



# River Canyon Total Return Fund Q1 2019 Commentary

The first quarter of 2019 was another strong period for the River Canyon Total Return Bond Fund (RCTIX) on an absolute and relative return basis. For the quarter ending March 31, 2019, the fund outperformed its benchmark, the Bloomberg Barclays Aggregate Bond Index, by 298 basis points net of fees, returning 5.92% while the index returned 2.94%.

Net Returns as of 03/31/2019	1 mo.	3 mo.	YTD	1 Yr	3 Yr (ann)	SI* (ann)
RCTIX	0.77	5.92	5.92	8.43	6.94	6.05
Bloomberg Barclays U.S. Agg. Bond Index	1.92	2.94	2.94	4.48	2.03	2.29

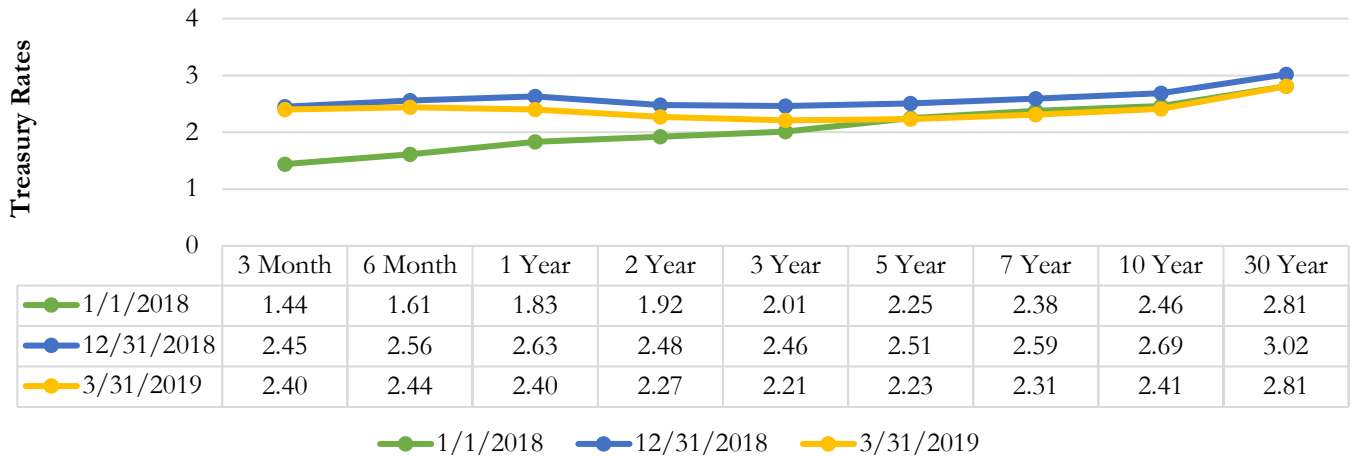
\*Since 12/30/2014  
Expense Ratio: Gross 2.49%; Net 0.71%

*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

After a volatile December, risk assets rebounded sharply throughout the first quarter of 2019. The positive sentiment was partly driven by the Fed's pivot from "autopilot" to a more patient, data-dependent policy roadmap. Market expectations reversed from anticipating rate hikes to pricing in a rate cut in 2019. Strong economic and employment reports along with progress in China/US trade negotiations also helped risk assets trade higher throughout the quarter. The S&P produced its best first quarter since 1998, returning 13.65%. The 10-year Treasury ended the quarter at 2.40% after reaching 3.25% in November 2018. The US Treasury Index returned 2.10% for the quarter, the High Yield index returned 7.26% and the S&P/LSTA Loan Index returned 3.98%.

US Treasury Yield Curve\*



\*Source: US Department of Treasury

## RCTIX First Quarter Performance Recap

### Top Performance Contributors

- Non-Agency RMBS
- Agency RMBS



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### Top Performance Detractors

- Interest Only Mortgage Derivatives

### Portfolio Positioning and Outlook

In a fixed income investment environment characterized by relatively flat interest rate, credit and liquidity curves, we are maintaining a portfolio bias towards higher quality, more liquid securities with resilient yield profiles across an array of interest rate and credit outcomes. The fund's exposure to Agency RMBS anchors this high quality bias. The fund's non-Agency RMBS is focused on seasoned, legacy securities at discounted prices. This part of the portfolio can continue to benefit from a healthy economic environment, a scarcity of new issuance, and general home value improvement. We are maintaining the same investment discipline for managing inflows into RCTIX while focusing on researching and analyzing securities across the \$11+ trillion structured credit market. Looking forward, we believe the fund is in a favorable position to continue generating positive absolute and relative returns.

31-Mar-19	QTD*	YTD*	Since Inception* (ann)
<b>RCTIX</b>	<b>5.92</b>	<b>5.92</b>	<b>6.05</b>
<b>Indices</b>			
BB US Agg Bond Index	2.94	2.94	2.29
BB US MBS Index	2.17	2.17	2.10
Morningstar Multi Sector Bond Category	2.88	2.88	2.28

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

### Disclaimer

Any investment in the Fund involves significant risk, including the risk of loss of all or a portion of your investment. The results indicated herein include both realized and unrealized gains and losses, and actual results when realized may differ materially from those set forth herein. Total returns include reinvestment of dividends and distributions.

Certain information contained herein constitutes "forward-looking statements", which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "target," "project," "estimate," "intend," "continue" or "believe" or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of an individual investment, an asset class or the Fund may differ materially from those reflected or contemplated in such forward-looking statements. Past performance is not indicative of future results.

River Canyon Fund Management LLC (the "Adviser") has contractually agreed to waive fees and reimburse expenses to the extent that Total Annual Fund Operating Expenses (excluding brokerage costs, interest, taxes, dividend expense on short positions, litigation and indemnification expenses, expenses associated with investments in underlying investment companies, and extraordinary expenses) exceed 0.65% until January 28, 2020.

### 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.



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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.

**The River Canyon Total Return Bond Fund is offered only by prospectus. The prospectus contains important information, including investment objectives, risks, advisory fees and expenses. Please read the Prospectus carefully before investing or sending money. For a current Prospectus please call 800-245-0371. Distributed by Foreside Financial Services, LLC.**

For additional information, please contact [rivercanyon@canyonpartners.com](mailto:rivercanyon@canyonpartners.com) or (310) 272-1850.