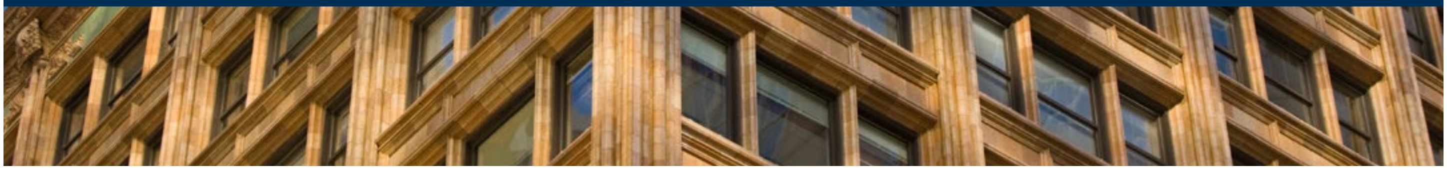
ptam
PT Asset Management, LLC
MUTUAL FUNDS

Performance Trust Strategic Bond Fund

2Q 2017 | COMMENTARY

PTIAX | 866.792.9606 | www.ptamfunds.com



Market Review

Thus far in 2017:

- **Over the past year, the 10-year U.S. Treasury rate has risen 82 basis points (bps), but year-to-date, it is down 14 bps**
- **The Federal Reserve (the "Fed") has raised rates gradually, causing yields on the short end of the curve to increase; however, yields on the long end of the curve remain stubbornly low**
- **Spreads on many fixed income sectors have tightened**

Portfolio Review and Positioning

(as of June 30, 2017)

PORTFOLIO COMPOSITION

	3/31/2017	6/30/2017	Change
Non-Agency RMBS	48.30%	46.53%	-1.77%
Tax-Exempt Municipals	20.68%	17.90%	-2.78%
Taxable Municipals	14.05%	16.71%	2.66%
CMBS	9.45%	11.55%	2.10%
CLOs	2.69%	2.05%	-0.64%
U.S. Treasuries	1.77%	2.11%	0.34%
Corporates	2.35%	2.26%	-0.09%
Cash	0.72%	0.89%	0.17%

Non-Agency RMBS Continued to Serve as a Strong Driver of Performance and Interest Rate Defense

In previous commentaries, we have spoken about our strong preference for non-agency RMBS in this market environment for their solid cash flows, improving market fundamentals, and in particular, their performance in rising rate environments. Over the past year, PTIAX outperformed the Bloomberg Barclays U.S. Aggregate Bond Index (the "Index"), returning 4.85% vs. -0.31%, respectively. The negative return for the Index can be attributed to the increase in interest rates over the past year. As the graph below illustrates, the yield on the 10-year U.S. Treasury rose 82 bps during the same period, with most of the increase occurring after the U.S. election in November.

The primary reason for the outperformance of PTIAX was our large allocation to non-agency RMBS, which averaged roughly 45% of the Fund's allocation over the period. Over the past year, the non-agency RMBS in our portfolio returned around 7% as prices were largely unaffected by the rise in Treasury rates. Over the past quarter, non-agency RMBS continued to perform well, with particularly strong price performance in May, providing returns of more than 3% for the Fund.

10-YEAR U.S. TREASURY YIELD

Source: www.treasury.gov, 7/1/2016–6/30/2017

The Fund Continued to Decrease Tax-Exempt Municipals in Favor of Taxable Municipals, Which Performed Well Over The Quarter

As expected, following the "roll of the yield curve" in the beginning of the year when we were strategically heavily weighted in tax-exempt municipals, we have continued to decrease the Fund's allocation to tax-exempt municipals and increase its allocation to taxable municipals. Tax-exempt municipal bonds performed well over the past quarter as rates declined more than Treasuries over the period. The 10-year AAA-rated tax-exempt municipal yield declined 26 bps (2.25% to 1.99%), while the 10-year Treasury yield was down only 8 bps (from 2.39% to 2.31%).

Portfolio Outlook

While we continue to like the RMBS market, and it remains our single largest allocation, we are well aware that spreads have already tightened meaningfully, making them a little less attractive going forward. They will still provide defense in a rising rate scenario, but it is very unlikely that they would return 7% if Treasury rates were to increase another 82 bps over the next year.

A properly diversified bond portfolio can be thought of as a combination of interest rate risk and credit risk. The success of that portfolio will, over time, largely depend on how efficiently the manager takes those risks, and how well the manager understands the relative value between them. One year ago, we strongly believed bonds that primarily carried credit risk (RMBS in this case) were greatly undervalued. In other words, the expected return on those bonds was very attractive relative to the real-world risk that we believed they actually possessed.

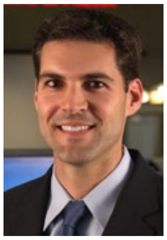
We still believe this, only less so. Now that interest rates have gone up 80+ bps over the past year and spreads have tightened across all spread products (RMBS, high-yield bonds, etc.), we are tilting the balance a little more toward interest rate risk. As a result we have taken the following actions recently:

- Slightly increased duration within the municipal bond allocation
- Migrated toward taxable municipal bonds and away from tax-exempt municipal bonds
- Slightly decreased our allocation to non-agency RMBS
- Added an allocation to Treasury bonds

It should be emphasized that all of these actions are taking place on the margin. We currently do not see the need to make large scale changes in allocation.

Mike Plaiss, CFA

Senior Portfolio Manager



Anthony Harris

Senior Portfolio Manager

Fund Performance

For the second quarter of 2017, PTIAX returned 2.57%, outperforming the Index's return of 1.45%. We attribute our strong relative performance to our tax-exempt municipal bond and non-agency RMBS allocations.

TOTAL RETURNS (as of 6/30/2017)

	1-Year	3-Year	5-Year	Since Inception	Expense Ratios
PTIAX (Inception Date: 9/1/2010)	4.85%	5.20%	5.91%	6.88%	0.82%
BbgBarc Aggregate Bond Index	-0.31%	2.48%	2.21%	2.92%	

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.ptamfunds.com or by calling (866) 792-9606.

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 dollar 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.

DISCLAIMER

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.

While the Fund 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. PTAM is registered to do business in the State of Colorado under the name PTAM and in the State of Florida under the name PTAM Performance Trust Asset Management, LLC.