Performance Trust Multisector Bond Fund

Q4

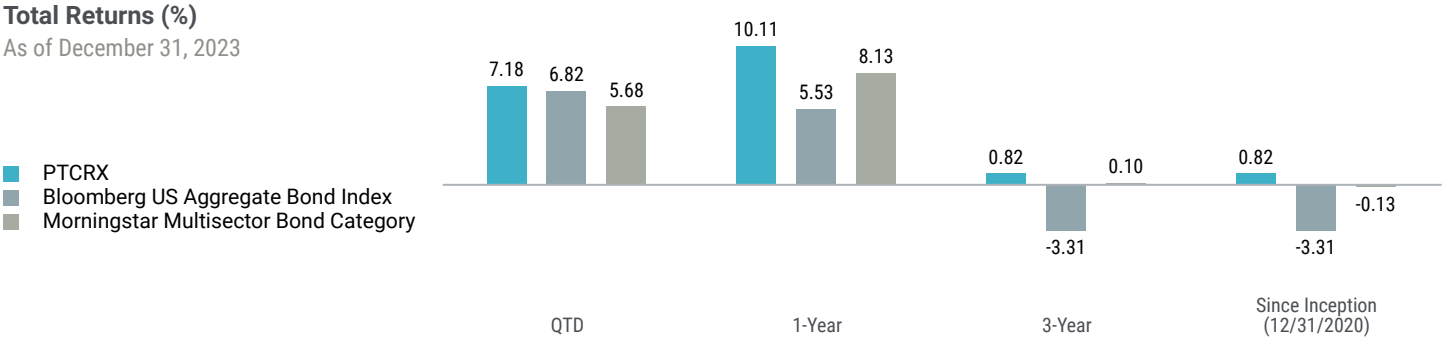
COMMENTARY | 12.31.2023 | CLASS C: **PTCRX**

Performance

PTCRX returned 7.18% in the fourth quarter of 2023, while the Bloomberg US Aggregate Bond Index returned 6.82% and the Morningstar Multisector Bond Category (category average) returned 5.68%.

Outperformance relative to the Index and the Morningstar Category average can be attributed to the combination of interest rate and credit spread rallies experienced in the fourth quarter. While the Index benefited the most from the rate rally given its higher interest rate sensitivity, the Fund was still able to outperform as credit spread tightening was more impactful on returns within the Fund. Outperformance relative to the Category can likely be attributed to the Fund's exposure to both Municipal and Corporate bonds which both performed well this quarter. The Category has very little exposure to Municipal bonds, and while the Category has similar exposure to Corporate credit, our focus is on adding the best combination of solid credits and good structure. Good structure is especially important for HY Corporates, where the traditional structure has an 8-year maturity with a 3-year call. This structure can be problematic when bonds are purchased near par as it leads to asymmetric price sensitivity where the bond can depreciate like an 8-year bond while it only appreciates like a 3-year bond.

Total Returns (%)
As of December 31, 2023



Portfolio strategy and positioning

We focus on building a well-diversified multisector bond fund that we believe can generate strong returns in multiple market environments. Our investment process, Shape Management®, digs deeper into future return and risk outcomes than superficial traditional metrics like yield and duration.

Rates and credit spreads continued to rise as concern over a hawkish Federal Reserve (the "Fed") carried over into the beginning of the fourth quarter with the 10-year U.S. Treasury trading above 5% for the first time since 2007. However, this concern peaked after the Fed kept its target for the Federal Funds Rate ("Fed Funds") constant at the October/November meeting and was further abated by subsequent soft employment and inflation data throughout the remainder of the quarter. This led to a dramatic turnaround during the final two months of the year that can best be visualized looking at Fed Funds Futures where the market went from pricing in 2 interest rate cuts in 2024 to 6. The result was a strong rally in both interest rates and credit spreads that benefited almost every market. U.S. Treasurys 1-year and longer rallied roughly 70 basis points (bps) while shorter tenors inside 1-year remained somewhat anchored to current Fed Funds. This resulted in further

Performance data quoted represents past performance which does not guarantee future results. The 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 original cost. Current performance may be lower or higher than the performance quoted. Performance data current to the most recent month-end may be obtained at www.ptam.com or by calling (866 792-9606. Returns over one year are annualized. The net expense ratio is 1% and the gross expense ratio is 1.07%. Pursuant to an operating expense limitation agreement between the Fund's investment adviser, PT Asset Management, LLC (the "Adviser", and the Trust, on behalf of the Fund, the Adviser has agreed to waive its management fees and/or reimburse Fund expenses to ensure that Total Annual Fund Operating Expenses (exclusive of any Excluded Expenses for Institutional Class shares do not exceed 0.99% of the Fund's average daily net assets through at least December 29, 2024.

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PT Asset Management, LLC

inversion when comparing the 3-month U.S. Treasury to the 10-year U.S. Treasury which went from 88 bps at the end September to 146 bps by year end.

As mentioned above, corporate credit spreads moved tighter with IG Corporates (IG) tighter by 22 bps, and High Yield Corporates (HY) tighter by 71 bps. Both IG and HY corporate spreads have tightened to levels not seen since the start of 2022 and are now in the 25th percentile on both a 5 and 10-year basis (spreads have been wider/higher 75% of the time).

