River Canyon Total Return Fund Q4 2018 Commentary

For the calendar year ended December 31, 2018, the River Canyon Total Return Bond Fund (RCTIX) outperformed its benchmark, the Bloomberg Barclays Aggregate Bond Index, by 181 basis points net of fees, returning +1.82% while the index returned +0.01%. In Q4 the fund returned -1.19% net of fees, underperforming the index by 283 basis points due to a material widening in credit spreads in December. In a year where most asset classes produced negative returns, RCTIX generated its fourth consecutive year of positive absolute and relative returns.

Net Returns as of 12/31/2018	1 mo.	3 mo.	YTD	1 Yr	3 Yr (ann)	SI* (ann)
RCTIX	0.06	-1.19	1.82	1.82	4.86	4.91
Bloomberg Barclays U.S. Agg. Bond Index	1.84	1.64	0.01	0.01	2.06	1.70

*Since 12/30/2014
Expense ratios*: gross 2.30%, net 0.72%

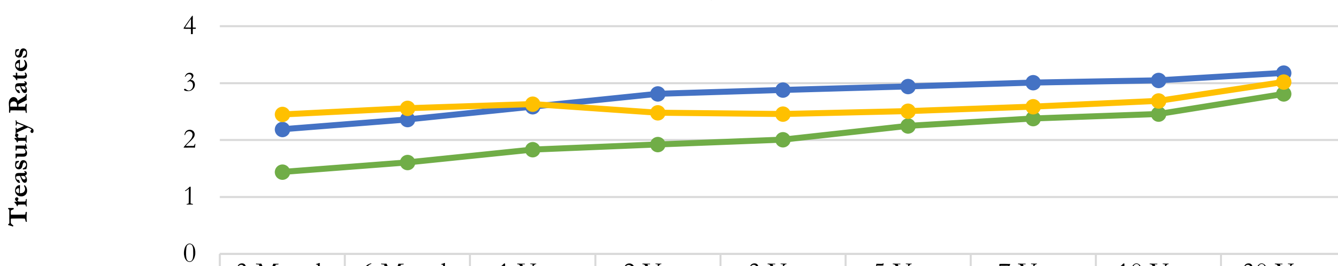
The performance data quoted represents past performance and is no guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For the most recent month-end performance, please call 310-272-1084.

Market Commentary

The fourth quarter of 2018, and December in particular, will be remembered for one of the worst quarters on record for risk assets. While economic growth held up well throughout the year, financial assets prices suffered as anxiety about late economic cycle dynamics, a hawkish Fed, tighter financial conditions and an ongoing trade policy dispute affected risk appetite across the major risk asset classes. The S&P 500 index erased its 11% YTD gain through September to end 2018 down -4.4%. High yield bonds also finished in negative territory for the year (-2.1%) as higher interest rates prompted record outflows. Treasury yields across the curve rallied amidst the Q4 volatility with the 10-year yield ending the year at 2.7%. Cash was a top performing asset class for 2018, with 3-month T-Bills returning +1.9%.

In December, the Fed hiked for a fourth time during the year, increasing the benchmark rate 25 basis points to 2.50%. In the post-meeting comments, the committee tempered its outlook for GDP growth and adjusted down forward rate hike projections from three to two over the coming year. An early and sharp rally thus far in 2019 has already reversed a substantial amount of the drawdown that occurred in risk assets in December. As of January 18, RCITX has returned +0.39% year-to-date, while the benchmark has returned +0.07%.

