OUR HEDGE FUND EXPERTS SPEAK THEIR MINDS:

THE SIGNS SAY MERGERS AHEAD

SILVERPEPPER MERGER ARBITRAGE FUND

2Q 2021

It's Getting Better All The Time

After 2020 — one of the worst years on record by almost any definition, we were due for a better 2021 — and so far, so good.

Since the bottom of the COVID Crash, from March 16, 2020 to June 30, 2021, the SilverPepper Merger Arbitrage Fund (SPAIX) is up 11.56%.

And in the first two quarters of 2021, as of June 30, the Fund is up a solid 2.0%.

How It Started, How It's Going

The entire merger-arbitrage sector experienced extreme irrational selling in mid-March 2020, due to the COVID Crash. And from the ashes of March 16th, 2020, the world, the global economy, and our Fund, started rebuilding. As the merger market normalized, so did the Fund's performance. From August 2020 through June 2021, the Fund averaged 33 basis points per month. That's right at its long-term monthly average through the end of 2019, which was 32 basis points. And to illustrate the Fund's consistency, for the first six months of 2021, the Fund's average monthly return was 33 basis points.

Even better, during the second quarter, the Fund's average monthly return increased to over 60 basis points per month. In fact, April and May 2021 were the 13th and 14th best months in the Fund's 92-month history. The strong performance in the closing months of the second quarter led to our respectable 2.0% return of the first six months of 2021.

The returns represent past performance. Past performance does not guarantee future results. 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. Current performance may be lower or higher than the performance data quoted. Call 855-554-5540 for current to most recent month-end performance.

SilverPepper

Change In Comparisons By Morningstar

Unfortunately for us, this strong second quarter performance has not translated into better Morningstar star ratings for our Fund. Instead, the star ratings and comparative rankings have declined dramatically this year, through no fault of the Fund. Why is that? That's because Morningstar, the well-regarded mutual-fund analysis firm, recategorized all of the funds in the Market Neutral Category, and split them up between some new categories. The Market Neutral Category, to which our Fund belonged, no longer exists. Instead, our Fund, and its closest merger-arbitrage peers, now belong to the new "Event Driven" Category. The Event Driven Category includes a broad universe of funds whose investing style seeks to profit from a range of events — including announced mergers — but also unannounced mergers, restructurings, spin-offs, recapitalizations, and divestitures.

The SilverPepper Merger Arbitrage Fund only invests in announced mergers. We only invest in announced mergers because the risk vs. reward is better defined than investing in unannounced mergers and certain other event-driven investment opportunities, and it generally supports a lower correlation to equity markets.

Also, SilverPepper offers only "hedged" investment strategies. That means our Merger Arbitrage Fund employs a "hedge" component because it typically reduces risk and reduces correlation to these other, long-only stock-based investment strategies. By contrast, many of the "Events" in the Event Driven Category, such as restructurings, spin-offs, recapitalizations, and divestitures, do not employ a hedge component. Consequently, they tend to have much higher exposure to equity markets or equity beta. As a result, when the stock market is rising, our relative performance will be less attractive, reducing our relative return rankings and star ratings.

So even within this new Event Driven Category, we feel that our closest peer funds are the smaller number of funds that specialize in merger arbitrage*. The average yearly return of those funds, since our Fund's inception in November 2013, has been 2.9%. Over that same time period, our Fund earned 2.6%, putting us in the middle of the pack for return, but also for risk, or standard deviation.

How We're Different From Most Other Specialty Merger Funds — No SPACs

All but one of our closest peer funds — those that specialize in merger arbitrage — have invested in Special Purpose Acquisition Vehicles, called SPACs — in essence, shell-companies. Our peers have prolifically put their faith in these blind trusts.

SILVERPEPPER MERGER ARBITRAGE FUND INSTITUTIONAL MONTHLY RETURNS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2013											0.10	1.00	1.10
2014	-0.10	0.10	0.10	- 1.48	1.40	0.69	0.79	0.68	-0.77	-0.10	1.37	-0.23	2.44
2015	0.60	0.99	0.10	0.29	0.78	0.10	0.48	0.77	0.19	2.47	0.19	1.25	8.49
2016	1.13	0.37	0.00	0.37	0.37	0.18	0.64	-0.27	0.46	-0.18	-0.09	1.25	4.30
2017	-0.18	0.00	0.36	0.36	0.18	0.54	-0.54	0.36	0.90	0.00	0.00	0.57	1.76
2018	-0.18	0.45	-0.36	0.00	0.45	0.18	0.72	0.44	-1.15	0.09	0.63	-0.81	0.44
2019	1.28	0.00	0.90	-0.36	0.09	-0.09	1.08	0.71	-0.18	0.97	-0.35	1.11	5.26
2020	-0.18	-0.36	-7.76	3.13	-1.80	0.00	-1.10	0.39	0.58	0.48	0.10	0.10	-5.66
2021	0.10	-0.38	0.38	0.86	0.94	0.09							2.00

One-Year Return as of 06/30/2021	3.57
Five-Year Annualized Return as of 06/30/2021	1.06
Total Annualized Return Since Inception, (11/1/2013)	2.55

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Total gross/net fund annual operating expenses are 3.04%/2.98% for Institutional and 3.23%/3.23% for the Advisor shares. The Advisor has contractually agreed to waive its fees and/or pay for expenses to ensure that total fund operating expenses (excluding, as applicable 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), incurred in connection with any merger or reorganization, or any extraordinary expenses such as litigation expenses) do not exceed 1.99% for the Institutional class and 2.24% for the Advisor class. This agreement is in effect until October 31, 2030. Inception dates for both share classes is October 31, 2013. Performance and risk measures greater than one year are annualized.

