

# OSTERWEIS

FUNDS

January 29, 2025

Dear Shareholder,

During the fourth quarter of 2024, the Osterweis Growth & Income Fund (the Fund) generated a total return of -0.54%, slightly trailing the blended benchmark return of 0.21% (60% S&P 500 Index/40% Bloomberg U.S. Aggregate Bond Index).<sup>1</sup> Our shorter duration fixed income positioning boosted returns during the period compared to the Bloomberg U.S. Aggregate Bond Index, but our equities lagged the S&P 500, which continues to be dominated by a small group of megacap technology companies.

Returns as of 12/31/2024	QTR	YTD	1 YR	3 YR	5 YR	10 YR	Since Inception (8/31/2010)
<b>Osterweis Growth &amp; Income Fund</b>	-0.54%	10.53%	10.53%	2.55%	8.33%	7.04%	8.89%
<b>60% S&amp;P 500 Index/40% Bloomberg U.S. Aggregate Bond Index</b>	0.21%	15.04%	15.04%	4.46%	8.67%	8.52%	9.82%
<b>S&amp;P 500 Index</b>	2.41%	25.02%	25.02%	8.94%	14.53%	13.10%	14.95%
<b>Bloomberg U.S. Aggregate Bond Index</b>	-3.06%	1.25%	1.25%	-2.41%	-0.33%	1.35%	1.94%

The stock market continued its extended rally during the fourth quarter, with the S&P 500 delivering positive returns for the eighth time in the last nine quarters, including all four quarters in 2024. The index finished the period up 2.4% and gained 25% during the year. The biggest news was

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<sup>1</sup> 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 0.92% as of March 31, 2024.

Trump's victory, which added momentum to the existing bull market, as investors cheered his pro-business agenda. It looked like the rally might continue unabated through the new year, but in late December the Fed reversed course and announced it would be slowing its rate cuts in 2025 due to stubborn inflation data, which triggered a significant selloff.

As we look ahead, we see a more complicated investment landscape than we have experienced recently. The exceptional performance of the Magnificent 7 has created unprecedented levels of market concentration, the extended bull market has stretched valuations beyond historical norms, and both inflation and interest rates are expected to remain elevated for the near term at least. Ordinarily, this combination of factors would be cause for concern. However, as we explain in our latest outlook, we think the situation is more constructive than it seems. Most importantly, the economy is in excellent shape, with robust labor markets and strong consumer confidence. We also generally agree with the market's view that the incoming administration should boost aggregate economic activity. In addition, despite the dominance of the Magnificent 7, the concentration in the market does not appear to be sustainable, and we are expecting it to broaden out substantially.

To thrive in this new environment, our equity strategy is to play both offense and defense by using a barbell approach. We have mostly rotated out of our higher valuation companies, and we are increasing our defensive holdings, particularly within Health Care and Utilities. At the same time, we are maintaining exposure to Technology and Industrial companies, including a subset of the Magnificent 7. As always, our quality growth framework helps guide all of our investment decisions.

In our fixed income portfolio, we continue to keep our maturity profile on the shorter end, as we can earn similar returns to longer bonds without locking up our shareholders' capital. We have also been adding convertible bonds at competitive yields.

We thank you for your continued confidence in our management.

Sincerely,



John Osterweis



Carl Kaufman



Greg Hermanski



Nael Fakhry

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*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 Growth & Income Fund may invest in small- and mid-capitalization companies, which tend to have limited liquidity and greater price volatility than large-capitalization companies. 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. From time to time, the Fund may have concentrated positions in one or more sectors subjecting the Fund to sector emphasis risk. Investments in preferred securities typically 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.**

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

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

The 60/40 blend is composed of 60% Standard & Poor's 500 Index (S&P) and 40% Bloomberg U.S. Aggregate Bond Index (Agg) and assumes monthly rebalancing.

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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*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.*

Earnings growth is not representative of the fund's future performance.

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