SILVERPEPPER MERGER ARBITRAGE FUND

4Q 2022

OUR HEDGE FUND EXPERTS SPEAK THEIR MINDS:

A BUOY IN A SEA OF RED INK

60/40 failed — SilverPepper prevailed

Investment advisors often tell their clients, "The 60/40 portfolio is good for everyone." And most years, they're right. But not in 2022.

In 2022, stock and bond funds drowned in a stormy sea of red ink. The S&P 500 index plunged by 18.11%. And as it was going down, did you think you could jump ship, to the safety of bonds? No luck, Matey. The Bloomberg Aggregate U.S. Bond Index, for which merger arbitrage is often viewed as a substitute based on their similar volatility characteristics, sank to Davy Jones' locker, a deep 13.01%. And these weren't the only shipwrecks. Every single one of the 250 largest U.S. mutual funds lost money in 2022![1] Surely, many investors, shared in these painful losses.

But not if you stuck with SilverPepper.

The SilverPepper Merger Arbitrage Fund (SPAIX) gained a steady 2.53% for 2022. That's just about the same as its nine-year, since-inception average, of 2.76% beginning back on October 31, 2013. That's right, SilverPepper was a steady buoy in your portfolio, bobbing on a stormy sea of red ink.

And while 2.76% may not dazzle, it's more than double the measly 1.27% return from holding the Bloomberg Bond Aggregate Index over those same nine years. How did we do it? Well, Merger Arbitrage is an investment strategy that's not dependent on the daily gyrations of the stock or bond markets. In fact, that's the reason SilverPepper exists. SilverPepper funds are centered on offering low correlations to the stock and bond markets, which is central to helping investors discover the benefits of true diversification.

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.

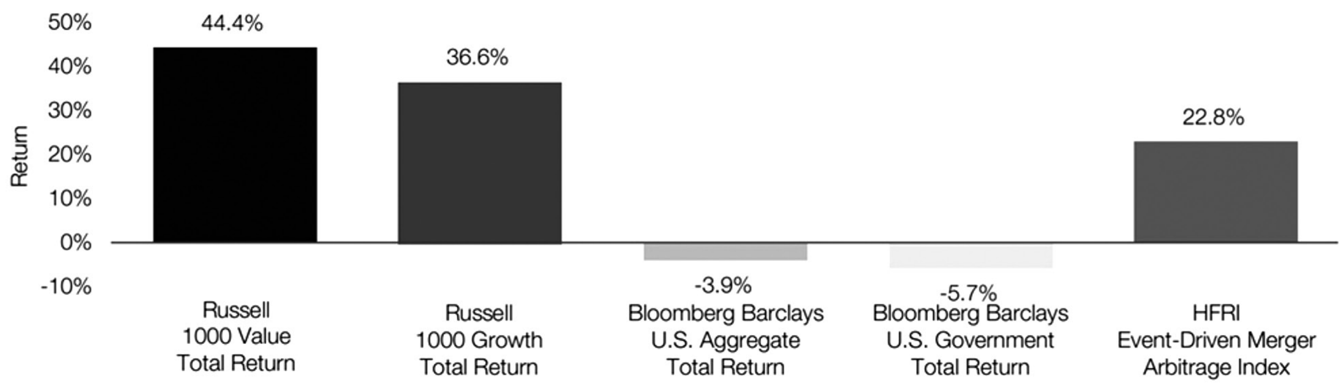
SilverPepper

Diversification Benefits of Merger Arbitrage

But there was some good news for investors in 2022. According to new research from Oppenheimer, "Merger arbitrage strategies have generated positive returns while bonds have faltered in the face of rising rates…"*

Protection Against Rising Rates?

Merger arbitrage strategies have generated positive returns while bonds have faltered in the face of rising rates over the last year and a half.



Past performance is no guarantee of future results. Merger arbitrage and event-driven investing involve the risk that an evaluation of the outcome of a proposed merger, reorganization, regulatory issue or other event will prove incorrect and that a fund's return on its investment will be negative. Equities-based strategies such as merger arbitrage and event-driven are traditionally riskier than investment-grade and U.S. government bond strategies. Please see the Appendix for more information. Source: Morningstar Direct. 8/1/20 to 1/31/22.

Read the article: "Merger Arb Boosts Diversification" by Oppenheimer Asset Management, March 21, 2022. The research continues: "An allocation to merger arbitrage strategies can offer upside potential as well as diversification benefits."

By Comparison With Our Merger Competitors

Our performance also looks pretty good against our biggest merger-arbitrage competitors as well. Among the six merger-arbitrage-specialty peers, our return for the year was more than 50 basis points better than the group average of 2.01%.

And over the long-term, we're also above average. Among the four merger-arbitrage specialty Funds that have been around as long as ours, we're number two in total return performance, with a 2.76% return. This compares well to the 2.53% average of the other Funds in the specialty merger-arbitrage peer group, since the Fund's inception on October 31, 2013. And, holding all things equal, our performance should start looking better since we enacted an advisory fee reduction from 1.50% to 1.25%. We are excited to announce this fee reduction which is designed to put more money in our shareholder's pockets.

