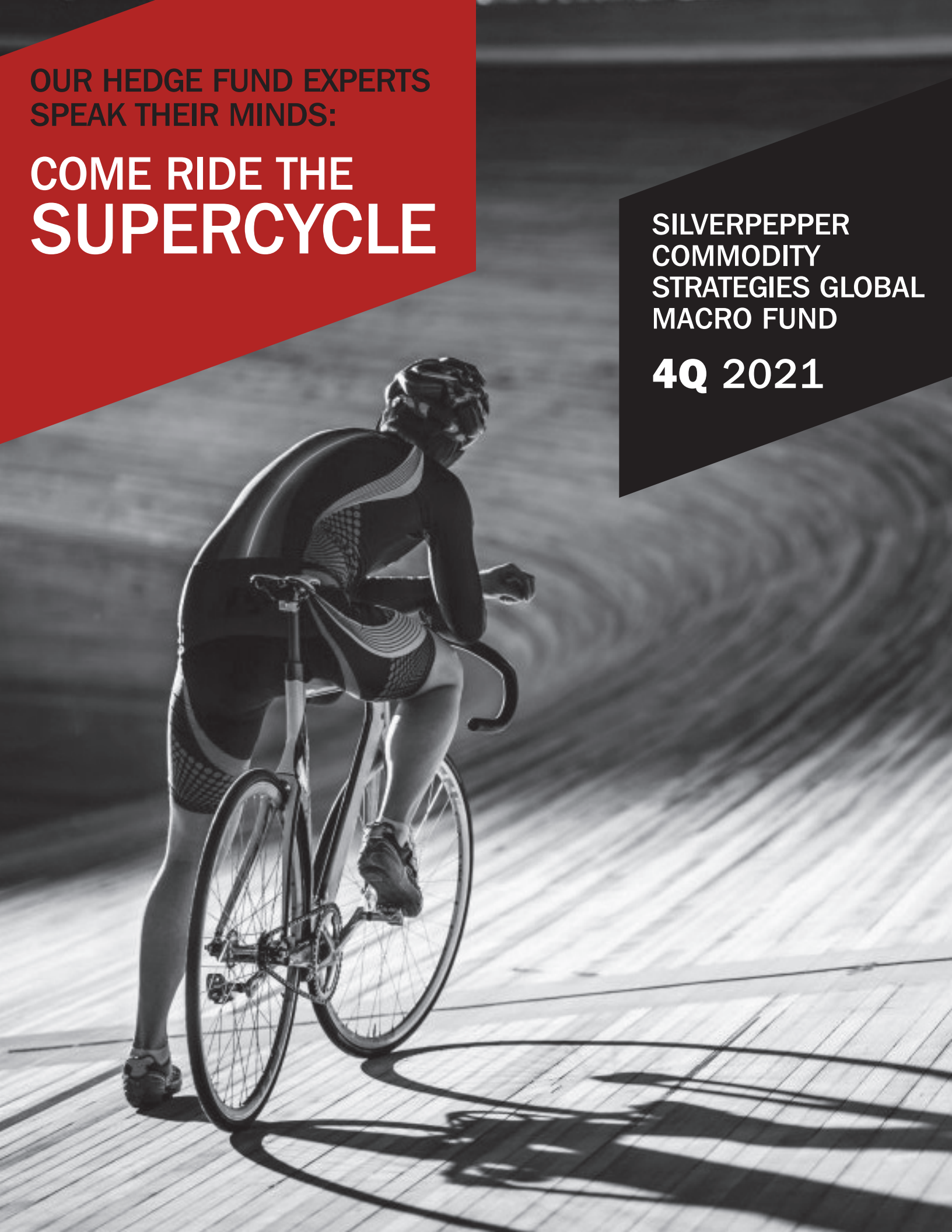
OUR HEDGE FUND EXPERTS SPEAK THEIR MINDS:

COME RIDE THE SUPERCYCLE

SILVERPEPPER COMMODITY STRATEGIES GLOBAL MACRO FUND

4Q 2021



MANY COMMODITY EXPERTS ARE CLAIMING THE NEXT COMMODITY SUPERCYCLE HAS BEGUN. THE SECOND HALF OF 2021 PROVIDED ADDITIONAL SUPPORT FOR THAT CLAIM.

