SILVERPEPPER LONG/SHORT EMERGING MARKETS CURRENCY FUND

4Q 2022

OUR HEDGE FUND EXPERTS SPEAK THEIR MINDS:

INTRODUCING AMERICA'S ONLY CURRENCY MUTUAL FUND

At SilverPepper, We're Working to Solve Investors' Diversification Problems

How do we do that? SilverPepper offers Low Correlation Funds — for True Diversification.

And now SilverPepper is pleased to announce its newest, low-correlation Fund — and America's Only Currency Mutual Fund:

SilverPepper Long/Short Emerging Markets Currency Fund (SPEFX)

But why should you care?

60/40 failed — SilverPepper prevailed

In 2022, investors' diversification problems exploded into view. The S&P 500 Index plunged by 18.11%. The Bloomberg Aggregate U.S. Bond Index sank 13.01%. What's worse, in 2022, of the largest 250 mutual funds in the U.S., representing nearly $10 trillion in assets — all lost money.[1] By contrast, all of the SilverPepper Funds posted positive returns in 2022. When 60/40 failed, SilverPepper prevailed.

How did we do it? Our SilverPepper Funds use fundamentally different investment strategies, like "merger arbitrage" or "global macro," whose returns and risks aren't dependent on the direction of the stock or bond markets. Additionally, our Funds are flexible, having the ability to "hedge" or go long or short, giving them more ways to protect against loss, and potentially profit, regardless of the direction of the market.

Our new Fund, just like our other existing low-correlation Funds, possesses similar attributes intended to provide long-lasting diversification benefits for investors.

How Is SPEFX Different From The 22,000 Existing Mutual Funds?

1. America's Only Currency Mutual Fund:

It's the only mutual fund to specialize in investing in foreign currencies, particularly emerging markets currencies. We stand alone in attempting to profit from what is frequently considered an inefficient and unexplored asset class.

2. Delivering the Low Correlation of Currencies: Historically, currencies, as an asset class, have had among the lowest correlation to both foreign and domestic stocks and bonds, and even to commodities and real estate. In fact, as represented by the U.S. Dollar Index, over the trailing 10 years, ending 12-31-2022, currencies had a correlation of -0.34 to the S&P 500 Index. This low correlation attribute makes currencies a strong diversification candidate for investors' portfolios.

3. Seeking Absolute Returns: The Fund is not tied to an index. And, as an active, profit-seeking, long/short currency strategy, the Fund seeks positive, absolute returns, regardless of market conditions. With its investment flexibility, the Fund may provide investors' portfolios a new and different return stream that may set your portfolio apart

4. Providing True Currency Diversification: Don't think of this Fund, or currencies, as niche. Indeed, all international funds have exposure to the fluctuating values of foreign currencies. But, is your currency exposure "optimized?" Probably not. Why? First, currency exposure within foreign funds is often passively managed, and not profit seeking. Second, the diversification benefits of currencies are diluted by the stock and bond exposures within those funds. We offer True Currency Diversification. As a result, this Fund may help optimize currency and emerging-markets exposure to potentially improve not only diversification, but also returns.

5. Managed by Currency Experts: John Dean and Ross Taylor, our portfolio managers and the creators of the Fund's Behavioral, Pattern-Matching Methodology, are currency experts. Both have decades of currency experience. They've held senior leadership roles at major global banks and trading firms, including Natixis, Bear Stearns, Currency Insights, and Donaldson, Lufkin & Jenrette. In 2006, they founded Absolute Return Strategies, Ltd, in London.

Currencies: Why Now More Than Ever?

Inflation is 6.8%. The Fed Funds rate is sitting at 4.5% and Federal Reserve Chairman Powell has been overt in telling the market that rates may go higher. That may mean more bad news for stock and bond prices. If so, it suggests more prep work needs to be done to solve the diversification problems facing 60/40 investors. The SilverPepper Long/Short Emerging Markets Currency Fund can be a problem solver for True Diversification, by offering exposure to the world's largest and least correlated asset class — currencies.

Exploring Currencies: Large, Seemingly Inefficient, And Largely Unexploited

Stocks represent company ownership, and bonds are a liability of corporations or governments. Currencies aren't either of those things. They aren't even securities. Instead, they're just a medium of exchange — something that makes going to the store and buying a loaf of bread easy.

