ValueInvestor INSIGHT
The Leading Authority on Value Investing
September 30, 2020

Investor Insight: James Callinan

Osterweis Capital's James Callinan, Matt Unger and Bryan Wong explain why a certain amount of mystery around their companies doesn't bother them, what input they need to hear from management, what makes their growth-oriented strategy "valuation conscious," and why they see unrecognized upside in Five9, Aaron's, Progyny and Axon Enterprise.

James Callinan
Osterweis Capital

For an investor with an accomplished career – including co-founding RS Investments and being named Morningstar's 1999 Domestic Stock Manager of the Year – Jim Callinan is where he wants to be in managing Osterweis Capital's small-cap Emerging Opportunity Fund. "I enjoy learning about companies and picking stocks," he says, "and that's what I spend all of my work time doing."

Quite well, we might add. The fund since its inception in 2012 has earned a net annualized 18.5%, vs. 12.4% for its benchmark Russell 2000 Growth index. Callinan and team today see opportunity in such areas as contact-center software, lease-to-own retail, specialty managed care and law-enforcement technology.

We'll stipulate up front that you're a growth investor, but as you put it, a "valuation-conscious" one. Describe generally where you prospect for ideas.

James Callinan: We try to identify companies relatively early in their lifecycles that have hit on some form of fundamental innovation in emerging market segments that have yet to be fully discovered. They're typically in the $2 to $4 billion market-cap range – so not pre-proof of concept – but we believe they can eventually be three or four or five times bigger than they currently are.

We focus on small companies because they're more mysterious and harder to figure out. When Square [SQ], the mobile-payments company, came public in 2015, it wasn't surprising that it could have been misunderstood by the Street. The CEO was running two public companies and people didn't see how that could work. Instead of seeing the business as providing an innovative hardware platform that could aggregate merchants and allow them to benefit from collective scale in negotiating fees with Visa and Mastercard, people thought it was just a piece of hardware that was easily replicated.

The company kept improving its hardware and adding higher-margin services for an eventually large customer base. If you're able to see the potential in a company like that before most others, you should have a nicely successful investment.

It's hard today even in slow-growth companies for the valuation-conscious investor to find entry points to buy. What tends to create those opportunities for you?

JC: Square is a good example of one reason the market can create good entry points for our stocks: a fundamental misunderstanding of the unique advantages the company has and/or of the market potential ahead of it. Another reason would be mismanagement, where the company's potential at the moment isn't being realized because of fixable executional mistakes or because the wrong people are in charge. Finally, and this is top of mind for obvious reasons, we can find opportunity when a broad-based market correction takes valuations down across the board.

You describe the importance of "anchor points" in developing your conviction on a particular idea. What are those?

JC: We want the management of our companies to be able to clearly articulate and quantify what they believe the company can achieve looking out at least five years into the future. They're generally based on things like market-share capture, revenue per user or target margins and can be expressed in quantifiable metrics.

To give a long-ago example, when I was at Putnam Investments in 1992 I invested in America Online, about a year after it had gone public. Instead of asking about the next quarter or trying to figure out if this year's earnings were going to beat consensus, I asked [then-CEO] Steve Case for his long-term stretch goals. The company had gone from 50,000 subscribers for its Internet service to 200,000 in two years and I wanted to hear what he thought was possible given the competitive advantages it was building and the market potential it saw. He said without hesitating that he expected AOL to attract at least as many subscribers as the biggest cable company, which at the time meant 13 to 14 million. If we modeled that out the revenue run rate went from around $50 million at the time to in excess of $1 billion. He eventually got to 32 million subscribers and AOL was one of the great stocks of the 1990s.

We assume you're not just taking management at its word.

JC: Not at all. They have to have the ambition and the willingness to articulate the goals clearly, but then our research process is heavily focused on confirming independently what we believe is reasonably achievable. We input that into a five-year earnings model, apply what we think will be a legitimate multiple on the stock five years out, and want the target price to be at least 100% above the current level for us to be interested.

Matt Unger: Jim talked about being attracted to smaller companies because they're more mysterious. A key way we try to cut through all that is through a lot of what Phil Fisher used to call scuttlebutt research. Being in the Bay Area has allowed us to build a valuable contact network in almost all areas of technology. We regularly use expert-network research. We obviously have to care a lot about company leadership and dig deeply into the track records and reputations – both inside and outside of the company – of the top managers. Even something like Google Trends can help us to see how product demand is inflecting or whether what management is saying is showing up in real time. We want to do whatever we can to help us credibly judge whether the anchor points are achievable.

Describe what's going on that the market might be misunderstanding at a recent new position like semiconductor-equipment company Brooks Automation [BRKS].

MU: This is a company that falls through the cracks for a lot of analysts, because in addition to the semiconductor-equipment business it also has a fast-growing healthcare business. Being able to break down the human genome cost effectively has enabled a tremendous amount of new science focused on developing much more targeted therapies to combat disease. All this generates and requires a high volume of biological samples that need to be stored and carefully cataloged and monitored, which is the business Brooks has developed. It's also investing in products to assist gene-therapy manufacturing, another area poised to grow very fast and where we believe the company is positioning itself well.

