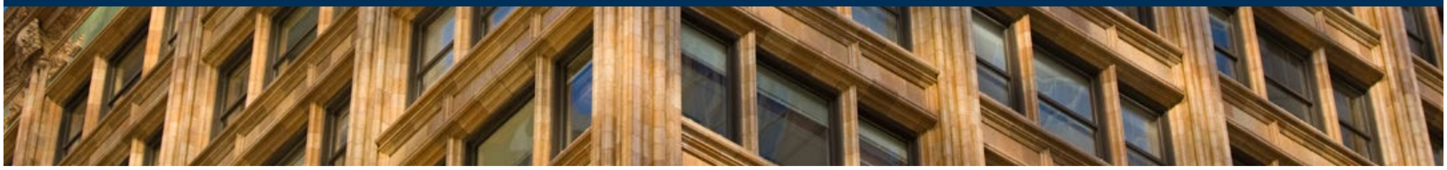
PT Asset Management, LLC

Performance Trust Strategic Bond Fund

3Q 2018 | COMMENTARY

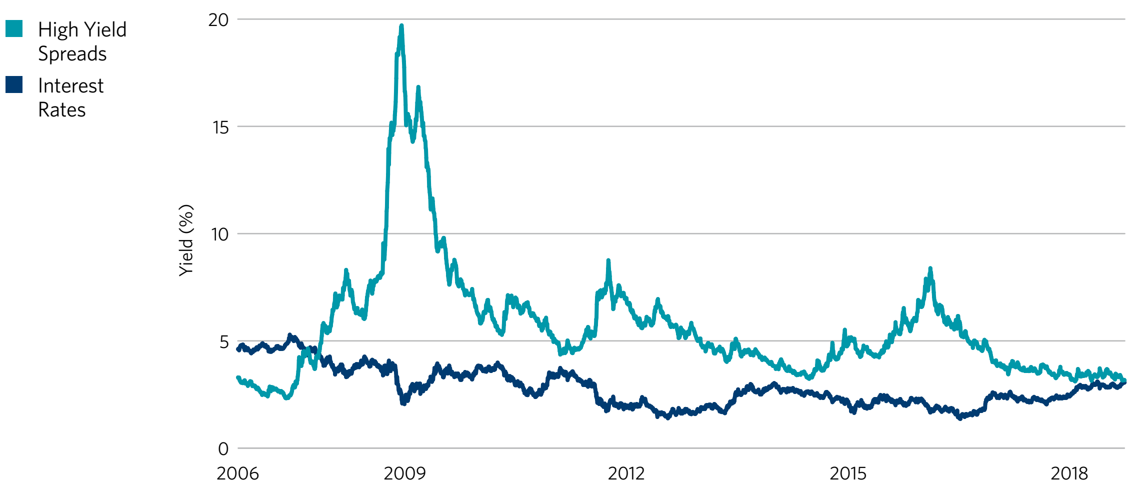
PTIAX | 866.792.9606 | www.ptam.com



Fund Performance

For the third quarter of 2018, the Performance Trust Strategic Bond Fund ("PTIAX" or the "Fund") returned 0.31%, outperforming the Bloomberg Barclays U.S. Aggregate Bond Index's (the "Index") return of 0.02%. During the first two months of the quarter, interest rates were about as stable as we have seen all year. That changed in September, when interest rates rose sharply across all maturities. The 5-Year, 10-Year, and 30-Year U.S. Treasury notes rose 20 basis points (bps), 19 bps, and 17 bps, respectively. It is difficult to pinpoint a precise reason for the dramatic bond sell-off, but it seemed to begin when strong average hourly earnings were announced in early September, fanning fears of inflation. During September, emerging market volatility began to subside, trade war concerns cooled, and the Federal Reserve hiked the Fed Funds rate for the third time this year. This same confluence of events also propelled risk taking across markets, intensifying the credit spread tightening that had already begun earlier in the quarter. In fact, high yield spreads approached levels we have not seen since 2007, ending the quarter at 316 bps.

SPREADS TIGHTENED AND INTEREST RATES ROSE



10-YEAR TREASURY IS BACK TO 2011 LEVELS AND HIGH YIELD SPREADS ARE APPROACHING 2007 LEVELS

Source: Bloomberg, 9/28/2006 to 9/28/2018. **High Yield Spreads** represented by the Bloomberg Barclays US Corporate High Yield Average Option Adjusted Spread. **Interest rates** represented by the 10-Year Treasury.

We look to our structured credit allocation to provide "interest rate defense" in rising rate environments, and our structured credit sectors did not disappoint during the quarter. The Fund's non-agency residential mortgage backed securities (RMBS) were resilient during the quarter with spread tightening offsetting the vast majority of the interest rate move, resulting in relatively stable prices and strong total returns that exceeded the prior quarter.