As an asset class, currencies are considered the largest and most liquid market in the world, with an estimated $7 trillion-plus of currencies exchanged daily, compared to the approximately $200 billion in stocks or the $700 billion of bonds, traded daily, globally.[2] As a medium of exchange, currencies reflect the broadest range of economic activity in a country and are considered the broadest measure of the health and performance of a country's entire economy.

For investors, like us, what makes the asset class even more interesting than its size, and low correlation to stocks and bonds, are the apparent inefficiencies within this vibrant asset class.

Do Market Inefficiencies Create Profit Opportunities?

In both the stock and bond markets, whenever an investor buys or sells, they're typically trying to make a profit. Think a stock is cheap, buy it. If it's expensive, you sell it to secure a profit. There's typically a profit motive behind almost every transaction. As a result, stock and bond markets are typically considered "efficient" because prices reflect all the available information about the value of the stock or bond. But, in the currency markets, that's not always the case. Why?

Travel: When I was last in South Africa, the first thing I did was go to the "Bureau de Change." I needed to pad my pocket with some local currency, the rand, to pay for a taxi. Was profit my central motivation for the transaction? No. I needed those rand right now, to pay the taxi driver. I couldn't wait until next week to see if the exchange rate would improve. I just went to the teller's window and simply transacted. Price was a secondary consideration.

International Trade: If Starbucks orders coffee beans from a farmer in Brazil, their primary focus is on making sure they have high-quality beans to make espresso. When they go into the currency market to exchange dollars for Brazilian real, even though they care greatly about the exchange rate, at some point they need to pull the trigger and transact. So, exchanging the currency, at a less favorable rate, is a necessary transaction cost.

Central Banks: Governments and their Central Banks are also some of the largest participants in currency markets. They make all kinds of transactions that aren't value-based or profit-based. Instead, their transactions may be based on achieving other political goals, like growing exports, or defending the stability of their currency. Consider, if you will, all the motives behind government interventions in the Russian currency, the ruble, after Russia's invasion of Ukraine.

We believe the presence of these "inefficient" transactions — transactions that are not primarily focused on profit maximization — may offer some potential advantages to profit seekers, like us, if we can correctly identify the profit-motivated prices of investment flows from the day-to-day transactional trade flows.

Our Profit-Seeking Process: Behavioral Pattern Matching

Currencies have a primary, measurable, and understandable risk exposure – it's simply the change in the value of one currency relative to another. Simple. But forecasting currency prices is tough work. Ever since currency exchange rates began to float in the 1970s, currency valuations have defied the economic models. Fundamentally based models, such as Purchasing Power Parity (PPP), which compare the prices of tradeable goods across countries, or macro models that incorporate factors such as GDP, money supply, or inflation, have largely proven to be flawed models for forecasting future currency exchange rates.

Having spent the bulk of our professional careers in the currency markets, we believe most traditional currency-valuation models flounder because they underestimate the effect of high interest rates. High interest rates play a major role in attracting capital flows, even in the wake of other factors such as economic growth, inflation, and volatility. Indeed, as students of the currency markets, we realize that the high-interest rates paid by Central Banks are, for lack of a better word, bribes. Central Banks are willing to pay a premium rate of interest on short-term debt so you keep your money in that currency. To help solve the forecasting challenge for currency prices, we began, back in the 1990s, to study a currency's investment "flows" — measured by significant relative increases or decreases in a currency's price to its historical prices — as a better way to predict future currency prices. Our analysis led to the discovery of patterns in emerging market currencies. Since 2010, we have used our pattern-matching methodology to produce daily buy and sell signals, triggering either long or short trades in a select number of emerging-markets currencies, primarily against the U.S. dollar.

Patterns Of Greed And Fear. Why Do They Exist?

The goal of our investment methodology, and the shortest explanation of it, is:

We buy currencies increasing in value (a greed pattern) and sell short currencies declining in value (a fear pattern). It's that simple.

Yet, the process is rigorous. It's through our extensive flow-analysis that we've discovered predefined, recognizable, and recurring patterns in currency prices.

What are patterns? They're recognizable repeats. That's all they are. And, we find them everywhere in our daily existence. For example, waves are patterns. Tides are patterns. Human emotions also form behavioral patterns. In currency investing, we discovered that two primal emotions govern the formation of patterns — greed and fear.

