



# River Canyon Fund Management LLC

---

River Canyon Total Return Bond Fund (RCTIX)

Quarterly Investment Report

Q3 2021

*For Institutional Investor Use Only*

# River Canyon Total Return Bond Fund - RCTIX

## Q3 2021 – Quarterly Investment Report

### Portfolio Performance

The River Canyon Total Return Bond Fund, returned 1.16% in the quarter, while the Bloomberg Barclays Aggregate Bond Index returned 0.05%. The Fund's CMBS, RMBS, and ABS exposures were the primary contributors to performance.

#### Contributors

- CMBS
- RMBS Agency and Non-Agency
- Aircraft ABS
- Municipals (Puerto Rico GDBs)

#### Detractors

- Mortgage REIT

#### Performance periods ended 9-30-2021

	3 mos.	YTD	1 yr.	3 yrs.	5 yrs.	SI
RCTIX (net %)	1.16	4.63	8.10	7.12	6.55	6.26
Bloomberg US Aggregate Index (%)	0.05	-1.55	-0.90	5.36	2.94	3.12

*The performance data quoted represents past performance and is not a guarantee of future results. 2021 YTD returns through 9-30-2021. 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, visit [rivercanyonfunds.com](http://rivercanyonfunds.com) or call 310-272-1850.*

### Portfolio Strategy

- **CMBS - Single Asset, Single Borrower:** CMBS senior tranches remain the highest allocation to the portfolio at 26%. We view the exposures as high quality, short duration, floating rate ballast that provides yields in the mid-single digits and should be resilient across a range of macroeconomic and interest rate scenarios.
- **RMBS Agency:** Focused on specific collateral cohorts, Agency CMO's benefited from rising rates and slower projected prepayment speeds. Favor lower balance, new issue securities given positive carry, strong housing fundamentals, and asymmetric upside in a higher rate environment.
- **RMBS Non-Agency:** Positive carry and a slight flattening of the yield curve in Q3 drove returns across non-Agency collateral.
- **Aircraft ABS:** Primarily senior exposures in post-Covid transactions focused on specific collateral type.
- **Municipals (Puerto Rico – GDBs):** Performed well in the quarter driven by positive micro developments on underlying assets as well as clearer visibility of plan confirmation and emergence from restructuring.

#### Fund Information

Fund Assets (MM)	\$866.4
Net Expense Ratio	0.68%
Gross Expense Ratio	1.09%
Inception Date	12-30-2014

#### Fund Summary – 9/30/2021

Up / Down Capture Ratio	91.3% / -24.7%
Sharpe Ratio	1.37
Effective Duration (yrs.)	0.66
Benchmark Duration (yrs.)	6.71
SEC Yield (Sub) <sup>1</sup>	2.36%
SEC Yield (Unsub) <sup>1</sup>	2.09%
Morningstar Category % Rank - 5yr	1
Morningstar Category % Rank - 3yr	1
Overall Morningstar Rating™	★★★★★

