abundant, and **many commodities were selling at, or even below, their costs of production.**

Since it doesn't take long for folks to go broke selling commodities for less than what it costs to produce them, we became bullish on a few, specific commodities. But now, as we enter 2018, our bullishness has only increased. We now believe the demand side of the equation will be revved-up globally by de-regulation, tax reduction and simplification, as well as public- and privately-financed infrastructure projects, like we've highlighted above. With commodities serving as the building blocks to economic growth, we see good things ahead.

And finally, a few other folks we respect have caught up to my healthy view. For example, Jeffrey Currie, Head of Commodities at Goldman Sachs, and Brent Schutte, Chief Strategist at Northwestern Mutual Wealth Management, all have positive views on commodities.[3]

Metals Were Money.

The best performing commodities of our Fund in 2017 were Industrial Metals. About 17% of the portfolio is invested in copper, platinum, aluminum, nickel and zinc, and all contributed positively to returns in the second half of 2017. And even though all industrial metals have their own unique supply and demand curves, they all seemed to benefit in unison from the infrastructure and manufacturing growth we previously discussed.

Dr. Copper Was Dr. Feel-Good.

Copper prices increased by nearly 30% on the year.

That's better than the return on the S&P 500 Index, which also had an incredible year. So, as global growth grows, demand for copper should continue to rise. In fact, that's why it's often called "Dr. Copper" — it can be used to diagnose and predict turning points in global economic growth.

Copper was the largest metal position in the Fund, at about 6% of the portfolio's assets. Our investments in copper earned $2 million for the Fund, and contributed to about 30% of our total metals profit for the year. "Dr. Copper Feel-Good" indeed!

We continue to like copper. Copper is a versatile metal, and the most broadly used across the world's economy, with about 19 million tons being mined annually. It's used to cover Abe Lincoln's head on the penny. It's used in the building trades for pipes and roofing. It's used for conducting electricity in appliances, computers and automobiles. Indeed, electric vehicles, like Tesla, have a big appetite for copper. It's estimated that a car with a regular, combustible engine uses about 55 lbs. of copper. In contrast, an electric car is estimated to use 165 lbs. of copper, or nearly three times as much.

SILVERPEPPER COMMODITY STRATEGIES GLOBAL MACRO FUND INSTITUTIONAL MONTHLY RETURNS (%)

	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	-0.69	0.00	-1.59	-0.61	-1.43	-3.41	-6.59
2015	-0.43	-1.72	-1.42	1.11	-0.11	0.33	-2.52	-0.67	-1.13	-0.23	-0.57	0.00	-7.17
2016	-0.46	-0.23	1.51	0.69	-1.48	3.00	-0.22	-1.57	1.17	0.45	0.78	1.11	5.30
2017	0.33	-1.31	-1.66	-1.69	-2.06	-0.70	1.99	0.81	0.80	1.25	-0.67	0.86	-2.12

One-Year Return as of 12/31/2017	-2.12
Total Annualized Return Since Inception (10/31/2013)	-2.64

Total annual fund operating expenses for the SilverPepper Commodity Strategies Global Macro Fund Institutional Class shares are 1.99% gross, 1.99% net; and 2.06% gross, 2.06% net for the Advisor Class shares after contractual fee waiver and/or expense reimbursement. 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, 2027, and it may be terminated or amended prior to the end of the term with the approval of the Trust's Board of Trustees.

The returns represent past performance. Past performance does not guarantee future results. Investment will fluctuate so that and 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.

During the past 10 years, demand for copper has grown at about 2% per year, but we think copper demand will continue to rise and remain above historical growth rates, with China's "One Belt, One Road," and other worldwide infrastructure projects, as a major impetus of that growth.

At current prices, we think the supply side is going to have trouble keeping up with longer-term demand for copper. Existing copper mines have seen a decline in the "grade" of copper deposits. This means that, per amount of earth dug, the percentage of copper harvested and processed is declining. Essentially, you must dig more earth than ever before, to mine a ton of copper. Therefore, it's harder to harvest, and more expensive to harvest.

Second, **it isn't easy to develop new supply.** It takes time, a long time. According to a 2016 World Bank Study, to bring a new copper mine to fruition takes nearly 15 years, from discovery to production. And, except for the Cobre Panama Mine (developed by First Quantum Minerals), which should come on line in 2018, there has been a lack of investment in new supply during the past decade. Moreover, as the President of First Quantum said in an interview with Bloomberg a few months back, "Good copper projects are scarce at these prices. There is an incentive price to build new 'greenfield' sites, which is significantly above the current price."

Major copper producers lost nearly 2 million tons of output in 2017, due to strikes, extreme weather, technical issues, power outages and lower-than-expected ore grades. Even as these issues are resolved in the current year (some work stoppages at some mines have ended), demand will outweigh supply. If we see some decline in copper, and industrial metals more broadly, we may add to our position to take further advantage of the longer-term supply and demand imbalances. **We are in the ready position on copper.**

Natural Gas Tug-of-War.