In 2021, commodities surged. The SilverPepper Commodity Strategies Global Macro Fund (SPCIX) posted a return of 22.50% for the calendar year, after returning a solid 5.68% during the second half of the year. And over the past 18 months, which is when the commodities surge began in earnest, the Fund has returned more than 34%.

As a result, the Fund remains, the #1 Performing Fund based on its Morningstar Risk-Adjusted Ranking, in its Morningstar category, Commodities Broad Basket, for the since-inception period beginning 10-31-2013 to 12-31-2021 (1 out of 80 funds).

Come Ride The Commodities SuperCycle

Even better news is that we believe commodity prices are poised to move higher for many years to come. Recently, the Wells Fargo Investment Institute issued a research report entitled, "The new commodity supercycle bull."[1] It is worth reading in its entirety, but it resonates with our own internal findings that, historically, the average length of a commodities bull supercycle is 17.6 years long. And that the average percentage gain for a commodities bull supercyle is 247.2%.

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

What Factors Are Poised to Drive This Bull SuperCycle?

#1. Inflation is going like gangbusters.

We printed 7% annualized inflation, during the last month of December 2021, according to the Consumer Price Index. This is a significant overshoot of the Federal Reserve's 2.0% inflation target. Why is this happening? All the new trillions of printed dollars.

We have discussed on multiple occasions how inflation is largely supportive of all commodity prices. That's because when you have more dollars chasing one gallon of gas, or one bushel of corn, the price per unit (gallon or bushel) will increase. While such inflation is bad news for consumers, it can have a very beneficial upside for

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
2018	2.35	-3.29	-1.13	1.72	2.25	-3.74	-1.83	-1.28	0.35	-1.65	2.03	-4.11	-8.30
2019	5.41	0.98	-0.85	-1.59	-1.61	1.39	-0.99	-2.38	0.90	1.53	-2.13	3.94	4.34
2020	-6.79	-2.91	-5.46	-0.72	2.03	0.71	6.22	6.13	-4.27	-1.18	6.76	4.60	3.95
2021	1.07	5.52	-4.68	9.46	3.20	0.93	1.84	-0.20	4.23	2.42	-3.87	1.32	22.50

One-Year Return as of 12/31/2021	22.50
Five-Year Annualized Return as of 12/31/2021	3.58
Total Annualized Return Since Inception, (11/1/2013)	1.06

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Total, gross, annual-operating expenses are 2.12% for the Institutional class, and 2.15% for the Advisor class shares. SilverPepper LLC has contractually agreed to waive its fees and/or pay for expenses to ensure that total fund operating expenses (excluding, any 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% and 2.24% of the average daily net assets of the Institutional class and Advisor class respectively. This agreement is in effect until October 31, 2031. Inception dates for both share classes is October 31, 2013. Performance and risk measures greater than one year are annualized.

commodity investors. Recently, Vanguard highlighted the positive inflation-protection viewpoint of commodities for investors. If you haven't read their *research,* the summary is: "a 1% rise in unexpected inflation, would produce a 7% to 9% rise in commodities."[2] That's a lot of "inflation-response bang" for your buck, providing a far better inflation hedge than even Treasury Inflation-Protected Securities (TIPS).

#2: Cheap. Commodities continue to be cheap, especially in comparison to U.S. stocks. Stocks, generally, are valued based on their discounted future cash flows. Since the Fed's easy-money policies began back in 2008, stock values have increased in part due to lower interest rates. Why? Because, as interest rates declined, future cash flows became more valuable today. And with the S&P 500 Index rising 27% this year, you must go back to the 1970s to find a period in which commodities have been as cheap relative to stocks. Financial investors are underexposed to commodities. With rates on the rise, financial investor rotation into commodities would be strongly supportive of higher valuations for commodities.

#3. Weakening U.S. Dollar. The U.S. Dollar is the world's reserve currency -- the primary currency for trading commodities, and transacting business across the globe. Today, about 88% of daily foreign currency transactions involve the dollar. But, years of deficits, ballooning debt, and other alternatives, like the Euro, Yuan, and crypto (it's really not a currency, it's more of blockchain transactional software), can threaten the dollar's dominance. The U.S. Dollar Index measures the value of the dollar against a basket of six world currencies — Euro, Swiss Franc, Japanese Yen, Canadian dollar, British pound, and Swedish Krona. The index was established with a base of 100. So if the dollar index is less than 100, the dollar's value has declined, relative to that currency basket. At the end of the 4th Quarter of 2021 the U.S. Dollar Index was 97. Yet, I see the possibility of it falling into the low 80s. That would be close to a 20% decline. And a falling dollar, which makes commodities cheaper for international buyers, will be strongly supportive of all commodities going forward.