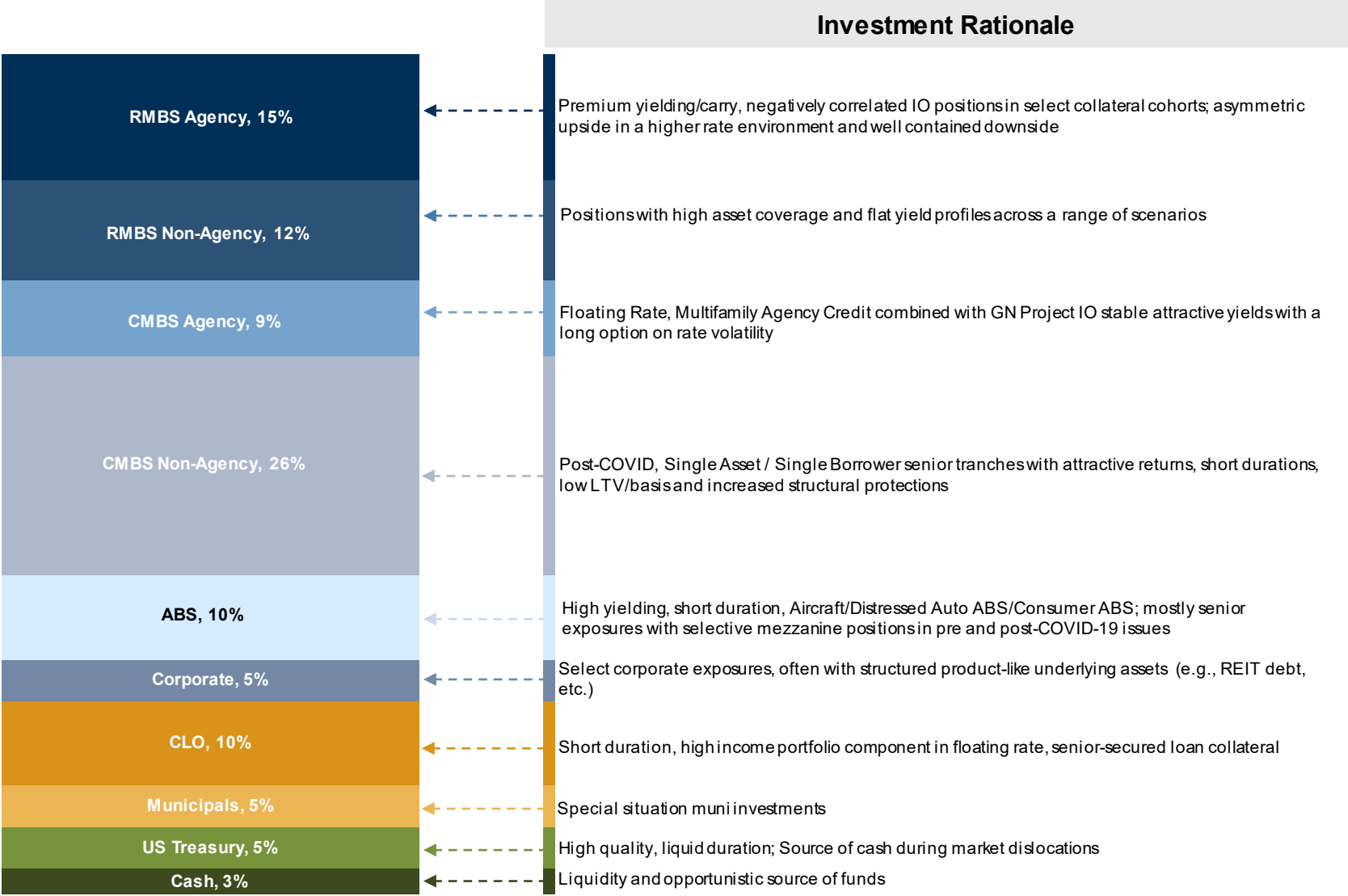
#### Portfolio Credit Quality – 9/30/2021<sup>2</sup>

AAA/Agency	31%
Not Rated	38%
AA	2%
A	4%
BBB	10%
BB	5%
B	3%
≤CCC	7%

<sup>1</sup> SEC Yield: The 30-Day Yield represents net investment income earned by the Fund over the 30-Day period ended 9/30/2021, expressed as an annual percentage rate based on the Fund's share price at the end of the 30-Day period. The 30-Day unsubsidized SEC Yield does not reflect any fee waivers/reimbursements/limits in effect. <sup>2</sup> Quality ratings reflect the credit quality of the underlying securities in the Fund's portfolio and not that of the Fund itself. Quality ratings are subject to change. Moody's assigns a rating of Aaa as the highest to C as the lowest credit quality rating. S&P assigns a rating of AAA as the highest to NR as the lowest credit quality rating. Please see Important Disclosures and Risk Factors.

# Portfolio Composition<sup>1</sup>

The Fund’s portfolio is diversified across sectors, collateral type, coupon type, and other risk factors.