Abundant and cheap. That describes the natural gas market today. Supply has mushroomed, and prices have fallen, because of a wonderfully-productive technology known as "fracking." In 2008, the U.S. produced about 55 Bcf (Billion cubic feet) of gas per day, according to the Energy Information Association ("EIA"). But with the advent of fracking, the U.S. has become the largest natural gas producer in the world, with production rising to an average of about 73 Bcf per day in 2017. It is amazing how much production has risen, and how quickly. And, the ample supply has pushed prices down, falling from $3.72 at the beginning of the year to $2.95 per Bcf at the end of December.

But for every action, there is a reaction. For example, electric power producers now believe natural gas will be among the cheapest fuel sources for decades to come. And, since it is cleaner than coal, building new electrical plants powered by gas has becomes a no-brainer. Consequently, power generators are shutting down dirty, coal-fired plants, and decommissioning more expensive nuclear plants, and building new electric power plants that will use natural gas for the next 30 years.

In Ohio and Pennsylvania, near the Marcellus Shale formation, companies like Calpine and Invenergy LLC are building new natural-gas fired electrical plants. And, it is happening across the nation, in other places like Texas and Florida. For example, a recent S&P Global Market Intelligence analysis, published in December 2017, showcased natural-gas, combined-cycle generating projects, totaling more than 89 GW of scheduled capacity. This started coming online in the fourth quarter of 2017, and will continue to ramp up and reach full capacity by 2020. That's a lot of new capacity. To create 89 GW of electricity, you need, approximately, an additional 15 Bcf per day of natural gas. That's all new demand, above the 70+ Bcf we are producing today. In economic terms, abundant, cheap and clean natural gas is attracting new permanent customers — thereby shifting the structural, long-term demand curve for gas.

Export growth is also contributing to new demand. Indeed, in 2017, the U.S. became a "net" (exports minus imports) annual gas exporter for the first time in 60 years. Natural gas exports are increasing, either through pipelines that shuttle it down to Mexico, or by converting it to a liquid ("LNG," or Liquified Natural Gas), and transporting it in huge tankers through the new locks of the Panama Canal to markets in Asia. For example, Mexico currently imports about 55% of its current gas needs. It would import more, but both Mexico and the U.S. have been hobbled by their ability, or capacity, to ship the gas. Right now, Mexico is importing about 4 Bcf per day through pipelines that enter Mexico through Texas. According to CENAGAS, Mexico's national control-center for natural gas, that amount could grow to 8 Bcf per day. But, we need to be able to deliver it. Finally, capacity, in the form of new pipelines and new LNG export facilities is starting to come online. Cheniere's Sabine Pass plant, located in Cameron Parish, Louisiana is the first LNG export plant to begin operations. But the number is growing. In a December 2017 memo, the EIA notes there will be six LNG liquefaction plants coming online, which will increase total U.S. liquefaction capacity to 9.6 Bcf per day by 2019. Again, exports are a new market, and represent lots of new demand.

Lots of supply. Growing demand. It's a big tug-of-war. We think demand is going to win, and pull future prices higher. Why?

Natural gas producers respond to incentives. Right now, prices for natural gas are in "backwardation," which means prices for natural gas are higher today, than they are for tomorrow. And, those lower future-prices give producers little incentive to invest in future production and storage. Indeed, according the EIA's Third Quarter 2017 Review, capital expenditures for 103 publicly traded oil and gas producers was $67 billion in the third quarter of 2017, which is about 50% less than 2013 and 2014, when production levels were actually a few Bcf per day lower than today. Capital expenditures need to increase. Production amounts not only need to be replaced, but also grown to meet this future demand. I am not sure this level of capital expenditures will be enough to meet future demand. Therefore, I believe natural gas futures prices must increase in 2018 and beyond to motivate producers to invest in future production.

We have structured our portfolio investment in natural gas to reflect this long-term, structural viewpoint, which is very differentiated from our peers. Instead of owning exclusively the front-month natural gas contract, which most index or other commodity funds hold, we purchased natural-gas “calendar strips,” for the years 2018, 2019 and 2020. This means we bought natural gas futures-contracts for every month, from January to December, from 2018 until the end of 2020.

Natural gas, at about 35% of the portfolio’s exposure, was the biggest position in the Fund. And, with prices falling nearly 20% during 2017, it was one of our worst performing positions, accounting for the bulk of our underperformance versus the Index for 2017. What did we get wrong? Simply put, natural gas production accelerated more than we expected, particularly as crude oil prices rose (gas can be captured as a byproduct of oil drilling), and the combination of moderate weather, export capacity issues, and new power plants coming online more slowly than hoped, just didn’t soak up the glut of gas. We missed.

