

October 10, 2024

Dear Shareholder,

During the third quarter of 2024, the Osterweis Strategic Income Fund (the Fund) generated a total return of 2.87% compared to 5.20% for the Bloomberg U.S. Aggregate Bond Index (Agg) and 5.20% for the Bloomberg U.S. Universal Bond Index¹ (Universal). During the period, the Fund underperformed the Universal, driven by our conservative duration management. Our sector allocation added substantial value but not enough to pull the Fund ahead of the Universal. The Fund's annualized total returns over the one-year, five-year, and ten-year periods ending September 30, 2024 were 12.11%, 5.41%, and 4.57%, respectively, compared to 11.57%, 0.33%, and 1.84% for the Agg over the same periods.²

The third quarter was a bullish stretch in the fixed income markets, fueled by concurrent rallies in both interest rates and credit. Demand for long-dated Treasuries spiked in advance of the Fed's September decision to lower rates, dropping yields on the ten-year by 62 basis points from the end of the second quarter. As we discuss in our latest outlook, we feel the rally in Treasuries was a bit excessive and driven primarily by an overly optimistic view of the Fed's future cuts.

In fact, it seems to us that the general "risk-on" sentiment of the third quarter was based more on FOMO (fear of missing out) than on fundamentals. As is often the case after an extended stretch of relative calm and strong performance, investors tend to let down their guard a little. For us, the biggest indicator that perhaps the market is getting overbought was the third quarter performance of the ICE BofA CCC & Lower U.S. High Yield Index, which gained 11.55%. That is a very big increase in a short period of time, and it is particularly surprising as it occurred amidst the Fed's September rate cut. Typically, lower-rated securities underperform when the Fed is cutting, as that is usually a sign that the economy is softening.

¹ The official Fund benchmark is the Bloomberg U.S. Aggregate Bond Index. The Bloomberg U.S. Universal Bond Index is used as the benchmark in the attribution analysis as its investment universe more closely resembles that of the 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. The Fund's gross expense ratio was 0.87% as of March 31, 2024.

As always, we are loath to stretch for yield, especially when markets are near their highs. We have avoided the frothier segments of the market, focusing instead on short-term paper and higher-quality bonds. As we have for the past several quarters, we continue to lean into the inverted yield curve as the short end is still paying roughly the same as the long end (even with the Fed's recent cut), but it affords us much more flexibility and downside cushion when markets correct. Additionally, our allocation to investment grade bonds is currently near its highest level since the Great Financial Crisis, mostly in shorter maturities. While we remain constructive on the economy in the near-to-medium term, we know that trees do not grow to the sky, so we are deliberately upgrading the quality of the portfolio and keeping a conservative posture. This has served us very well in the past.

Finally, we wanted to let you know that starting this month the Fund is adopting a monthly income distribution schedule. You can view the updated distribution dates at www.osterweis.com/mutual_funds/strategic_income/distributions.

We thank you for your continued confidence in our management.

Sincerely,



Carl Kaufman



Bradley Kane



Craig Manchuck



John Sheehan

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Mutual Fund investing involves risk. Principal loss is possible. The Osterweis Strategic Income 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. 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. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Small- and mid-capitalization companies tend to have limited liquidity and greater price volatility than large-capitalization companies. 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 municipal securities which are subject to the risk of default.

The Bloomberg U.S. Aggregate Bond Index (Agg) is widely regarded as a standard for measuring U.S. investment grade bond market performance.

The Bloomberg U.S. Universal Bond Index (Universal) comprises U.S. dollar-denominated, taxable bonds that are rated investment grade or below investment grade.

These indices do not incur expenses and are not available for investment. These indices include reinvestment of dividends and/or interest income.

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ICE BofA CCC & Lower U.S. High Yield Index is a subset of ICE BofA U.S. High Yield Index including all securities rated CCC1 or lower. This index reflects transaction costs.

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An increase in the stock market or where stocks outperform bonds is said to be a “risk-on” environment.

Yield is the income return on an investment, such as the interest or dividends received from holding a particular security.

An inverted yield curve occurs when long-term interest rates are less than short-term interest rates. When the yield curve is inverted, yields decrease as maturities increase, which is the opposite of a normal yield curve.

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-618643-2024-10-09]