

# OSTERWEIS

FUNDS

January 23, 2019

Dear Shareholder,

During the fourth quarter of 2018, the Osterweis Fund (the Fund) generated a total return of -11.61% versus -13.52% for the S&P 500 Index (the S&P 500). The Fund's annualized total returns over the one year, five year, ten year and twenty year periods ending December 31, 2018 were -7.26%, 1.93%, 8.98% and 8.12%, respectively, compared to -4.38%, 8.49%, 13.12% and 5.62% for the S&P 500 over the same periods.

*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 the original investment. Current performance of the Fund may be lower or higher 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 1.15% and net expense ratio was 0.96% as of March 31, 2018. The Adviser has contractually agreed to waive fees through June 30, 2019. The net expense ratio is applicable to investors.*

The fourth quarter was a challenging period for domestic equities, as the long-running bull market suddenly turned bearish in October. Although several key economic indicators remained relatively positive during the quarter, issues that had been lingering in the background became primary concerns almost overnight. The S&P 500 recovered a bit from its December lows but still posted a 13.5% loss for the quarter, bringing returns for the year down to -4.4%.

International and emerging market stocks also struggled and were down for the quarter due to issues including governance and Brexit. Developed international markets finished the year down 13% while emerging markets were down almost 15% for the year. We have consciously underweighted international exposure for some time.

Looking ahead, we remain optimistic that the economic expansion will continue in 2019, albeit at a slower pace due to the concerns that precipitated the selloff. We believe that the combination of low unemployment, increasing wages and modest inflation should be enough to sustain the U.S. economy, though we will continue to monitor the various risks that could change our view. The attached Investment Outlook discusses our thoughts on the economy in much greater detail.

Given that there are material risks to economic growth, we are positioning portfolios conservatively. In this type of market, we believe a flexible, high conviction portfolio will serve our

shareholders well. We are focusing on quality companies with healthy balance sheets, stable and growing cash flows, secular tailwinds and seasoned management teams.

We thank you for your continued confidence in our management.

Sincerely,



John Osterweis & Team

Enclosure

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*This commentary contains the current opinions of the author 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 Fund may invest in medium and smaller sized companies, which involve additional risks such as limited liquidity and greater volatility. The Fund may invest in foreign and emerging market securities, which involve greater volatility and political, economic and currency risks and differences in accounting methods. These risks may increase for emerging markets. The Fund may invest in Master Limited Partnerships, which involve risk related to energy prices, demand and changes in tax code. 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 debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities.**

The S&P 500 Index is an unmanaged index that is widely regarded as the standard for measuring large-cap U.S. stock market performance. One cannot invest directly in an index.

*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.*

*Cash flow measures the cash generating capability of a company by adding non-cash charges (e.g. depreciation) and interest expense to pretax income.*

Osterweis Capital Management is the adviser to the Osterweis Funds, which are distributed by Quasar Distributors, LLC. [37302]