So, we are refocusing. We are re-examining current conditions and the assumptions and data used in our analysis. And, to date, natural gas continues to be our biggest position. That’s because we continue to think the long-term risk/reward tradeoff in this tug-of-war is in our favor. If supply continues to grow robustly, we think we maybe have 20 cents of downside. However, if capital expenditures continue to be lackluster, and the rate of growth in supply moderates, we think the outer months of the calendar strips will have to rise, maybe as high as another $1 to $2 to bring on new production capacity. So, we continue to like both our thesis, and the tradeoff of 20 cents of downside relative to $1 to $2 of upside. **We are in the ready position on natural gas.**

A Commodity You May Not Have Exposure To — NFDM.

We have a new, small position — just 1% of the Fund — in Non-Fat Dried Milk futures, or NFDM. NFDM is the powdery substance remaining after the cream and water have been removed from milk. This is the first time we have held this futures contract in the Fund. Why are we investing in it now?

We think there is a good chance this investment could triple this year.

Why do we think that? Well, overall, there is demand for protein globally, and NFDM is a good way to augment protein. China has also recently relaxed its One-Child only policy, and many new babies are being born there. So China’s imports have already started increasing, and we expect them grow significantly this year, as demand for infant formula grows.

On price, we are deep in the “value zone” here. NFDM made new absolute historical lows last quarter, due to weakness in milk prices, as supply offset demand.

We expect that supply to shrink. That's because rBST (recombinant bovine somatotropin) growth hormone, which has been used in the U.S. since the 1990s, has been banned as a GMO in many countries. Increasingly, processors are marking their milk labels as "No rBST." Seeing the success of this marketing tactic, processors have made a big push on dairies to discontinue the use of rBST, with a deadline of June 1, 2018. By the end of December 2017, only about 50% of dairies in the US were still using rBST. We anticipate less than 5% of dairies will still be using rBST by the deadline. Without the use of rBST, we see production dropping by around 6-7%.

Dried Milk is an illiquid contract (haha, pun intended!), which is why we have such a small position. Although, at these historically low prices, we view risk as minimal. There is also a significant short position, which could trigger a rally, even without the significant new demand, which we in fact expect. We will keep you posted. **We are in the ready position,** even on low-profile commodities, like Non-Fat Dried Milk, where we think the supply and demand are favorable.

Research, Research, Research.

Commodities aren't like stocks. They aren't like bonds. Stocks of companies generate a profit, and can pay a dividend. Bonds pay interest. In contrast, commodities have no intrinsic return. Therefore, to make a profit from commodities you must buy them low, and sell them high.

I believe this letter demonstrates that my team and I are working diligently, every day, to evaluate the supply and demand for each commodity. Commodities, like sugar, gasoline and cocoa are a heterogeneous lot, with each having their own supply and demand curves, impacted by factors ranging from the weather and foreign-exchange rates, all the way to the average miles per gallon of Ford's automobile fleet. We use our **Fingernails-In-The-Dirt Research** to establish a full understanding of each commodity, and then make investments in those commodities where we see the most attractive risk and return tradeoff. In other words, we try to buy low, and sell high.

And we believe **the SilverPepper Commodity Strategies Global Macro Fund is in "the ready position"** to harvest the gains, of what could be the start of a historical commodity-price Super Cycle!

Thank you, as always, for entrusting us with your hard-earned money.

Respectfully,

Renee Haugerud

Portfolio Manager, SilverPepper Commodity Strategies Global Macro Fund

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 this Fund. 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.

As of December 31, 2017, notional exposure of futures and/or options in Natural Gas were 34%, Copper 6% and Non-Fat Dried Milk was 1% of the SilverPepper Commodity Strategies Global Macro Fund's total net assets. Portfolio holdings are subject to the change without notice and are not intended as recommendations.

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Number 1 Performance Ranking: Rankings are assigned based on total return. Since Inception time period is 10/31/2013 to 12/31/2017. Includes all funds within each Fund's respective Morningstar category, "Commodities Broad Basket," or "Market Neutral," as of 10/31/2013. The SilverPepper Commodity Strategies Global Macro Fund Institutional Share class (SPCIX) was 1 out of 97 funds for Since Inception period and 111 out of 119 funds for the trailing 1-year period. Source: Morningstar Direct. Past performance is not indicative of future performance.

[1] "Jeffrey Gundlach Says It's a Good Time to Buy Commodities," CNBC, December 5, 2017.
"Doubleline's Gundlach says commodities are best buy for 2018," CNBC, December 13, 2017.

[2] "Tim Cook tells Cramer: New Tax Law Helped Pave the Way for Apple's Massive Investment Plan, CNBC, January 18, 2018.

[3] "Goldman Sachs Commodities Forecast to Deliver Bumper Returns in 2018," CNBC, December 12, 2017.
"U.S. Stock Funds Rose in 2017, but Investors Kept Swimming in Foreign Waters," Wall Street Journal, January 7, 2018.