OSTERWEIS
FUNDS

April 23, 2025

Dear Shareholder,

Please see below for a discussion of the Osterweis Opportunity Fund's[1] recent performance and our near-to-medium term market outlook.

Performance[2] (as of March 31, 2025)

	QTR	1 Year	3 Year	5 Year	10 Year	Since Inception (10/1/2012)
OSTGX	-14.87	-6.98	1.81	13.87	11.06	12.75
Russell 2000 Growth Index	-11.12	-4.86	0.78	10.78	6.14	9.00

All figures in this table reflect percentages. Periods longer than one year are annualized.

Market Recap

The first quarter of 2025 started perilously, with devastating wildfires in California, snow in Florida, and the early stages of a global trade war. Markets were volatile during the period, and small caps were hit particularly hard. The Russell 2000 Growth Index fell 11.1%, versus just 4.3% for the S&P 500, and the Osterweis Opportunity Fund declined 14.9%. For the trailing 12 months, the Fund also trailed the index, falling 7.0% versus 4.9%.

Small cap performance during the first quarter was very thematic, as investors used a broad brush to determine which companies were most likely to be impacted by the Trump administration's policies. At the same time, the AI trade lost its luster with the emergence of DeepSeek in late January. As a result, even companies that hit their earnings targets slipped if they were on the wrong side of one of these themes. It was a difficult investment environment, as the market was effectively throwing out the baby with the bathwater. The silver lining is that it has created a lot of opportunity, as attractive stocks are now available at a discount.

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[1] *Formerly the Osterweis Emerging Opportunity Fund*

[2] *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. Gross/Net expense ratio as of March 31, 2024: 1.20% / 1.12%. The Adviser has contractually agreed to waive certain fees through June 30, 2025. The net expense ratio is applicable to investors. See additional disclosures at the end of the letter.*

Portfolio Attribution

Security Selection

Our underperformance for the quarter was primarily driven by security selection, though some sectors held up better than others. Consumer Discretionary and Information Technology were additive to our relative performance, but their contributions were offset by losses in Consumer Staples, Industrials, and Health Care.

Life Time Group Holdings, a national network of high caliber fitness clubs, was our biggest contributor within Consumer Discretionary, and it was also our biggest contributor in the portfolio. The company has been benefitting from favorable demographic trends, as the proportion of Americans with gym memberships continues to increase. Life Time preannounced a strong fourth quarter on January 16th and subsequently raised full year guidance. With $200 million of projected free cash flow in 2025, the company is set to accelerate unit growth and bring its high-demand gym concept to more locations around the United States.

On the downside, Sweetgreen, a healthy fast-food provider, had a tough start to the first quarter. While we continue to be long-term believers in the brand and its automated kitchen system, we exited the position, as the core business appears to be having trouble driving traffic and the management team appears more focused on adding menu complexity than streamlining operations.

Information Technology was another area of relative strength, and our top contributor was Guidewire, a provider of software to the property and casualty insurance industry. The company is benefiting from a continued tailwind of higher premiums due to the higher cost of claims. Longer term, management sees an opportunity to increase Guidewire's industry share of direct written premiums from the low 20% to north of 50% share. The company reported a solid quarter with 20% revenue growth and an 18.6% operating margin.

One of our biggest detractors within IT was Agilysys, a software provider to the gaming, leisure, and hotel industries, which reported a mixed quarter. On the positive side, subscription growth was strong at 45%. However, the company lowered full-year guidance due to challenges in its point of sale and professional services. Management believes that these issues are temporary and can be resolved over the next few quarters. With its upcoming expansion with Marriott scheduled for later this year or early next, the company believes it can increase its rooms under management from less than 300,000 today to 900,000 in three years.

Consumer Staples was our biggest drag on relative performance during the quarter, led by e.l.f. Beauty, the cosmetics company. This low-cost provider was one of our best performers last quarter, but sales slowed during the period, and new innovation was unable to spark a reacceleration of revenue growth. e.l.f. has previously been immune to broader U.S. economic headwinds; however, the company's slowing market share growth started to push out the timeline for achieving our anchor point targets for the business, so we exited the position.

Industrials also struggled in the first quarter, and one of our biggest laggards was FTAI Aviation, an aerospace company that does both leasing and engine repair. FTAI has been a solid performer for us, but it had a tough quarter as a report by the research firm Muddy Waters alleged that the company used misleading accounting tricks to understate costs and inflate revenue. FTAI hired a third-party auditor to investigate and restore investor confidence, and the findings came back positive, so the stock has started to recover. Fortunately, we took profits before the Muddy Waters report was released and have started to rebuild our position.

Health Care was another drag on relative performance in the first quarter, partially explained by our overweight to devices/life sciences, which underperformed due to concerns around tariffs and health care policy. We have made some adjustments but largely think any negatives are more than priced in.