To identify these patterns, we rely solely on daily currency prices. Our pattern-matching model analyzes the daily price data, searching for specific prices that we believe distinguish between the sporadic "waves" of "trade flows" and the more meaningful "tide" of "investment flows," which signal turning points, higher or lower, in an emerging-markets currency's price pattern.

The patterns, which are different for each currency, look a bit like waves graphically, but they are behavioral in nature and reflect, quite simply, the basic human emotions of fear and greed. These fear and greed patterns form as investors, searching for higher returns, sell lower-yielding currencies, like the U.S. dollar or the Japanese yen, and purchase emerging-market currencies, like the Brazilian real, which are typically supported by higher rates of interest. Investors buy the emerging market currency because they want to greedily earn that higher interest-rate, that central-bank bribe. They buy and buy, creating an upward-trending pattern in prices, to the top of the wave. Then like a surfer on top of a tsunami, they get scared of falling. Here, the bribe is no longer enough to offset the perceived risk. The emotion of greed is replaced by the opposite and powerful emotion of "fear" — which drives a correction in prices downward.

Our Behavioral Pattern-Matching Methodology is squarely aimed at discovering these behavioral patterns of fear and greed. Our "secret sauce" is akin to a Tide Table. It identifies the key prices that signal the beginning of each currency's recognizable pattern, and a future flow of assets, either in or out of a currency. The patterns give us valuable insight into the next persistent and impulsive flow in prices, either higher or lower. That's what we really want to capture, these impulsive trends within a pattern.

Importantly, if a currency isn't trending, or isn't fitting a pattern, we will not have a position in the currency. No pattern, no position. When these patterns are correctly identified, they are an important predictor not only of entry prices, but importantly, exit prices. Therefore, a pattern simultaneously determines both the entry and exit prices, providing an important element in driving not only returns, but also controlling risks.

So, remember, we buy the greed, and we sell short the fear.

Our Pattern-Matching Methodology Creates Two Potential Sources Of Profit

The Fund may profit from trading emerging markets currencies in two ways:

Carry: First, our aim is to make money by earning, what's called, the "carry." Carry is defined as the difference in interest rates between the higher interest-rate currencies, like the Indian rupee, and the lower-interest rate paying U.S. dollar. It's akin to exchanging your U.S. dollars for rupees and putting them in a bank account in India to earn a rate of interest on your assets.

Price Changes: Second, our aim is to capture the appreciation or depreciation of an emerging market currency's exchange rate (the "spot rate") vs. a developed market currency, like the U.S. dollar, by taking either a long or short position in a currency.

Technically, our Behavioral Pattern-Matching Methodology doesn't favor one avenue of profit over another. It's indifferent.

Yet, the source of profit, either carry or price changes, does tell us something about the pattern and the holding period of the emerging market currency. For example, long or "positive carry" positions tend to have longer holding periods because the pattern has more structure and price linearity. That's fairly intuitive as investors want to hold that currency and earn that higher rate of interest for as long as possible. In contrast, "short carry" positions tend to have shorter holding periods. They express an element of "fear," as the bribe is no longer enough. So, there is less structure to their descending-price pattern as investors liquidate more rapidly. In general, holding periods for our currency positions, either long or short positions, are not days, but instead multiple-weeks or months.

Portfolio Structure

As currency experts, we don't just let the model run wild. We refine and review it annually. We oversee its output daily. And we determine, which emerging markets currencies available to the Fund, work best with our Behavioral Pattern-Matching Methodology. In our effort to optimize portfolio construction, diversification, and risk and return, we tend to use only a select number of currencies in building the Fund's portfolio.

The model works best with the more liquid emerging markets currencies. Therefore, in constructing the portfolio, we tend to focus on the "BRIC" countries. BRIC is an acronym coined by Goldman Sachs economist, Jim O'Neill, for the economic bloc of developing countries of Brazil, Russia, India, and China. Mr. O'Neill, and many economists, group these countries together because they see them as emerging into the dominant suppliers of manufactured goods, services, and raw material by 2050.

Historically, we have also traded other emerging market currencies, such as South Africa, Turkey and Mexico. Depending on how you count, there are about 40 countries in all that can be classified as "emerging", but we tend to focus on a small number of these countries whose currencies have good liquidity.