Relative to our larger Morningstar Category of 39 Event Driven Funds we also continue to rank well. We were placed in this category when it was formed a year ago, and have been highly ranked ever since: 6th out of 39 for performance over the trailing year, and 10th for performance in the category since our Fund's inception.

Many of our event-driven peers do not include a "hedge" component, as does our strategy, and so they tend to have much higher exposure to equity markets or equity beta, which has been a significant negative risk for the year. But our hedge component has helped us to control risk in 2022 and over the long term. Since our inception, our standard deviation, or total risk, is among the lowest 10 funds in the Event-Driven Category. Better returns, lower risk. That's what we all want.

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	1.21	0.46	0.64	-0.18	0.55	0.45	5.23
2022	-0.45	0.27	0.63	-0.27	0.54	-0.09	0.45	0.72	-0.71	1.16	0.09	0.18	2.53

One-Year Return as of 12/31/2022	2.53
Five-Year Annualized Return as of 12/31/2022	1.48
Total Annualized Return Since Inception, (11/1/2013)	2.76

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.

Total gross/net annual fund annual operating expenses are 6.08%/4.50% for Institutional and 6.28%/4.75% 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 1.75% for the Institutional class and 2.00% for the Advisor class. This agreement is in effect until October 31, 2032.

Inception dates for both share classes is October 31, 2013. Performance and risk measures greater than one year are annualized.

Finding New Opportunities

The merger and acquisition (M&A) market started the year strong, but ended weak. In the first quarter of 2022, CEOs were still revved up to get back to business and make up for lost pandemic opportunities. But as they look into 2023, a Fed-induced recession looms before them, causing them to hunker down, hold on to their cash, and ride it out. And so, with the M&A outlook looking weaker, we took advantage of being a small and nimble Fund, and have found and exploited other investment opportunities that fit our risk/return profile, and add to our risk control and diversification.

The first opportunity is called Mandatory Preferred Arbitrage ("MPA"). MPA is merger arbitrage without all the regulatory approvals, and with a definitive closing date. It has a very similar risk/return profile to merger arbitrage. Here's how it works. We buy a company's preferred stock, that pays a decent coupon, and that we also know is guaranteed to be mandatorily converted to common stock at a fixed future date. We then short the common stock to hedge the stock risk, and collect the difference between the yields. The returns have historically been similar to merger arbitrage, but with greater certainty on the timing or closing date of the transaction. It's a relatively small opportunity, and challenging to trade, which makes it perfect for a small, nimble Fund like ours — to help reduce overall risk. To date, we have 13.7% of assets in MPA, spread across issues from seven different companies.

The second new investment opportunity for us is convertible bonds. We also think of convertible bonds as having similar risk/return to merger arbitrage positions, without the regulatory risk. Why did we invest in convertible bonds? Well, as you know, the Fed raised interest rates this year, and all bonds fell in price. As a result, some convertible bonds have fallen so far, they've reached the point where they offer the potential for higher returns by our holding them to maturity, than we could get from most merger arbitrage spreads. We figured it made sense to invest in these longer-dated, merger-arbitrage-like positions for the potential opportunity to get some higher returns Right now, we've added a couple of convertible bonds, which in total add up to a relatively small 1.2% position within the portfolio, yet I anticipate more convertible investments are likely on the way.

Finally, we've found unusual opportunities within a number of mergers. In particular, we invested in some drug and health-car merger deals, which have been structured with a Contingent Value Right ("CVR") component. A CVR is like an incentive payment — if certain thresholds are met, after the acquisition is completed, shareholders of the acquired company will receive an additional payout. Here's an example of how this works. We recently invested in Johnson & Johnson's acquisition of Abiomed. We bought 8,488 shares of Abiomed. We made money on the deal when the merger closed. But at the close, we also received CVRs. And since the merger was structured with a CVR, the cost to us of all of these CVRs was $0.00. If, over the next five years, Abiomed's pharmaceuticals make enough money to surpass the thresholds, we can make as much as $35 per share for each of our 8,488 CVRs.

We also have CVR positions from three other pharmaceutical transactions, which will expire from 2023 to 2028. Those CVR positions are from Zogenix, AKUS, and Adamas Pharmaceuticals. Right now, all of these CVRs are all priced at $0.00. Although we can't predict which of these companies will be able to surpass their thresholds in the next five years, we figure, if we can pick up these types of "lottery tickets" for free, or next to nothing, why not pick up a bunch? So we did.

Avoiding the Blowups

Because of our prudent, hedged approach, we have navigated around the waves of risk sinking the stock and bond markets. We've found new opportunities as CEOs batten down the hatches. Importantly, our process of investing in mergers hasn't changed. We continue to favor high-quality merger deals. We look for strategic acquisitions, well-financed acquirers, acquisitions predominately in the U.S., and de minimis regulatory risks (which are hard to find these days, given the current and novel suits being brought by Lina Kahn at the Federal Trade Commission).