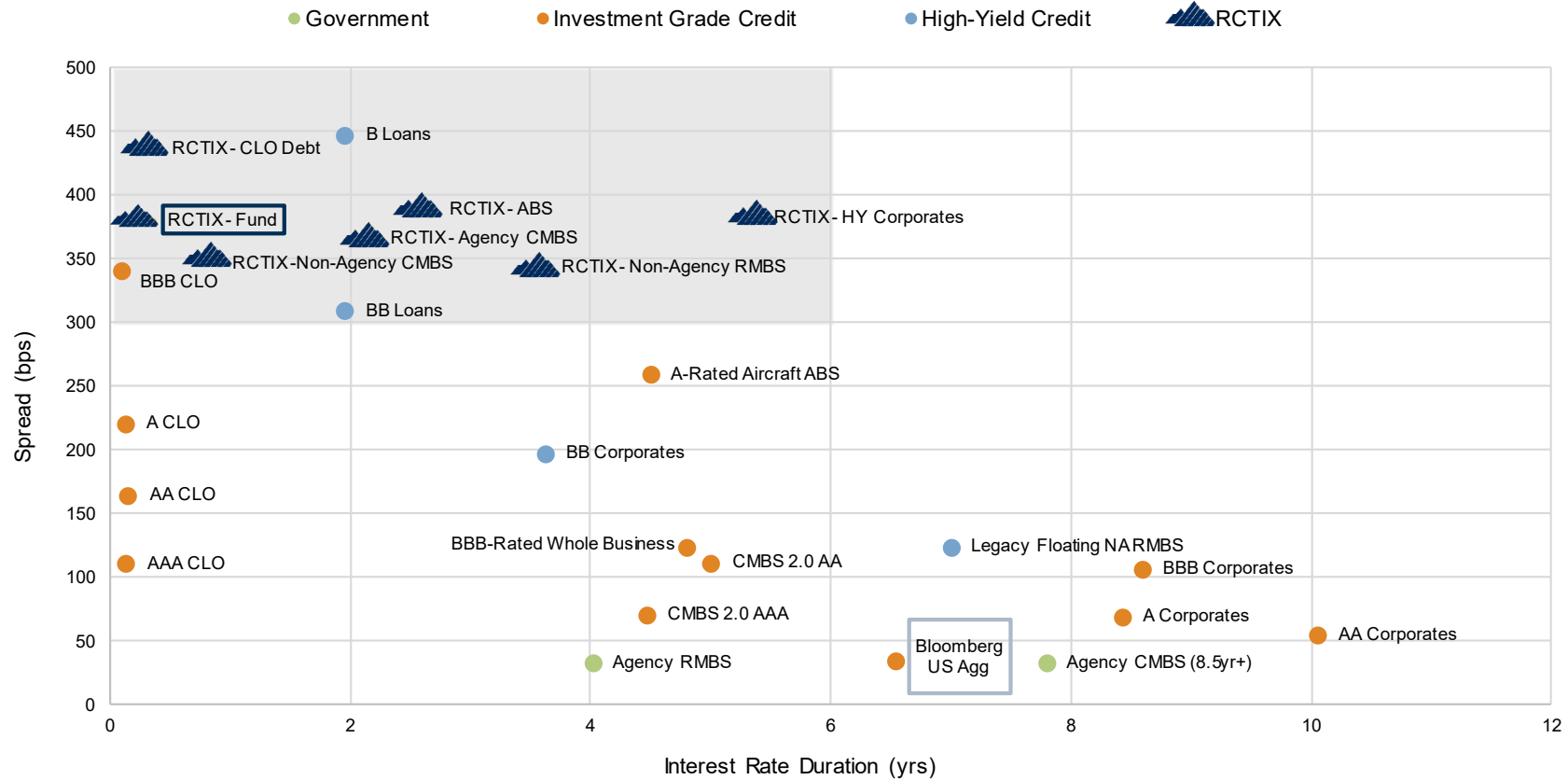


<sup>1</sup> As of 9/30/2021.

# RCTIX Positioning



RCTIX's high-quality portfolio has a higher spread and lower interest rate duration than a wide range of the traditional fixed-income indices and sectors.