US Treasury Yield Curve



	3 Month	6 Month	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year	30 Year
1/1/2018	1.44	1.61	1.83	1.92	2.01	2.25	2.38	2.46	2.81
9/30/2018	2.19	2.36	2.59	2.81	2.88	2.94	3.01	3.05	3.18
12/31/2018	2.45	2.56	2.63	2.48	2.46	2.51	2.59	2.69	3.02

1/1/2018 9/30/2018 12/31/2018

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Housing and Mortgage Market Recap

Housing fundamentals remained strong in 2018, however, purchase and refinancing activity slowed into year-end. Average home prices continued their upward trajectory albeit at a slower annual growth rate of 5.5%, as of October.[1] The incentive for borrowers to refinance existing mortgages has diminished over the year as the average 30-year mortgage rate increased by 61bps to 4.88%.[2] The combination of higher home prices and higher mortgage rates was reflected in the decline of the housing affordability index.

[1] S&P CoreLogic Case-Shiller U.S. Home Price Index
[2] National Association of Realtors

RCTIX 4th Quarter Performance Recap

Throughout 2018 we focused on positioning the portfolio in higher quality, more liquid securities. The environment of relatively flat interest rate, credit, and liquidity curves drove us to position the portfolio with a defensive posture, while still generating steady income and being well positioned to capitalize on dislocations that tend to occur in late stage credit cycles. December was a good example of this as we were able to buy target securities at attractive valuations.

For the quarter and the year, interest income was the primary positive contributor to the fund's performance, driving the outsized positive returns for 2018. The fund's long-term structural exposure to Agency RMBS anchors the high quality bias of the portfolio and contributed positively in both price and income for the fourth quarter. However, the portfolio was impacted by unrealized mark-to-market movement in non-Agency RMBS, which offset the positive interest income and contributed to the negative return posted for Q4.

Top Performance Contributors

- Agency RMBS
- Agency IIOs / Mortgage Derivatives

Top Performance Detractors

- Non-Agency MBS

Portfolio Positioning and Outlook

We are maintaining our portfolio bias toward higher quality and liquidity. We believe the absolute and risk-adjusted returns broadly available favor such stance and continue to enable us to capitalize on spikes in volatility. The fund's structural allocation to Agency Mortgages provides a high quality anchor during periods of volatility, as tested in the fourth quarter, and generates steady income with the opportunity for price appreciation. The fund's non-Agency RMBS positions benefit from a healthy economic environment, a scarcity of new issuance, and robust U.S. housing market. Looking forward, we believe the fund is in a favorable position to continue generating positive absolute and relative returns.

Peer Analysis

31-Dec-18	QTD*	YTD*	Since Inception* (ann)
RCTIX	**-1.19**	**1.82**	**4.91**
Indices			
BB US Agg Bond Index	1.64	0.01	1.70
Morningstar Multi Sector Bond Category	-1.51	-1.52	2.28

**Mutual fund returns are presented net of fees. SI Annualized since 12/30/2014.*

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Disclaimer

Certain Investment Risks

It is important to note that the Fund is not guaranteed by the U.S. Government. Fixed income investments involve interest rate risk, issuer credit risk, prepayment risk, duration risk, price volatility risk and risk of default. Funds investing in bonds can lose their value as interest rates rise, and investors participating in such Funds can suffer a partial or total loss of their principal.

Mortgage-backed and other asset-backed securities involve risks that are different from or more acute than risks associated with other types of debt instruments. For example, rising interest rates tend to extend the duration of fixed-rate MBS, making them more sensitive to changes in interest rates and causing funds investing in such securities (such as the Fund) to exhibit additional volatility. Conversely, declining interest rates may cause borrowers to pay off their mortgages sooner than expected, thereby reducing returns because the Fund may be required to reinvest the return of borrower principal at the lower prevailing interest rate. MBS related to floating rate loans may exhibit greater price volatility than a fixed rate obligation of similar credit quality. With respect to non-agency MBS, there are no direct or indirect government or agency guarantees of payments in pools created by non-governmental issuers. Non-agency MBS also are not subject to the same underwriting requirements for the underlying mortgages that are applicable to those mortgage-related securities that have a government or government-sponsored entity guarantee.

For a more complete list of Fund risks, please see the Prospectus. For additional information, please contact rivercanyon@canyonpartners.com or (310) 272-1084.