ON "ANCHOR POINTS":

We want management to clearly articulate and quantify what they believe the company can achieve.

We look at this as a picks-and-shovels business serving a biotech industry with dramatic secular growth – we don't have to make a call on what might be a binary outcome at an individual biotech company. The healthcare business alone in the open market would probably trade at 30-35x EBITDA, but we're able to access it within Brooks – where the semiconductor-equipment business, by the way, is still quite healthy and growing – at something closer to 20x EBITDA. That's for a company with clear anchor points that we think could very well double its overall revenues over the next five years.

Do "busted" IPOs tend to be a fertile area for you?

JC: It's not unusual for that to be the case. IPOs often come out of the gate very strongly but then, through some combination of not immediately meeting sky-high expectations and selling pressure as insider lock-up periods expire, we can get another shot.

A good example of this would be Etsy [ETSY], which came public in April 2015. The company was well-positioned as the first online marketplace to feature vintage and custom goods, but it fairly quickly fell out of the market's favor as growth started to lag and expenses kept rising. In the first nine months after going public the shares were down 75%.

In the spring of 2017 the company brought in a new CEO and CFO, Josh Silverman and Rachel Glaser, both of whom we personally knew and respected from previous companies. That prompted us to take a much closer look and we developed a lot of confidence in their ability to revitalize the company and execute on their strategic plan. We ended up taking a position in September of that year and have held it since.

Describe how you approach valuation.

JC: We're strict on the discipline of wanting to see a minimum of 100% potential upside, using in calculating our target prices an industry-appropriate P/E multiple that does not exceed 30x. That multiple may not sound low to classic value investors – and we'll often use less than that – but over time for the types of companies we typically invest in 30x is right around the average level. We don't want to base our targets on expecting more than that to make the investment case work.

I've been doing this for a long time and recognize that there is a fair amount of speculation and risk embedded in the anchor-point earnings numbers we use. We don't want to compound the potential for error by the multiple turning out to be way off as well.

Explain how Five9 [FIVN] fits your investment profile for growth and value.

Bryan Wong: The company makes cloud-based call-center software that is meant to help customer service agents be more effective and productive. Smart-dial technology, for example, reduces agent hold times. Detailed on-screen call information allows agents to get right into the call without a bunch of annoying questions. Intelligent-routing systems more quickly pair the right customer to the right agent.

The business model is subscription-based, with clients paying a monthly fee based on the number of agents served, which for Five9 today is around 200,000. Customers include long-established companies like McKesson and newer ones like DoorDash, and the company just signed a major white-label deal with AT&T for it to resell Five9 systems as part of bigger enterprise-level telecom systems. The company is profitable today, with EBITDA margins in the high teens.

Prior to the pandemic, Five9 was already growing its market share by displacing legacy, on-premise systems in what is a global $24 billion annual market. The dynamic is similar to what you're seeing in a number of areas, where cloud-based solutions provide customers with more flexibility, more up-to-date technology and often quite-significant cost savings. The highest-profile example would be customer-relationship-management software, where cloud-based providers like Salesforce.com have taken 60-70% of the market. In call-center software that number today is 10-15%, but the expectation of experts in the area is that that's closer to 50% by 2025.

That timeline has likely been moved up by the pandemic. Customer-service reps, like everyone else, started working from home and that has led to a surge in demand for Five9's systems. On-premise software can work remotely, but the cloud-based systems because of the way they're built tend to work much more seamlessly. As organizations discover that and see other benefits of people increasingly working from home, that should continue to accelerate the adoption curve. That's obviously good news for Five9 and the other leading competitor in the space, a division of Nice Ltd. [NICE].

What are the anchor points here?

BW: Management believes it can scale its number of agents served to one million. That sounds like a big number – 5x the current level – but it would only represent about 4% of the global contact-center agent base of around 16 million. We think that's very achievable.

The second piece that's interesting is the price-per-agent opportunity, which management believes can double to close to $400. As they inject more software capability and artificial intelligence into the platform, there's opportunity not only to increase the efficiency of current agents but also for the platform to do more of the agents' work, which would require fewer agents. With labor by far the biggest expense item for contact centers, reductions in that will likely be worth paying for.

How do you see this translating into upside for the stock, now at around $128.75?

BW: If we assume over the next five years or so that the company can hit its one-million-agent target and that it realizes around 50% of the pricing upside it eventually sees – to $300 per agent – that would result in annual revenues of over $3 billion. Assuming as well that EBITDA margins increase to its long-term goal of 25-30%, that translates into annual earnings power of over $9 per share.

INVESTMENT SNAPSHOT

Five9
(Nasdaq: FIVN)

Business: Provider of cloud-based call-center software that is meant to provide tools and functionality that can help make customer-service agents more effective and productive.