#4. Undersupply. Underinvestment in commodities means baseline undersupply of commodities. As commodity prices cascaded lower from 2013 to 2019, producers were forced to deplete inventories, and reduce productive capacity. They had to reduce supply and to properly align it with demand. But today, because of synchronized monetary and fiscal stimulus, demand has ratcheted up swiftly.

This increased demand would normally boost a supply response. But in many commodity sectors, suppliers are experiencing a shortage of the capital that is needed to boost a supply response. Underinvestment has been

particularly acute in energy markets, where government regulations, and the ESG (Environmental, Social, and Governance) movement, both at home and abroad, have made it hard for producers, even amidst rising commodity prices, to respond with more supply. They're simply being choked off from investment capital. That's another way of saying, supply has become highly price inelastic. Therefore, if you believe in the law of supply and demand, as long as the level of demand remains above the level of supply, you have to be bullish on those particular commodities.

Our Portfolio Position Reflects Our Bullishness

At the end of the year, the Fund's positioning nicely reflected our bullish viewpoints. As of December 31, 2021, the Fund had gross investment exposure of 140%. Of that, 116% was pure commodity exposure (114% long, 2% short). The remainder consisted of a 19% position in commodity-related currencies (all short U.S. dollar); and a 5% short position in commodity-related equities.

Global Macro Flexibility, Designed to Give Us An Edge

The SilverPepper Commodity Strategies Global Macro Fund is a commodities fund, first and foremost. But, as the only "commodity strategies global macro" fund in the mutual-fund marketplace, we can invest in assets such as currencies, stocks, or bonds that are influenced by commodity prices. We believe this differentiated strategy is an advantage for the Fund. Why? Because it gives us more avenues to potentially find cheaper, better, or less volatile ways to take advantage of changing commodity prices. Currently, we are using this flexibility to tap into the inflation momentum, spurred by Washington's active use of the printing press, as well as the potential movement from investors discarding financial assets in favor of hard, commodity-based assets.

U.S. Dollar is Vulnerable As The World's Reserve Currency

We have been negative on the U.S. dollar (the primary currency in which commodities are traded) since the midpoint of 2020. It stems from multiple factors, ranging from the heavy increase in the money supply (M2) to nearly

$21 Trillion today, as well as a concerted effort by certain folks, like the People's Republic of China, to unseat the dollar as the world's reserve currency. As a result, during the second half of 2021 we were short the dollar in favor of the euro, the other major trading currency. We also shorted the U.S. dollar in favor of other natural-resource-influenced currencies such as the Australian dollar, the Brazilian real, and oil-backed currencies like the Norwegian krone.

However, as the dollar rallied in the fourth quarter of 2021, on the likelihood of the Fed raising interest rates in 2022, our currency positions during the quarter lost about 1.5% for the Fund.

But our longer-term conviction remains. Indeed, when the U.S. Dollar Index rallied up to 97, we saw that as an opportunity to increase our short-dollar position going into the New Year. Recognize, however, that this is a fundamentally bullish position on commodities, and a less volatile way to play commodities (the standard deviation of these currencies is far less than that of commodities). Because commodities are traded in dollars, if the value of the dollar declines, it makes commodities cheaper in dollar terms, spurring more global demand.

Another one of our commodity-based global macro positions is our recent short — betting on a decline — in the price of the S&P 500 Index. This 5% portfolio position reflects our long-held view that not only are commodities cheap, especially to stocks, but more importantly, that with inflation on the rise, investors will rotate from expensive financial assets to hard, commodity-based assets. We have established the position, thoughtfully, so as not to expose ourselves to a rally in stocks. Therefore, we are short the S&P 500, entirely through put options. That way, if we are right, we participate, but if we are wrong, we sacrifice only the premium paid for the option.

A Sleeping Asset: Gold

Our biggest position in the Fund at the end of the year was a 20% position in gold. That's about double the position size in the Fund's primary index, the Bloomberg Commodity Total Return Index. We actively traded our gold position throughout the second half of 2021. But recently, we increased it to its current level, because we like gold as a hard-asset inflation play. We feel the same about silver, which has the added benefit of having more industrial uses, such as conducting electricity in solar-cell panels.

