

OSTERWEIS

FUNDS

January 29, 2024

Dear Shareholder,

During the fourth quarter of 2023, the Osterweis Growth & Income Fund generated a total return of 9.49%, slightly trailing the blended benchmark return of 9.74% (60% S&P 500 Index/40% Bloomberg U.S. Aggregate Bond Index).¹

Returns as of 12/31/2023	QTR	YTD	1 YR.	3 YR.	5 YR.	10 YR.	Since Inception (8/31/2010)
Osterweis Growth & Income Fund	9.49%	14.76%	14.76%	4.72%	10.53%	6.43%	8.76%
60% S&P 500 Index/40% Bloomberg U.S. Aggregate Bond Index	9.74%	17.67%	17.67%	4.71%	9.98%	8.09%	9.44%
S&P 500 Index	11.69%	26.29%	26.29%	10.00%	15.69%	12.03%	14.23%
Bloomberg U.S. Aggregate Bond Index	6.82%	5.53%	5.53%	-3.31%	1.10%	1.81%	2.00%

The fourth quarter was a bullish stretch in the markets, which was a fitting conclusion to a volatile year. Sentiment changed multiple times in 2023, as investors reacted to a variety of market-moving events, including bank failures, the AI hype cycle, a near-shutdown of the Federal government, armed conflict in the Mideast, and of course inflation. The fourth quarter rally was largely driven by the Fed's September announcement that it would pause its hiking program, which gave investors hope that the Fed's battle with rising prices may finally be drawing to a close.

¹ 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 0.94% as of March 31, 2023.

As we reflect on 2023, we are struck not only by how well the economy held up in the face of higher interest rates (and myriad other challenges), but also by how much it exceeded expectations. At the end of 2022, following twelve months of weak market returns, Fed hikes, and surging inflation, the consensus view among economists was that a recession in the U.S. was imminent, and the only question was when exactly in 2023 it would occur. Fast forward to today, and not only did we avoid recession, but inflation has decelerated materially.

It appears the Fed is well on its way to achieving its elusive “soft landing,” though it is too soon to declare victory as CPI remains above the 2% target. However, one notable feature of 2023 is that nearly 60% of the gains in the S&P 500 were concentrated among just seven stocks – known as the “Magnificent 7.” In the attached outlook, we examine why those companies have performed so well, and we also discuss our concerns about the ones that we do not own. Our expectation is that in 2024 their dominance will recede and a much wider swath of companies will drive the returns of the index.

Heading into the new year, we will continue to lean into our Quality Growth approach in our equity portfolio. We have been focusing on businesses riding secular tailwinds, with high and improving margins and returns on capital, and a lack of reliance on debt to fund growth. We have also been adding Quality Cyclical Growth companies, which are Quality Growth companies with more cyclical demand. They tend to see revenue and profit growth rise faster in a growing economy and vice-versa, which gives us an opportunity to boost performance in good times and to bargain hunt when the economy softens.

In fixed income, we are sticking with our positioning in shorter dated, mostly non-investment grade bonds, as well as some cash and equivalents. The inverted yield curve allows us to capture yields that almost match the general high yield market while providing a better measure of protection from any selloff caused by a weakening economy or other surprises. Should the market experience a correction, we will take advantage of the repricing by layering longer dated bonds at more attractive yields. If markets maintain the status quo, we will continue to capture most of the available yield.

We thank you for your continued confidence in our management.

Sincerely,



John Osterweis



Carl Kaufman



Greg Hermanski



Nael Fakhry

Enclosure

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 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 an unmanaged index that is widely regarded as the standard for measuring large-cap U.S. stock market performance.

The Bloomberg U.S. Aggregate Bond Index 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 and assumes monthly rebalancing.

CPI (Consumer Price Index) reflects the weighted average of prices of a basket of consumer goods and services, such as transportation, food, and medical care.

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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