Our biggest positive contributor within Health Care was Guardant Health, a cancer screening company. It is a new position we entered at the beginning of the quarter that performed well due to a slew of positive Medicare reimbursement updates, which should lead to a boost in both profitability and revenue growth. They are a fast follower to former holding Natera, but their blood test is simpler and faster as it does not also require a tissue sample.

Our biggest detractor within Health Care was Bio-Techne, a life science company that provides products used in drug discovery. Roughly 10% of its sales are to U.S. academic institutions, and in late January DOGE announced budget cuts at NIH, which materially reduced funding at universities. This caused a big selloff, but the cuts were subsequently overturned by the courts, and it remains to be seen what funding is restored in the new budget. Worst case, we expect this will likely be a 2% headwind to company growth for the next few quarters. We remain invested in the position, as we believe the company has assembled a nice portfolio of solutions that should allow it to grow at attractive margins, even if the NIH budget cuts persist. Importantly, 40% of their revenue is tied to growth areas such as cell/gene therapy, spatial genomics, liquid biopsy, and protein analytics.

Sector Allocation

Sector allocation was also a drag on our relative performance during the first quarter, but it was less impactful than our security selection. Our overweight to Real Estate and Consumer Staples was additive, but our overweight to Information Technology, Consumer Discretionary, and Financials detracted from our relative performance.

Portfolio Positioning & Outlook

As you undoubtedly know, the second quarter has started poorly for virtually all asset classes. On April 2nd, the Trump administration announced reciprocal tariffs against all U.S. trading partners, and markets immediately began to sell off – over the next two trading days, equities lost roughly 10%. Investors are justifiably concerned that an escalating trade war will simultaneously cause an economic slowdown and trigger inflation.

We have been using the recent volatility as an opportunity to retool our portfolio, and we have exited some long-held positions with higher valuations that we feel have limited upside going forward. We also reduced exposure to companies that are affected by the tariffs and have taken advantage of the pullback in holdings that are less exposed. We also increased our exposure to Health Care and other less cyclical sectors.

While we do not know where things will go from here, we believe that the looming trade war has reduced the market's near-term appetite for risk. Investors' pre-inauguration enthusiasm for a second Trump term has been replaced with concern, and thus far the net effect has been lower stock prices.

At the same time, the selloff in small caps is already pricing in some form of a recession, so if the trade war de-escalates, or other circumstances change, it is possible that the current selloff is overdone.

We know this is a stressful time, and we appreciate your continued confidence in our management.

Regards,

Jim Callinan
Lead Portfolio Manager

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Performance prior to December 1, 2016 is that of another investment vehicle (the "Predecessor Fund") before the commencement of the Fund's operations. The Predecessor Fund was converted into the Fund on November 30, 2016. The Predecessor Fund's performance shown includes the deduction of the Predecessor Fund's actual operating expenses. In addition, the Predecessor Fund's performance shown has been recalculated using the management fee that applies to the Fund, which has the effect of reducing the Predecessor Fund's performance. The Predecessor Fund was not a registered mutual fund and so was not subject to the same operating expenses or investment and tax restrictions as the Fund. If it had been, the Predecessor Fund's performance may have been lower.

Mutual Fund investing involves risk. Principal loss is possible. The Osterweis Opportunity Fund may invest in unseasoned companies, which involve additional risks such as abrupt or erratic price movements. The Fund may invest in small and mid-sized companies, which may involve greater volatility than large-sized companies. The Fund may invest in IPOs and unseasoned companies that are in the early stages of their development and may pose more risk compared to more established companies. The Fund may invest in ETFs, which involve risks that do not apply to conventional funds. Higher turnover rates may result in increased transaction costs, which could impact performance. From time to time, the Fund may have concentrated positions in one or more sectors subjecting the Fund to sector emphasis risk. 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 Russell 2000 Growth Index (Russell 2000G) is a market-capitalization-weighted index representing the small cap growth segment of U.S. equities.

The S&P 500 Index is widely regarded as the standard for measuring large cap U.S. stock market performance.

These indices do not incur expenses and are not available for investment.

References to specific companies, market sectors, or investment themes herein do not constitute recommendations to buy or sell any particular securities.

Free cash flow represents the cash that a company is able to generate after laying out the money required to maintain and expand the company's asset base. Free cash flow is important because it allows a company to pursue opportunities that enhance shareholder value.

There can be no assurance that any specific security, strategy, or product referenced directly or indirectly in this commentary will be profitable in the future or suitable for your financial circumstances. Due to various factors, including changes to market conditions and/or applicable laws, this content may no longer reflect our current advice or opinion. You should not assume any discussion or information contained herein serves as the receipt of, or as a substitute for, personalized investment advice from Osterweis Capital Management.

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Complete holdings of all Osterweis mutual funds ("Funds") are generally available ten business days following quarter end. Holdings and sector allocations may change at any time due to ongoing portfolio management. Fund holdings as of the most recent quarter end are available here: https://www.osterweis.com/files/OSTGX_Holdings.pdf

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. [OCMI-725177-2025-04-21]