Despite the big inflation numbers, gold has been a sleeping asset for most of the year, and really hasn't responded as anticipated to inflation. Gold prices have traded in a range from $1,899 an ounce in June of 2021, to $1,823 at year end. As gold slumbered, other assets rallied in its place. Instead of safe-haven money going into gold, it went into either crypto, or into the U.S. dollar, causing the U.S. Dollar Index to rally from 89 to 97 by year end.

However, investors dabbling in crypto are realizing that although it may be a store of wealth, it is a volatile store of wealth, that is strongly correlated with risk assets, like equity markets, and less correlated with increases in inflation than has been commonly propagated. So, as gold prices declined below $1,800 toward the end of the year, we built up the position, with the optimism that gold may regain its footing as a well-recognized inflation hedge.

Need Active Management

I have had a "Climate Change" theme in the portfolio for a decade, aware that environmental forces and improving technology would be a headwind to fossil fuel demand. Solar, wind, hydrogen. They have the momentum, and the Clean Energy train has now clearly left the station. Fossil fuels — crude, gasoline, heating oil, and natural gas — are on a downward trajectory. Indeed, it's not too hard to envision crude dropping down to $20 or $40 per barrel as the transition takes place.

But, it's not going to be a straight line down. That's because there's a tension between fossil fuels and "green energy" that is creating a number of commodity supply and demand imbalances — and resulting price volatility — in the market today and out to tomorrow. It's a fascinating time, and I believe active management of these sectors will prove its worth to our investors.

Consider oil and natural gas for a moment. The Biden Administration has been overt about their preferences. They strongly prefer the rapid adoption of clean energy. President Biden campaigned on the promise to "stop fracking" and Energy Secretary Granholm has said that the world "needs to get rid of fossil fuels." They have given action to their campaign promises through the new $1.2 trillion Infrastructure and Investment Jobs Act. The new law provides $65 billion for priorities such as grid reliability, investments in key technologies like carbon capture and hydrogen, and funding for a national network of electric charging stations.

The U.S. isn't the only one thinking this is the direction of the future. Even Saudi Arabia is diversifying away from fossil fuels with solar and hydrogen. So, there is an enormous, simultaneous shift going on that is allocating capital away from fossil fuels to these cleaner technologies.

Crude oil is one commodity that is in the crosshairs of this transition. Crude oil prices rose in the second half of 2021 to a high of $80 per barrel. An important factor in this rise stems from the crude oil market being in a 2 million barrel-a-day deficit. At $80 — well above the $40 to $50 cost of production in U.S. fields — why aren't producers pumping more to close the deficit? Because, given the social preferences and subsidies for cleaner fuels, crude oil producers are reluctant to invest capital into long-term projects. Their shareholders worry about the return on investment. And, even if they did want to produce, the ESG investors are waging an effective campaign to speed up the energy transition even more quickly, by cutting off the flow of capital to them.

So, even though there is a mad rush to reduce the use of fossil fuels, the crude-oil market is in a volatile state because the supply side is responding more quickly to these signals than the demand side. And that is causing the price of crude to rise, today. It rose from $50 at the beginning of 2021, to $80 today, because the demand is still largely intact. Yep, folks are still driving their gas-powered trucks to the job site. So, the point is, when the level of demand is above the level of supply (regardless of the future growth rates of either the supply or demand on an individual commodity), you've got to be long the commodity. It creates a scarcity premium.

This supply and demand imbalance in these unloved sectors has benefitted the Fund. Natural gas, which is currently about a 14% position in the Fund, was the most profitable position for the Fund in 2021. And even though lots of folks dislike natural gas, we need to be pragmatic. When we look at the future of this transition, we continue to see natural gas as an important and long-serving transition fuel to greener energy sources. Natural gas is pretty clean, getting cleaner, and still pretty inexpensive. Our pragmatism served us well with crude as well. WTI Crude and Brent crude were also large money makers for the Fund in the fourth quarter of 2021, despite the long-term decline in demand that we envision.

Dislocations Lead To Opportunities

These dislocations in the market between supply and demand are creating wonderful opportunities for commodity investors. And these dislocations won't be solved overnight. The dislocations going on in the energy sector mentioned above are simultaneously taking place in the industrial metals sector. That's because just about every country in the world is simultaneously turning to electric cars, solar panels and wind turbines. All these activities require metals, like silver, copper, aluminum and nickel — so I'm bullish on all three. But additional capacity will be needed to drive more supply. The permitting process is long in the U.S., or in the South and Central American countries, like Peru or Chile. And it can take 10 years to go from permitting to production, so bringing capacity online will not align seamlessly with demand.