As an aside, we stay away from unstable, high-interest rate paying countries, like Argentina or Venezuela. The volatility of these currencies, and the political instability of the countries, makes them a headache for our methodology. Nonetheless, even with the select group of currencies we use for constructing a portfolio, we account for about half of the world's population, and have broad economic and geo-political representation and diversification.

Leverage Changes The Risk And Return

In general, currencies have historically had lower volatility than stocks or bonds. Although the Fund does not have a specific return or volatility target, our expectation is to try and deliver return and risk characteristics consistent with global equity markets. Therefore, we use leverage to achieve this intended risk and return profile. Currently, the total gross exposure target is 2.7 times assets. That means for every $1 million in assets, we would target gross exposure of $2.7 million in investment exposure. However, actual gross and net exposures will vary, based on the actual number of currency positions held at one time, and the direction (long or short) of those positions. Recall, we will not hold a position if we do not have an exact pattern match for a currency, and we are indifferent to being either long or short a currency.

Risk Controls

We attempt to dampen portfolio risk in three ways.

First, although our pattern-matching methodology is intended to exploit the human emotions of fear and greed, we use the quantitative discipline of the model to remove us, as portfolio managers, from acting on our own human emotions of fear and greed. We don't override specific buy or sell signals. Instead, we dispassionately follow the model's buy and sell signals. However, we do reserve the right to suspend a currency from the portfolio based on macro factors, such as capital controls or political instability.

Second, when the model signals the establishment of a position, it also establishes a "stop-loss" price at the same time. The model automatically adjusts the stop-loss price as the value of the position increases or goes deeper "into the money." This is an effort to control risk and protect potential profits.

Third, and finally, in building the portfolio, the weights for each currency are optimized by liquidity, not profit maximization, also for risk-control purposes. Therefore, the largest portfolio positions are usually in the most liquid of the EM currencies, specifically Brazil, Russia, India and China, with smaller portfolio weights going to currencies like South Africa and Turkey. (The ruble, it should be noted, is currently not tradeable because of U.S. sanctions).

Portfolio Construction With An Eye Toward Markowitz' "Free Lunch"

Practically speaking, all investment advice is based on Modern Portfolio Theory, pioneered by economist Harry Markowitz in 1952. Its core idea is diversification: "Don't put all your eggs in one basket." Markowitz argued that investors could achieve their best results by choosing an optimal mix of assets. That way, if one investment performs poorly, your other investments often perform well. He showed that over time, with proper asset allocation, your portfolio of investments will get both better returns, and lower risks. His work was so groundbreaking, he won the Nobel Prize in Economics. And he often summed up his key insight by saying, in a very folksy way, "Diversification is the only free lunch in investing."

Since we are the only currency mutual fund in the market, it may be helpful to provide a few observations about how the SilverPepper Long/Short Emerging Markets Currency Fund may be used to get a bite of that "free lunch."

In general, portfolio builders may find the Fund useful in three different ways:

1. Adding a new asset class for increased diversification: Remember, currencies have had a correlation of -0.34 to the S&P 500 and -0.31 to the Bloomberg Aggregate Bond Index over the trailing 10 years, ending 12-31-2022. So, the addition of currencies to a 60/40 mix may potentially deliver that "free lunch" of better returns with less risk.

2. As a replacement or complement to your existing emerging markets stock or bond allocation: Historically, many investors have embraced emerging markets stocks, or emerging markets bonds, for diversification. However, over time, that benefit has eroded. Why? Because as globalization has increased, so too have correlations. For the decade beginning January 1, 1990, the correlation of emerging-markets stocks (MSCI EM GR USD Index) to the S&P 500 was 0.57. Yet, over the next two-decade periods beginning January 1, 2000, and ending December 31, 2019, the correlation jumped, ranging from 0.74 to 0.79.[3]

Moreover, the diversification benefits that come from emerging markets stocks and bonds come almost entirely from the currency exposure. Research from firms like First Quadrant and Two Sigma[4] indicate that investors that own emerging markets stocks are receiving two return factors — *developed-country stock* exposure, and *emerging-market currency* exposure. According to First Quadrant, it's the currency exposure that provides the bulk of the diversification benefit. Furthermore, the currency exposure is usually "passively managed," meaning portfolio managers are simply accepting the currency risk, and not actively trying to profit from it. So, it might be fruitful to cut out the middle-man, and adopt an allocation to our Fund, which offers active, pure emerging-markets currency exposure, focused on profit seeking.