The Fund took advantage of the tightening in HY Corporates to lighten up on a couple of credits and swap into IG Corporates, specifically IG Corporate (Banks). Credit spreads within this sector remain attractive relative to other Corporate alternates and we remain highly selective focusing on what we believe are the strongest credits. Similarly, the Fund reduced exposure to BB rated CLOs in favor of a new issue BBB rated CLO. Like HY Corporates, new issue CLOs typically have poor structures at issuance since they are sold at par with a long maturity and short call. However, this BBB CLO was issued with a shorter maturity and had several attractive attributes relative to secondary options including strong collateral composition, high credit enhancement, and wide spread. In general, the theme behind these two trades was to lighten up on credit risk as credit spreads moved towards historically tight levels.

The Fund also sold out of its entire Agency CMBS exposure replacing some of the proceeds in favor of Non-Agency CMBS. These high quality, shorter Agency CMBS profiles were swapped into a combination of similar high quality, short profiles as well as single A rated credits within Non-Agency CMBS

Portfolio Outlook

The 10-year U.S. Treasury was perfectly unchanged in 2023, finishing the year exactly where it started at 3.88%. However, 2023 was anything but calm as rates traded in over a 150 bp range throughout the year. Meanwhile HY Corporates tightened over 140 bps in 2023, but offered many attractive entry points throughout the year. This volatility led to multiple opportunities which helped the Fund (10.11%) outperform both the Index (5.53%) and Category (8.13%) over the entire year.

Looking ahead to 2024 we recognize that despite the swift rally in rates recently, they remain elevated on a historical basis. On the other hand, credit spreads, using HY Corporate spreads as a proxy, are trading closer to the tightest levels observed over the last 10 years than the average level over the same time period. Given this landscape, we look to position the Fund more conservatively from a credit perspective than the recent past and look to add value selectively in certain sectors as opportunities arise. This likely means adding on the margin to sectors such as Non-Agency CMBS where we believe the risk/reward is more appropriately balanced and paring it with longer high quality positions that take advantage of higher interest rates. We look forward to what 2024 brings and as always, will let the combination of Shape Management® and our consistent bottom-up credit approach guide our decision making.

Glossary

Basis Points (BPS) refer to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument. The relationship between percentage changes and basis points can be summarized as follows: 1% change = 100 basis points and 0.01% = 1 basis point. Basis points are typically expressed in the abbrevi- ations "bp," "bps," or "bips." **Bloomberg U.S. Aggregate Bond Index** represents securities that are taxable and USD denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass through securities, and asset- backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. It is not possible to invest in an index. **Carry** refers to the expected return of an asset when market circumstances stay the same. **ABS** (asset backed securities), **CLO** (collateralized loan obligation), **IO** (interest only), **MBS** (mortgage-backed securities), The **Morningstar Multisector Bond Category** consists of portfolios that seek income by diversifying their assets among several fixed income sectors, usually U.S. government obligations, U.S. corporate bonds, foreign bonds, and high-yield U.S. debt securities. These portfolios typically hold 35% to 65% of bond assets in securities that are not rated or are rated by a major agency such as standard & Poor's or Moddy's at the level of BB (considered speculative for taxable bonds) and below. **P&I** (principal and interest) **RMBS** (residential mortgage-backed securities). The credit quality of the securities in a portfolio is assigned by a nationally recognized statistical rating organization (NRSRO) such as Standard & Poor's, Moody's, or Fitch, as an indication of an issuer's creditworthiness. Ratings range from 'AAA' (highest) to 'D' (lowest). Bonds rated 'BBB' or above are considered investment grade. Credit ratings 'BB' and below are lower-rated securities. High yielding, non-investment-grade bonds involve higher risks than investment-grade bonds. Adverse conditions may affect the issuer's ability to pay interest and principal on these securities.

Investment Considerations

Mutual fund investing involves risk; principal loss is possible. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in lower rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. Investments in asset-backed and mortgage- backed securities include additional risks that investors should be aware of such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. The Fund may invest in Real Estate Investment Trusts which involve additional risks such as declines in the value of real estate and increased susceptibility to adverse economic or regulatory developments. Derivatives involve investment exposure that may exceed the original cost and a small investment in derivatives could have a large potential impact on the performance of the Fund. Options and swap positions held in the Fund may be illiquid and the Fund manager may have difficulty closing out a position. The Fund may also invest in equities, including common and preferred stock, as a non-principal investment strategy and exchange-traded funds ("ETFs"). ETFs are subject to additional risks that do not apply to conventional mutual funds, including the risks that the market price of an ETF's shares may trade at a discount to its net asset value, an active secondary trading market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact the Fund's ability to sell its shares.

Diversification does not assure a profit nor protect against loss in a declining market.

While PTCRX (Class I) is no-load, management fees and other expenses still apply. Please refer to the prospectus for further details.

The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The summary and statutory prospectuses contain this and other important information about the investment company, and may be obtained by calling 1.877.738.9095. Read carefully before investing.

PT Asset Management, LLC ("PTAM") is the advisor to the PTAM Funds, which are distributed by Foreside Fund Services, LLC ("Foreside"). PTAM and Foreside are not affiliated.