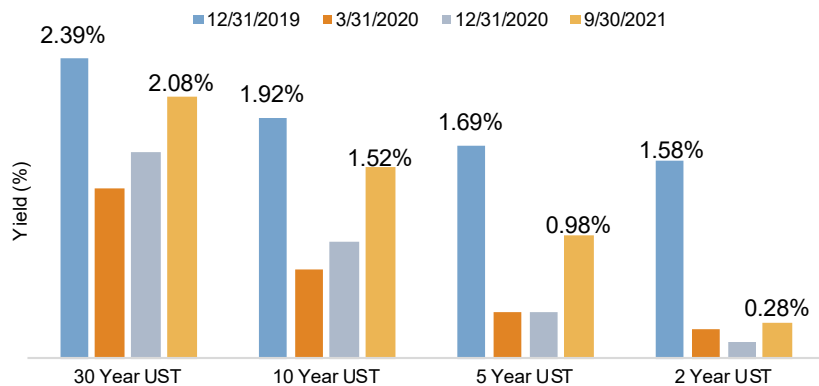


Sources: Credit Suisse, Bloomberg, JPM, Canyon internal data. Data as of 8/31/2021. Representative Indices: Bank Loans: Credit Suisse Leveraged Loan Index; High-Yield Corporate Bonds: Bloomberg U.S. High-Yield Corporate Index; Investment-Grade Credit and A through BBB Corporates: Bloomberg US Corporate and A through BBB subsets; BB Corporates: Bloomberg US High Yield Index (BB subset); Agency RMBS: Bloomberg U.S. Aggregate Index (Agency RMBS subset); CLOs: JP Morgan CLOIE Index (A, AA, AAA, and BBB subsets); CMBS 2.0 AAA through AA: Bloomberg CMBS 2.0 Index (AAA through AA subsets); Agency CMBS: US Aggregate Index (Agency CMBS 8.5+yr subset); Bloomberg US Aggregate Index; Legacy Floating NA RMBS, A-Rated Aircraft ABS, and BBB-Rated Whole Business are based on Canyon internal estimates. Spreads are to interpolated swap curve at the security's weighted average life; Interest Rate Duration – the sensitivity of the price of a security to changes in interest rates.

# Market Backdrop

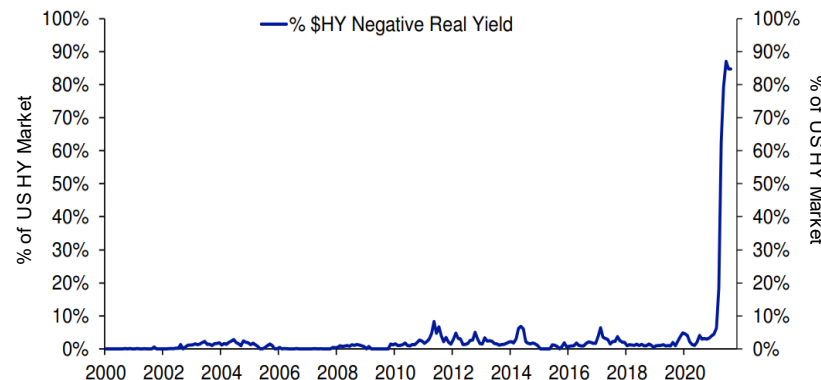
## Low Rates:

Monetary policy remains accommodative, with rates along the curve persisting at historically low levels.<sup>1</sup>



## Negative Real Yields:

With headline CPI currently standing at 5.4%, nearly **85%** of the US HY market has a yield below the current rate of inflation.<sup>3</sup>



## Tight Spreads:

Credit spreads have dropped below tightness witnessed immediately pre-COVID.<sup>2</sup>

Spread (bps)	Pre-COVID (2/28/2020)	Current (9/30/2021)	Δ
S&P/LSTA Loan Index Spread	451 bps	399 bps	<b>-52 bps</b>
Barc HY Bond Index Spread	500 bps	287 bps	<b>-213 bps</b>
Barc CCC Bond Index Spread	1028 bps	522 bps	<b>-506 bps</b>
Barc IG Bond Index Spread	122 bps	84 bps	<b>-38 bps</b>

## Inflationary Pressures:

A sharp economic recovery, driven by large fiscal stimulus, low cost of capital and pent up demand post-COVID, combined with continued supply chains interruptions is causing dramatic price inflation across markets.<sup>2</sup>

Commodity Prices	12/31/2020	9/30/2021	% Δ
Brent Crude	\$51.80	\$78.52	<b>+52%</b>
WTI	\$48.52	\$75.03	<b>+55%</b>
Copper	\$351.90	\$408.90	<b>+16%</b>

<sup>1</sup> Source: U.S. Department of the Treasury. <sup>2</sup> Source: Bloomberg. <sup>3</sup> Source: Bloomberg, Deutsche Bank

# Important Disclosures

This presentation is provided for informational purposes only, does not purport to be complete, and may not contain certain material information (including, without limitation, important disclosures and risk factors associated with an investment in Canyon's funds). This Presentation is not intended to be, nor should it be construed or used as, financial, legal, regulatory, tax, investment or other advice. Before making any investment decision, prospective investors should thoroughly and carefully review the River Canyon prospectus to determine whether an investment is suitable for them.