The fund may experience negative performance. Past Performance Does Not Guarantee Future Results. 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 by visiting www.ptam.com or by calling (866) 792-9606.

Commercial mortgage backed securities (CMBS) spreads also tightened during the quarter, limiting the impact of rising interest rates somewhat and resulting in a moderately positive return.

Somewhat surprisingly, our allocation to investment grade corporate bonds (IG corporates) performed admirably during the quarter. This sector is not considered to be one of our defensive sectors. Nevertheless, IG corporates spread tightening offset a portion of the interest rate move, resulting in positive total returns similar to the performance of our CMBS allocation. Recall that we more than doubled our exposure to IG corporates in the second quarter, taking the exposure to 9.60% of the portfolio. The increase in allocation was a result of IG corporates cheapening significantly in the first half of 2018 and offering yields that we had not seen since 2011. The Fund's exposure to IG corporates was largely maintained during the quarter.

The sectors that we have long considered our "interest rate offense" include taxable munis, tax-exempt munis, and Treasuries. As would be expected in a quarter experiencing a rapid rate rise, these more interest rate-sensitive sectors detracted from the Fund's total return. Total returns were flat for taxable munis, slightly negative for Treasuries, and considerably negative for tax-exempt munis. It is worth noting that we decreased the Fund's exposure to tax-exempt munis by approximately 4% in the second quarter and reduced the exposure even more during the third quarter.

RETURNS (%) (as of 9/30/2018)

	YTD	1-Year	3-Year	5-Year	Since Inception
PTIAX (Inception Date: 9/1/2010)	0.91	1.94	4.63	5.06	6.24
BbgBarc Aggregate Bond Index	-1.60	-1.22	1.31	2.16	2.41
Morningstar Multisector Bond Category	-0.10	0.59	4.05	3.15	4.14

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Portfolio Review and Positioning

PORTFOLIO COMPOSITION (%)

	6/30/2018	9/30/2018	Change
Non-Agency RMBS	35.30	32.74	-2.56
CMBS	18.90	21.38	2.48
Tax-Exempt Municipal	13.50	12.09	-1.41
CLOs	1.76	2.45	0.69
Taxable Municipal	18.00	18.67	0.67
Cash	0.33	-0.18	-0.51
U.S. Treasuries	2.80	3.07	0.27
Corporates	9.60	9.44	-0.16

The Fund Continued to Decrease Exposure to Tax-Exempt Munis and Non-Agency RMBS; Increased Exposure to CMBS

As stated previously, we continued to decrease our exposure to tax-exempt munis during the quarter as their attractiveness relative to IG corporates and taxable muni alternatives continued to diminish. We maintained our exposure to structured credit during the quarter as we continue to believe these securities will offer defensive characteristics in a rising rate environment. However, within structured credit, we further reduced exposure to non-agency RMBS, maintained our exposure to CMBS interest-only securities (CMBS IOs), and increased our exposure to principal and interest paying CMBS. Within CMBS, we added AAA-rated senior securities structured to have shorter durations than traditional AAA-rated CMBS. We believe these securities began to offer value relative to IG corporates during the quarter in addition to having attractive structural features. While CMBS spreads tightened during the quarter, the more senior AAA-rated securities rallied less than more credit-sensitive tranches, which, in our view, increased their relative attractiveness.

After doubling the Fund's exposure to IG corporates in the second quarter, the exposure to IG corporates was largely maintained during the third quarter. While spreads are still wider now than when we began the year, spreads on IG corporates retraced some from the widening that occurred during the first half of the year.

INVESTMENT GRADE CORPORATE SPREADS RETRACTED

Source: JP Morgan, 1/2/2018 to 9/28/2018. **AA Yields** are represented by the JPMorgan US Liquid Index (JULI) All Main Sectors AA 5–7 Portfolio Yield Domestic. **A Yields** are represented by the JPMorgan US Liquid Index (JULI) All Main Sectors A 5–7 Portfolio Yield Domestic.

Mike Plaiss, CFA
Senior Portfolio Manager

Anthony Harris, CPA
Senior Portfolio Manager

Opportunities Could Emerge in Tax-Exempt Munis

Our allocation to tax-exempt munis was approximately 12% at the end of the quarter, one of our lowest exposures to the sector in quite some time. To the extent that tax-exempt munis continue to suffer, which is entirely possible if interest rate volatility persists and retail fund outflows begin, the Fund may begin rotating back into the sector. In such a scenario, the tax-exempt muni sector would likely offer higher yields and more attractive total return potential going forward.

What Differentiates PTAM?

DISTINCTIVE APPROACH TO FIXED INCOME INVESTING

EXPERTISE IN COMPLEX STRUCTURES

STRONG LONG TERM RESULTS IN VARIOUS MARKET ENVIRONMENTS

GLOSSARY

Bloomberg Barclays 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.

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.

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