The SilverPepper Merger Arbitrage Fund is different than those merger funds — because we have completely avoided investing in SPACs. We closely examined the risk/return opportunities in SPACs, and we decided to remain a pure merger-arbitrage specialist, striving to deliver both the returns and risk that are consistent with investing only in announced mergers.

We think that decision was the right one. Here's why we feel that way. Our peer funds that specialize in merger-arbitrage investing had up to a third of its assets and 170 SPACs at the start of 2020. SPACs (pronounced "Spacks") were a shiny new opportunity then. And with merger activity declining in 2020, most of our peer funds that specialize in merger-arbitrage investing rushed into SPACs. In doing so, they took on the equity-market risk, and other risks, which SPACs represented. This certainly helped juice their returns in 2020 and early 2021.

But ever since the SPAC market started to get a bad reputation — for some poor-quality investments — SPAC returns have started to go south. For example, the CNBC SPAC 50 Index has lost 19.25% since its peak on February 16th, 2021. This likely negatively impacted our peers.

End result? Since February 16th, 2021, to June 30, 2021, we outperformed the average-total return of the funds in our peer group that specialize in merger arbitrage by 1.05%.

Let's Make A Deal

Deal activity is the lifeblood of our strategy. Deal activity started to rebound around September 2020, and accelerated into 2021. In fact, businesses spent $1.74 trillion on deals involving U.S. companies during the first six months of 2021, an amount much higher than during all of 2020.

We also believe that there is further fuel about to be thrown on that fire. Private equity funds are sitting on over $3 trillion in idle cash, but so far this year, they've only been able to invest $89 billion of it. As the investment bankers and CEOs return to the office, everyone appears to be positioning themselves for a very busy second half of the year.

Whenever the deals we've invested in close, we get very active redeploying that capital. The majority of that capital gets reinvested into smaller deals within the financial industry, particularly local and regional banks. Rising interest rates are emboldening the small-town bankers, who are seeing their profit margins recover. Small bankers have now transitioned from thinking about COVID-related loan losses, and asset value mark-downs, to exploring how to further expand their franchises. It seems clear that they are currently focused and determined not to miss out on what they feel is an imminent post-COVID economic expansion. This has led to numerous small bank mergers being announced, making May one of our busier trading months in years. The financial industry has been very, very good to us over the last couple of decades, and I see no reason why that wouldn't continue in the years to come.

We're also excited about the spreads available in non-financial deals. For more than a decade we have been forced to contend with falling interest rates, and very low levels of inflation. This combination has been a drag on our profit margins for years. With both interest rates and inflation now seemingly on the rise, I am very optimistic that this will allow deal spreads to expand to levels more in line with where they have been historically. That would allow us in the coming months to achieve higher rates of returns.

Going All In

When we see abundant deal selection, and increasingly richer margins, like now, we raise our merger exposure to peak levels. Currently, our gross exposure to merger arbitrage deals is approaching 300% of assets, with net exposure around 100% of assets. That means we're now maximally invested in merger deals.

Although we typically hold 20 to 30 merger deals at a time, fund assets are currently spread across 33 merger deals, which is at the high end of our range. That's a function of both the current quantity, and high-quality, of merger deals in the market. We also continue to focus on smaller merger deals, where anti-trust risk is less, and merger spreads tend to be wider. Right now, nearly half our deals are in small companies, with more than a third in mid-sized deals. And our favorite sector, financial services, represents more than half of our portfolio. Based on all our metrics, since the end of Annus Horribilis 2020, the quality of each investment held in our portfolio has dramatically improved.

Regulatory Question Marks

The new administration has brought new perspectives on antitrust regulations. In June, Lina Khan, a 32-year-old appointee to the Federal Trade Commission (FTC), was confirmed by the Senate. Though the Senate's confirmation of her appointment was expected, her subsequent appointment by President Biden as Chair of the FTC was surprising. Despite having very little industry, judicial bench, or government staff experience, she has now been installed as the Chair of the FTC, and appears to have her sights set on Amazon, Google, and Facebook, as well as potentially the rest of the tech and healthcare industries.

Because we are ever-cautious with your hard-earned investment dollars, it is our goal to stay away from the small subset of deals that could possibly come close to posing antitrust concerns. After we have a better sense of how any new approach to antitrust issues from the FTC is going to play out, I plan on returning to investing in large deals in the technology and healthcare industries.