As a result of our focus on high-quality deals, we cut our overall merger exposure during the fourth quarter. By the end of 2022, we were down to 20 merger deals, and had just a 50% net long equity position, which further insulates us from the daily gyrations of the stock market. In addition, we continue to favor small and mid-cap deals (where regulatory risks are often less, and spreads sometimes wider). For example, we only have 7.1% of assets in large-cap deals, whereas the majority of our merger peers favor them.

Looking Ahead to 2023

But despite all of the challenges, we're prepared. We believe deal flow could revive in 2023, perhaps as savvy market participants find bargains. During broad stock market declines, "the baby often gets thrown out with the bathwater," allowing brave CEOs to rescue valuable assets at reduced prices. And with the stock market down nearly 20% in 2022, and some sectors down even more, there are bargains for CEOs, with strong balance sheets and strong cash flow. As long as we remain disciplined finding and choosing our investments, I remain confident that we should be able to continue to produce positive returns over the coming years.

We would like to thank all our investors over the years, especially those with the resolve to stand with us since our inception in 2013. We believe our Fund and its low correlation returns really paid off for investors in 2022. And to those of your friends who had all their money in the 60/40 portfolio — let them know, in 2022 — 60/40 failed, yet SilverPepper prevailed.

With respect,

Steve Gerbel

Portfolio Manager
SilverPepper Merger Arbitrage 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.

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. The Fund also has the ability to invest in a wide array of event-driven transactions, including preferred arbitrage or other capital structure and arbitrage transactions. The market value of preferred stock is subject to issuer-specific and market risks applicable generally to equity securities and is sensitive to changes in the issuer's creditworthiness, the ability of the issuer to make payments on the preferred stock and changes in interest rates, typically declining in value if interest rates rise. In addition, a company's preferred stock generally pays dividends only after the company makes required payments to holders of its bonds and other debt. The Fund's other specific risks include short sales risk, hedging risk, smaller companies risk, foreign investment risk, derivatives risk and non-diversification risk.

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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.

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 32 out of 39 funds for the five-year period ending 12/31/2022 and 6 out of 39 funds for the trailing 1-year period ending 12/31/2022. Source: Morningstar Direct. Past performance is not indicative of future performance.

*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,” (39 funds) with category start date on or before 12-31-2022 (39 funds) for funds with 3). Unique Share Class and Institutional (lowest-fee) Share Class (14), 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 (12 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 (6 funds) and (4 funds with a start date on or before 10-31-2013). Within the Merger Arbitrage Peer Group, the SilverPepper Merger Arbitrage Fund Institutional Share class (SPAIX) was ranked 2 out of 4 funds for the since inception period 10/31/2013- 12/31/2022, ranked 6 out of 6 funds for the five-year period ending 12/31/2022 and 3 out of 6 funds for the trailing 1-year period ending 12/31/2022. Source: Morningstar Direct. Past performance is not indicative of future performance.

Portfolio holdings are subject to change without notice and are not intended as a recommendation. As of 12-31-2022, Johnson & Johnson, Abiomed, Zogenix, Akus and Adamas were 0.0% of net assets.

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.

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

Standard Deviation is a term used to indicate and quantify risk. Specifically, 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 returns to fall within 6% and 14%.

INDEX RETURNS AS OF 12/31/22	1 YR	3 YR	5 YR
Russell 1000 Growth Total Return	-29.14%	7.79%	10.96%
Russell 1000 Value Total Return	-7.54%	5.96%	6.67%
Barclays US Agg Total Return	-13.01%	-2.71%	0.02%
Barclays US Agg Gov Total Return	-12.32%	-2.57%	-0.06%
Index HFRI Event-Driven Merger Arb	2.53%	6.07%	5.65%

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Russell 1000 Value Index measures the large cap value segment of the US equity universe. It includes those Russell 1000® companies with lower price-to-book ratios and lower expected growth values. The Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics.

Russell 1000 Growth Index measures the performance of the large cap growth segment of the US equity universe. It includes those Russell 1000® companies with higher price-to-book ratios and higher forecasted growth values. The Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics.

Bloomberg Barclays Capital U.S. Aggregate Bond Index covers the U.S. dollardenominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. All issues in the Aggregate Index are rated Baaa3/BBB-/BBB- or higher (using the middle rating of Moody's, S&P, and Fitch, respectively) and have at least one year to maturity and have an outstanding par value of at least $250 million.

Bloomberg Barclays Capital U.S. Government Index: The index measures the performance of the U.S. Treasury and U.S. Agency Indices, including Treasuries and U.S. agency debentures. It is a component of the U.S. Government/Credit Index and the U.S. Aggregate Index.

HFRI Event-Driven Merger Arbitrage Index measures strategies that employ an investment process primarily focused on opportunities in equity and equity related instruments of companies that are currently engaged in a corporate transaction. Merger Arbitrage involves primarily announced transactions, typically with limited or no exposure to situations which pre-, post-date or situations in which no formal announcement is expected to occur. Merger arbitrage strategies typically have over 75% of positions in announced transactions over a market cycle.

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