

## What is a mutual fund distribution?

*When securities held in mutual funds generate capital gains and income, these earnings are passed to shareholders on a per-share pro-rata basis (net of fund expenses) in the form of distributions.*

## Why do the Osterweis Funds pay distributions?

Because the Osterweis Funds are regulated mutual funds, they must distribute their ordinary income and capital gains to comply with Internal Revenue Code requirements.

## What do distributions represent?

There are two types of distributions for the Osterweis Funds: ordinary income and capital gains.

For tax reporting purposes, ordinary income is the sum of the fund's net investment income and net short-term capital gains. Net investment income is generally comprised of the dividends and interest paid by holdings in a fund, minus any expenses. Qualified dividends are ordinary dividends that meet specific criteria to be taxed at the lower long-term capital gains rate rather than at ordinary income rates.

Additionally, when a fund sells a security at a gain, short- or long-term capital gains may be generated. These gains must be distributed to shareholders each year. Shares kept in the fund for fewer than 12 months are considered short term and, therefore, ordinary income, which may subject them to ordinary income tax. Shares kept in the fund for longer than 12 months are considered long term and are taxed at a lower rate.

## What happens to the net asset value of the fund when there is a distribution?

On the Ex-date, the Net Asset Value (NAV) of a fund is reduced by the amount of the distribution, plus or minus any change in the value of a fund's holdings and net investment income. For the Osterweis Funds, the Ex-date and pay date are the same, but this is not the case for all mutual funds. Distributions may be paid to shareholders in cash or reinvested in additional shares, depending on the shareholder's election.

For example, if a fund starts the year at \$10.00 per share and makes distributions of \$0.25 per quarter, assuming no change in the NAV, each fund share would be worth \$9.00 at the end of the year (\$10.00 per share beginning Value, less 4 distributions of \$0.25 each). The shareholder would have either received \$1.00 in cash distributions over the course of the year or reinvested \$1.00 in additional shares.

It is important to note that it usually takes public websites like Yahoo and Morningstar about one day following distribution dates to reflect the performance calculation to account for the distribution.

## What happens to my cost basis when there is a distribution?

The cost basis is the original value of an asset used for tax purposes (usually the purchase price) and determines a shareholder's capital gain or loss on their fund shares, which is equal to the difference between the asset's cost basis and the current market value.

Distributions, whether reinvested or received in cash, are reported on IRS Form 1099-DIV at the end of each year. Distributions taken in cash do not affect your average cost basis. However, distributions that are reinvested are considered purchases and increase your cost basis by the amount of the distribution. This occurs because you cannot be taxed twice on the same distribution.

## Which shareholders receive the distribution?

Shareholders that own the fund as of the record date (day prior to Ex-date for the Osterweis Funds) receive the distribution. The distribution amount will then be paid to those shareholders on the payable date.

## When do distributions occur?

The Osterweis Strategic Income Fund and the Osterweis Growth & Income Fund generally distribute income four times per year and capital gains once a year in December. The Osterweis Fund and the Osterweis Emerging Opportunity Fund generally distribute income and capital gains once a year in December.

*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 [www.osterweis.com/statpro](http://www.osterweis.com/statpro). Please read the prospectus carefully before investing to ensure the Fund is appropriate for your goals and risk tolerance.*

### **Mutual fund investing involves risk. Principal loss is possible.**

Osterweis Capital Management is the adviser to the Osterweis Funds, which are distributed by Quasar Distributors, LLC. [OSTE-20230213-0786]