

OSTERWEIS

FUNDS

July 28, 2017

Dear Shareholder,

During the second quarter of 2017, the Osterweis Total Return Fund (the Fund) generated a total return of 0.84%, compared to 1.45% for the Bloomberg Barclays U.S. Aggregate Bond Index (the BC Agg). Since inception on December 30, 2016 the Fund returned a solid 3.51% compared to 2.27% for the BC Agg for the period ending June 30, 2017.

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 2.62% and net expense ratio was 0.82% as of March 31, 2017. The Adviser has contractually agreed to waive fees through December 31, 2018.

The second quarter marked a period of transition for fixed income markets, as economic data began to soften, and the prospect of the Trump “reflation trade” from the first quarter faded. The replacement for the Affordable Care Act and streamlining of the tax code have both stalled, and there appears to be significantly less momentum in achieving either mandate in 2017. This caused Treasuries to rally, sending 10-year rates from 2.39% on March 31 to a low of 2.14% on June 26. The rally was concurrent with a decline in the Citigroup Economic Surprise Index, which fell from 58 on March 15 to a low of -79 on June 16. It is important to note that this index has demonstrated weakness in Q2 for each of the last five years, so a seasonal pattern has definitively emerged.

Markets have focused very heavily on inflation data, in all forms—Personal Consumption Expenditures, Consumer Price Index (CPI), and wage inflation. All were generally weaker in Q2, with CPI notably falling from a 2.7% annualized growth rate in February to 1.9% in May. The Federal Open Market Committee trudged ahead with another 25 basis point hike in June, attributing most of this decline in inflation to transitory factors. Hawkish comments from the European Central Bank and the Bank of England in late June propelled their respective bond rates higher, with Treasuries following suit. The 10-year Treasury yield rose 17 basis points in the final four days of the month, ending at 2.30% on June 30—just nine basis points lower for the quarter. The most notable move in Treasuries was the dramatic flattening of the yield curve; 2-year yields rose 13 basis points to 1.38%, while 30-year yields fell 18 basis points to 2.84%—a total compression of 31 basis points over the 3-month period. Corporates¹ continued their strong performance, outperforming duration-matched

government bonds² by 1.10%, while mortgage-backed securities (MBS)³ tracked government bonds, exceeding the duration-matched issues² by only 0.02%.

The Fund has been primarily composed of mortgage-backed and investment grade corporate bonds. We also strategically used futures to help us maintain a relatively short duration given our longer term expectation for rising rates. The Fund posted positive returns each month, buoyed by strong security selection in MBS. However, the Fund's second quarter performance was somewhat hindered by primarily two factors: (1) its overweight allocation to MBS versus the corporate sector, and (2) the interest rate hedging program, which reduced risk but also return due to the Treasury rally that characterized most of the quarter.

Looking ahead, we continue to believe that a mix of carefully selected MBS and investment grade corporates coupled with strategic use of hedging to manage our interest rate sensitivity should serve the Fund well as the Federal Reserve works to normalize interest rates gradually.

Best regards,



Eddy Vataru



Scott Ulaszek

¹ BofA Merrill Lynch U.S. Corporate Index.

² Duration-matched securities within a universe of government bonds as determined by BofA Merrill Lynch's model.

³ BofA Merrill Lynch U.S. Mortgage Backed Securities Index.

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 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.

The Citigroup Economic Surprise Index is an objective and quantitative measure of economic news. It is defined as a weighted historical standard deviation of data surprises (actual releases vs Bloomberg survey median).

The Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services excluding food and energy.

The BofA Merrill Lynch U.S. Corporate Index tracks the performance of U.S. dollar denominated investment grade corporate debt publicly issued in the U.S. domestic market.

The BofA Merrill Lynch U.S. Mortgage Backed Securities Index tracks the performance of U.S. dollar denominated fixed rate and hybrid residential mortgage pass-through securities publicly issued by U.S. agencies in the U.S. domestic market.

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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