The Department of Justice (DOJ) also appears almost desperate in attempting to ramp up their antitrust efforts, as they have begun to deviate from their own standard practices. For example, the DOJ unexpectedly filed in court, to block Aon's purchase of Willis Towers Watson. Another ploy the DOJ appears to be utilizing, is withholding decisions without regard for statutory deadlines. They're almost daring companies to simply go ahead and close their deals without approval. Though these "withholding for concerns" tactics play well for the DOJ in the press, it reminds me of a basketball game where the team that is down by 30 points with two minutes to play keeps committing fouls, to prolong the game, and put off the inevitable loss. Hopefully, the DOJ won't feel the need to subject Salesforce to the same type of silliness, in their announced acquisition of Slack, as this is one of our larger positions that was initiated prior to these changes on the regulatory front.

At the end of the day, despite the FTC and DOJ's increased activity in the antitrust arena, it is important to remember that the decisions of antitrust regulators are legally constrained by antitrust law -- and antitrust law currently remains unchanged. Here are some examples: 1) The FTC's initial case against Facebook has already been thrown out of court; 2) The DOJ withdrew its case against Illumina, in an effort to avoid any further embarrassment; and 3) The FTC and post-merger 7-Eleven settled on what few stores needed to be divested.

And here's the bright side — these bureaucratic actions on a number of merger transactions have caused spreads to widen. The spreads widen as the market tries to figure out the ultimate impact on whether a deal will close, or whether it will close on time.

Though unexpected regulatory complications can be the source of enormous short-term headaches, the vast majority of the time these issues are worked out. And the widening spreads may provide trading opportunities for those with common-sense convictions, and strong stomachs — like the SilverPepper Merger Arbitrage Fund.

We're Back

I would like to thank all our investors over the years, especially for sticking with us during 2020. There is once again a buzz of optimism around the office. Everyone is back and working hard. The pace of deal announcements continues to accelerate. It is full steam ahead again. And I see a fine trajectory for the rest of the year.

With respect,

Steve Gerbel

Portfolio Manager
SilverPepper Merger Arbitrage Fund

Performance Rankings: Morningstar rankings are assigned based on total return. The ranking Includes all funds within the Morningstar category "Event Driven." The SilverPepper Merger Arbitrage Fund Institutional Share class (SPAIX) was ranked 33 out of 34 funds for the five-year period ending 06/30/2021 and 40 out of 41 funds for the trailing 1-year period ending 06/30/2021. Source: Morningstar Direct. Past performance is not indicative of future performance.

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 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. For the Merger Arbitrage Fund, the primary risk is event risk, which revolves around the successful or unsuccessful completion of an announced merger or acquisition. If a merger doesn't close as expected, the fund could lose money. Other risks include smaller companies risk, foreign investment risk, derivatives risk and non-diversification risk.

More ➤

**About Merger Arbitrage Peer Group Methodology: To create a peer group of funds that specialize in merger arbitrage, we initiated the following screening and classification process. Using Morningstar's mutual-fund database, we screened for: 1). U.S. Domiciled Open-End Funds, with 2). Default Category: "Event Driven," (41 funds) with category start date on or before 6-30-2021 for funds with 3). Unique Share Class and Institutional (lowest-fee) Share Class (18), for funds whose 4). Primary Investment Strategy Description was Merger Arbitrage, by initiating an automated screening for the word "merger" in either the Fund's name, its investment strategy description or Morningstar Fund Analysis (8 funds), and screening out those funds whose investment strategy descriptions fell outside of 5). HFRI Event Driven: Merger Arbitrage Index, definitional requirements, excluding those funds whose investment process is not primarily focused on equity and equity related instruments, or strategies that specifically limit post-announced mergers to less than 75% of assets over a given market cycle(7 funds). Source: Morningstar Direct.*

Definition: A basis point is equal to 1/100th of 1 percent, such that 100 basis points are equal to 1 percentage point.

Standard Deviation indicates the volatility of a fund's total returns. In general, the higher the standard deviation, the greater the volatility of return. If a fund had a mean (average return) of 10%, and a standard deviation of 2%, you would expect the fund's returns to fall within 12% and 8%, 68% of the time. And 95% of the time, you would expect its return to fall within 6% and 14%.

Beta is the measure of a fund's sensitivity to market movements, typically as compared to the S&P 500 Index. By definition, the beta of the market is 1.00. Accordingly, a fund with a 1.10 beta is expected to perform 10% better than the Index in up markets and 10% worse in down markets.

As of June 30, 2021 the SilverPepper Merger Arbitrage Fund's portfolio holdings included a 16.36% long position in Slack Technologies and a -7.00% short position in Salesforce, as a percent of the Fund's total assets. All other securities discussed in this document were not securities held in the Fund as of June 30, 2021. Portfolio holdings are subject to change without notice and are not intended as a recommendation.

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