Commodities find themselves at the crossroads of several powerful economic, monetary, and political factors which may drive many — but not all — commodity prices higher for the foreseeable future. Some of these factors, like inflation, will be broadly supportive of all commodity prices. However, other factors, like the political and environmental movement to clean energy, will be disruptive to the energy and metals commodities. Some will win, some will lose. We like an environment like this, as we believe it plays to our strengths — active management; using our "Fingernails-in-the-Dirt" research to understand the supply and demand fundamentals of each individual commodity; and proactive risk-management, that allows us to use options and short positions to reduce risk, and potentially profit from the volatility in the market, or the downward move of some commodities.

It's an exciting time to be invested in commodities, especially at the predicted start of a new, possibly decade-long, bull SuperCycle in commodities. Therefore, we will continue to research the supply and demand fundamentals of each commodity in our effort to capture attractive returns for our investors.

With respect,

Renee Haugerud

Portfolio Manager

More ➤

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.

Morningstar Risk-Adjusted Returns Performance Rankings: Morningstar Risk-Adjusted Return is adjusted for risk by calculating a risk penalty for each investment's return based on "expected utility theory," a commonly used method of economic analysis. Although the math is complex, the basic concept is relatively straightforward. It assumes that investors are more concerned about a possible poor outcome than an unexpectedly good outcome; and those investors are willing to give a small portion of an investment's expected return.

This concept is the basis for how Morningstar adjusts for risk. A "risk penalty" is subtracted from each investment's total return, based on the variation in its month-to-month return during the rating period, with an emphasis on downward variation. The greater the variation, the larger the penalty. If two funds have the exact same return, the one with more variation in its return is given the larger risk penalty. The since inception time period is from 10/31/2013 to 12/31/2021.

The Risk-Adjusted Returns performance ranking includes all funds within the Morningstar category, "Commodities Broad Basket," as of 12/31/2021. The SilverPepper Commodity Strategies Global Macro Fund Institutional Share class (SPCIX) was 1 out of 80 funds for the since inception period, 36 out of 89 for the trailing five-year period, and 80 out of 92 funds for the trailing one-year period. Source: Morningstar Direct.

Past performance is not indicative of future performance. As of December 31, 2021, the notional exposure of futures and/or options in Silver, 3.7%; Natural Gas, 14.77%; Currencies, 19.14%, Gold, 20.00%; Brent Crude Oil, 10.44%; WTI Crude Oil, -2.26% of the SilverPepper Commodity Strategies Global Macro Fund's total net assets. Portfolio holdings are subject to change without notice and are not intended as a recommendation.

The Bloomberg Commodity TR Index: As of December 2021, this widely used Index is made up of 23 exchange traded futures contracts on physical commodities which are weighted within the Index to account for economic significance and market liquidity.

Definition: A basis point is equal to 1/100th of 1 percent, such that 100 basis points are equal to 1 percentage point. All investing involves risk including the possible loss of principal.

There can be no assurance that the Fund will achieve its investment objective. The Fund's specific risks include futures/commodities risk, derivatives risk, Subsidiary risk, high-fee risk, tax risk, foreign investment risk and non-diversification risk. Futures contracts may fluctuate significantly and unpredictably over short time periods and commodities are subject to disruptions and distortions, causing loss of principal. All these risks may increase costs, volatility and lower performance. See the prospectus for a complete discussion of investing in this Fund.

Consumer Price Index: An index measuring the change in the cost of typical wage-earner purchases of goods and services expressed as a percentage of the cost of these same goods and services in some base period.

Standard Deviation: The measure of the dispersion of a frequency distribution that is the square root of the arithmetic mean of the squares of the deviation of each of the class frequencies from the arithmetic mean of the frequency distribution, or simply describe as a measure of total risk or volatility.

Put Option: A contract that provides the opportunity to sell assets at an agreed price on or before a particular date.

[1.] Wells Fargo Investment Institute, "The new commodity super cycle bull," John LaForge, July 22, 2021. Real Assets in Depth: The new commodity super cycle bull (wellsfargomedia.com)

[2.] Vanguard, "The Potency of Commodities." https://investor.vanguard.com/investor-resources-education/news/the-potency-of-commodities-as-an-inflation-hedge

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