OSTERWEIS

FUNDS

April 25, 2017

Dear Shareholder,

On December 30, 2016, we were pleased to launch the Osterweis Total Return Fund (the Fund) to provide our shareholders with access to an investment grade focused mutual fund that seeks to preserve capital and attain long-term returns through security selection and management of interest rate sensitivity. In its inaugural quarter (which corresponds with "since inception"), the Fund generated a 2.65% return versus 0.82% for the Bloomberg Barclays U.S. Aggregate Bond Index (the Index).

Performance data quoted represent past performance; past performance 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 their original cost. Current performance of the Fund may be higher or lower than the performance quoted. Performance data current to the most recent month end may be obtained by calling (866) 236-0050. An investment should not be made solely on returns. The Fund's gross expense ratio was 2.00% and net expense ratio was 0.76% as of December 30, 2016. The Adviser has contractually agreed to waive fees through December 31, 2018.

The Fund launched on the heels of a substantial sell-off in Treasuries in Q4 2016, following the Trump victory in the U.S. Presidential election. This "reflation trade" stemmed from heightened expectations for substantial deregulation, a large infrastructure spending program and potential cuts in taxes (both personal and corporate), including the possible repatriation of trillions of dollars held overseas by U.S. corporations. So far, the new administration's failure to achieve its first agenda item, the repeal of the Affordable Care Act (ACA), has raised doubts about the probability of its success in passing future meaningful legislation in the areas mentioned above.

However, the economy has continued to show improvement, with a tinge of wage inflation that seems to have the attention of the investment community and the Federal Reserve (the Fed). The Federal Open Market Committee (FOMC) hiked the federal funds target rate 25 basis points (0.25%) in March, a move that was largely unexpected by the market at the beginning of the year. Still, despite this early increase in the overnight rate, longer-dated Treasury yields have fallen following this Fed action. The 10-year Treasury, for example, which peaked at 2.61% shortly before the Fed hike, has since dropped to 2.39% at quarter end. Despite flat to slightly higher yields in 2-5 year bonds, carry and roll down more than compensated as these assets also delivered positive absolute returns for the quarter. Among investment grade sectors, corporate bonds delivered the strongest performance – especially in February, when they outperformed duration matched Treasuries.

Since the Fund's inception, we have been adding bonds to the portfolio based on our assessment of each issue's risk/reward characteristics. For most of the quarter, the Fund was primarily composed of mortgage-backed and investment grade bonds. We also strategically used futures to help us maintain a relatively short duration given our longer term expectation for rising rates. The Fund's first quarter performance primarily benefited from strong security selection in mortgage-backed securities as well as its interest rate hedging related activities.

Looking ahead, we believe that a mix of carefully selected mortgage-backed securities and investment grade corporates coupled with strategic use of hedging to manage our interest rate sensitivity should serve the Fund well as the Fed slowly tries to normalize interest rates.

Best regards,

Eddy Vataru　　　Scott Ulaszek

This commentary contains the current opinions of the authors as of the date above, which are subject to change at any time. This commentary has been distributed for informational purposes only and is not a recommendation or offer of any particular security, strategy or investment product. Information contained herein has been obtained from sources believed to be reliable, but is not guaranteed.

Mutual Fund investing involves risk. Principal loss is possible. The Osterweis Total Return Fund may invest fixed income securities which are subject to credit, default, extension, interest rate and prepayment risks. It may also make investments in derivatives that may involve certain costs and risks such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. The Fund may invest in in debt securities that are un-rated or rated below investment grade. Lower-rated securities may present an increased possibility of default, price volatility or illiquidity compared to higher-rated securities. Investments in foreign and emerging market securities involve greater volatility and political, economic and currency risks and differences in accounting methods. These risks may increase for emerging markets. Leverage may cause the effect of an increase or decrease in the value of the portfolio securities to be magnified and the fund to be more volatile than if leverage was not used. Investments in preferred securities have an inverse relationship with changes in the prevailing interest rate. 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. It may also make investments in derivatives that may involve certain costs and risks such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. The Fund may invest in municipal securities which are subject to the risk of default.

The Bloomberg Barclays U.S. Aggregate Bond Index (BC Agg) is an unmanaged index which is widely regarded as the standard for measuring U.S. investment grade bond market performance. This index does not incur expenses and is not available for investment. The index includes reinvestment of dividends and/or interest income.

A basis point is a unit that is equal to 1/100th of 1%.

Duration measures the potential volatility of the price of a debt security, or the aggregate market value of a portfolio of debt securities, prior to maturity. Securities with longer durations generally have more volatile prices than securities of comparable quality with shorter durations.

The Osterweis Funds are available by prospectus only. The Funds' 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 Funds. You may obtain a summary or statutory prospectus by calling toll free at (866) 236-0050, or by visiting osterweis.com. *Please read the prospectus carefully before investing to ensure the Fund is appropriate for your goals and risk tolerance.*

Osterweis Capital Management is the adviser to the Osterweis Funds, which are distributed by Quasar Distributors, LLC.
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