***The performance data quoted herein represents past performance and is not a 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 800-245-0371 or 312-557-0164.***

The Fund's benchmarks for performance comparison purposes are the Bloomberg U.S. Aggregate Bond Index. The Bloomberg U.S. Aggregate Bond Index is an unmanaged index that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, mortgage pass-through securities, and asset-backed securities. The table herein reflects the theoretical reinvestment of dividends on securities in the index. The impact of any transaction costs and the deduction of expenses associated with a mutual fund, such as investment management and administration fees, are not reflected in the index calculations. It is not possible to invest directly in an index.

## **IMPORTANT MORNINGSTAR DISCLOSURES**

Morningstar Rating™ as of 30 September 2021 for the Inst. series; other classes may have different performance characteristics. The River Canyon Total Return Bond Fund was rated against the following numbers of Short-Term Bond funds over the following time periods: Overall 5 Stars (547 funds rated); 3 Yrs. 5 Stars (547 funds rated); 5 Yrs. 5 Stars (483 funds rated). Past performance is no guarantee of future results. The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Morningstar's percentile ranking is based on the highest (or most favorable) rank of 1 and the lowest (or least favorable) percentile rank of 100.

© 2021 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

# Summary of Risk Considerations

## PRINCIPAL INVESTMENT RISKS

**Investment Risk.** 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 and risk of default, and price volatility risk as detailed below. 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. The Fund invests in asset backed and mortgaged backed securities which may be more volatile than other fixed income securities and influenced by the housing markets or markets from which the collateral is drawn.

**Fixed Income Risk.** When the Fund invests in fixed income securities, the value of the Fund will fluctuate with changes in interest rates. Defaults by fixed income issuers in which the Fund invests will negatively affect performance.

**Interest Rate Risk.** Interest rate risk refers to changes in interest rates that will affect the value of a portfolio's investments in fixed income securities. When interest rates rise, the value of investments in fixed income securities tends to fall and this decrease in value may not be offset by higher income from new investments. On the other hand, if interest rates fall, the value of fixed income investments generally increases. Interest rate risk is generally greater for fixed-income securities with longer maturities or durations. Interest rates in the U.S. recently have been near or at historically low levels. Consequently, the risk associated with rising interest rates are heightened at this time.

**Credit Risk.** Fixed income securities are subject to varying degrees of credit risk. Credit risk is often reflected in credit ratings. The value of an issuer's securities held by the Fund may decline in response to adverse developments with respect to the issuer. If an issuer or guarantor of a security held by the Fund or a counterparty to a financial contract with the Fund defaults or is downgraded, or is perceived to be less creditworthy, or if the value of the assets underlying a security declines, the value of an investment in the Fund typically will decline. High yield securities and unrated securities of similar credit quality (commonly known as "junk bonds") have a higher risk of default and are considered speculative. High yield securities also may be more volatile than higher-rated securities of similar maturity.

**Market Risk.** Market risk refers to the risk related to investments in securities in general and the daily fluctuations in the securities markets. The market prices of the Fund's securities may go up or down, sometimes rapidly or unpredictably, due to many factors, including fluctuation in interest rates, lack of liquidity in the bond market, national and international economic conditions, adverse investor sentiment and general market conditions.

**Asset Backed, Mortgage-Related, Mortgage-Backed Securities Risk.** These types of securities are subject to the risks affecting fixed income securities generally and may be particularly volatile. In addition, the value of these securities will be influenced by factors affecting the housing markets or markets from which the collateral is drawn. Some of these securities may receive little or no collateral protection from the underlying assets. All of these risks are heightened for mortgage-backed securities that include "sub-prime" mortgages. In addition, the structure of some of these securities is complex and there may be less available information than for other types of securities.

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, 2022. The current gross expense ratio is 1.09% and the net expense ratio is 0.68%.

Investors entering a fund at a date other than inception may have different returns than those shown in this presentation.

**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.**

© River Canyon Fund Management. All rights reserved. For a more complete list of Fund risks, please see the Prospectus.