3. A new way to seek Absolute Returns: For investors that have or are looking to build an Absolute Return bucket within their asset-allocation pie chart, this Fund may be an appropriate addition. (An Absolute Return Bucket is a collection of asset classes or strategies that attempt to generate positive returns regardless of the economic environment or market movements). Our Fund's asset class exposure, as well as its active, non-directional strategy, which isn't dependent on the daily gyrations of stock and bond markets, may serve to boost the risk and return profile of an Absolute Return Bucket.

Solving Investors' Diversification Problems

We are excited to launch the SilverPepper Long/Short Emerging Markets Currency Fund. As America's Only Currency Mutual Fund, we believe it may play an important role in diversifying, and thereby improving, the risk and return attributes of your portfolio. SilverPepper — Low Correlation Funds for True Diversification.

We love talking about currencies and the Fund's strategy. So, if you have questions about the Fund or the currency market, please contact us. We would enjoy hearing from you and sharing more about the large and fascinating world of currencies.

With respect,

John Dean & Ross Taylor

Portfolio Managers

(1) "The Wall Street Journal, Mutual Funds, Top 250 mutual-fund listings, Data provided by Lipper, December 31, 2022." The 250 largest funds listed are long-only equity and bond funds and, as a cohort, are highly correlated to stock and bond markets. In contrast, our Funds are less dependent on the returns of the stock and bond market because they have strongly differentiated investment strategies, such as merger arbitrage, commodities global macro, and currencies, and they also have the ability to invest either long and short in securities. Hence, we use the 250 largest funds to express how our Funds are different and may be an appropriate source of diversification for investors' portfolios.

(2) Sources: https://www.reuters.com/markets/us/global-fx-trading-hits-record-75-trln-day-bis-survey-2022-10-27[1]/; Five Bond Market Facts, MotleyFool, December 2016, World bank, Stocks Traded, Total Current Value, $USD, $61 trillion USD. https://data.worldbank.org/indicator/CM.MKT.TRAD.CD

(3) Source Morningstar Direct.

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INDEX	Correlation 1990-01-01 to 1999-12-31 USD	Correlation 2000-01-01 to 2009-12-31 USD	Correlation 2010-01-01 to 2019-12-31 USD
S&P 500 TR USD	1.00	1.00	1.00
MSCI EM GR USD	0.57	0.79	0.74

(4) *Currency Hedging Handbook*, First Quadrant, Dori Levanoni and Paul Goldwhite, CFA, 2017. *Emerging and Frontier Market Equities as Asset Class(es)*, Two Sigma Investments, Jeffrey N. Saret, March 2014.

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.

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 Long/Short Emerging Markets Currency Fund, the primary risk is quantitative modeling risk, which centers on the model's ability to generate profitable buy and sell signals. The Fund is also subject to currency risk as the value of investments in securities denominated in foreign currencies increase or decrease as the rates of exchange between those currencies and the U.S. dollar change. Currency conversion costs and currency fluctuations could erase investment gains or add to investment losses. The Fund's use of leverage can magnify the effects of changes in the value of the Fund's investments and make the fund more volatile. Other risks include foreign investment risk, emerging markets risk, geographic focus risk, lack of correlation and hedging risk, management and strategy risk and no prior operating history risk.

Correlation is a statistical measure of how two securities move in relation to each other, ranging from -1 to +1. A correlation of 0 means the relationship between the two securities is completely random, while +1 indicates a perfect positive relationship and -1 a perfect negative relationship.

U.S. Dollar Index (USDX) is a measure of the value of the U.S. dollar relative to the value of a basket of currencies of most of the U.S.'s most significant trading partners.

S&P 500 Index is a broad-based measurement of changes in stock market conditions based on the average of 500 widely held common stocks.

Bloomberg Aggregate Bond Index is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States.

The MSCI Emerging Markets GR Index (EM) countries. The index measures the performance of the large and mid-cap segments of emerging market equity securities. It is free float-adjusted-capitalization weighted.

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