Share Information (@9/29/20):

Price	**128.74**
52-Week Range	50.73 – 131.98
Dividend Yield	0.0%
Market Cap	$8.29 billion

Financials (TTM):

Revenue	$370.9 million
Operating Profit Margin	(-2.2%)
Net Profit Margin	(-6.5%)

Valuation Metrics
(@9/29/20):

	FIVN	S&P 500
P/E (TTM)	n/a	35.5
Forward P/E (Est.)	125.0	24.9

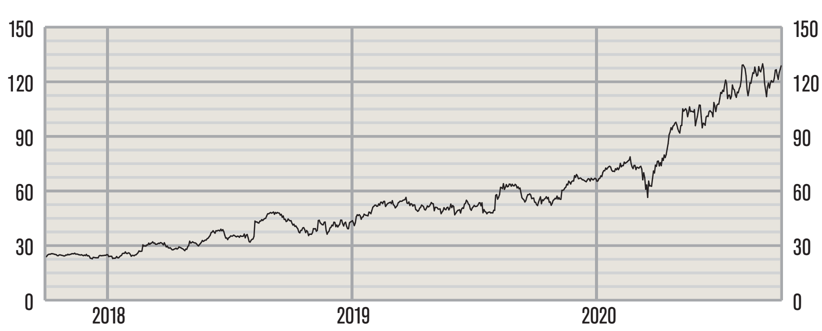
Largest Institutional Owners
(@6/30/20 or latest filing):

Company	% Owned
T. Rowe Price	12.6%
Vanguard Group	9.8%
Wasatch Adv	4.5%
BlackRock	4.3%
Whale Rock Capital	3.3%

Short Interest (as of 9/15/20):

Shares Short/Float	5.5%

FIVN HISTORY



THE BOTTOM LINE

The company's cloud-based software business was already expanding nicely pre-pandemic, but Bryan Wong expects its growth to accelerate as call-center clients retain an increasingly remote workforce going forward. Assuming a significant increase in agents served and revenue per agent, he believes the shares within five years can trade at $270.

Sources: Company reports, other publicly available information

The business at that point should still be capable of growing 20% per year, so we don't think it's unreasonable to expect a 30x P/E. That would give us a share price of around $270. Even if the time frame turns out to be a bit extended, if we're directionally right this should still be a very successful investment for us.

Rent-to-own retailer Aaron's [AAN] seems at first blush a bit pedestrian for your tastes. Why is that not the case?

JC: This is a company I've followed on and off for some time, particularly after it bought a business several years ago called Progressive Finance. While the traditional Aaron's business is in leasing with the potential to own a wide range of furniture, home appliances and electronics in its own retail stores, Progressive is an outsourced leasing business that basically sets up similar rent-to-own programs for a wide range of third-party retailers. It's client list now includes a wide range of retailers, including Best Buy, Verizon Stores, Big Lots, Zales, Mattress Firm and, just recently, Lowe's.

Don't the two businesses risk cannibalizing each other?

JC: There really isn't as much overlap as you might think, geographically or by demographic. The Aaron's customer tends to be lower-income and wouldn't otherwise be in the market to buy the merchandise its stores carry. For the retailers that partner with Progressive, they're looking to broaden their customer base to younger buyers or those without as much access to credit. Progressive is already very much a proven concept – revenues this year will be close to $2.4 billion, with EBITDA of $270 million – and there's not any real evidence that has taken away from traditional Aaron's.

We're quite bullish on the lease-to-own market in general. The financial situation for U.S. lower-income consumers was improving significantly prior to Covid hitting, and we think there's a case to be made both politically and economically that that resumes when the pandemic passes. Rising incomes at the lower end would significantly expand the addressable market for both of Aaron's businesses.

The company announced in July that it was spinning off Progressive by the end of this year. Does that complicate your valuation of the stock, now trading at $57.25?

JC: Our anchor point is quite compelling, that Progressive can increase its share of its existing partners' sales from just under 1% to closer to 8-9%. Many of the partner retailers believe they're just scratching the surface of the incremental revenue working with Progressive can bring in. If they hit that 8-9% penetration level, we estimate that Progressive alone can generate $7 per current Aaron's share in earnings in 2025. Put even a 20x P/E on that and you'd have a $140 stock, without ascribing any value to the core Aaron's business. That also doesn't assume Progressive adds any new partner retailers.

One decision to make will be whether to hold both stocks after the split. Pro-

INVESTMENT SNAPSHOT

Aaron's
(NYSE: AAN)

Business: U.S. retailer of furniture, home appliances and electronics offered on a lease-to-own basis; Progressive division manages lease-to-own programs for third-party retailers.

Share Information (@9/29/20):

Price	**57.28**
52-Week Range	13.00 – 78.65
Dividend Yield	0.3%
Market Cap	$3.88 billion

Financials (TTM):

Revenue	$4.10 billion
Operating Profit Margin	9.7%
Net Profit Margin	(-6.8%)

Valuation Metrics
(@9/29/20):

	AAN	S&P 500
P/E (TTM)	78.0	35.5
Forward P/E (Est.)	11.7	24.9

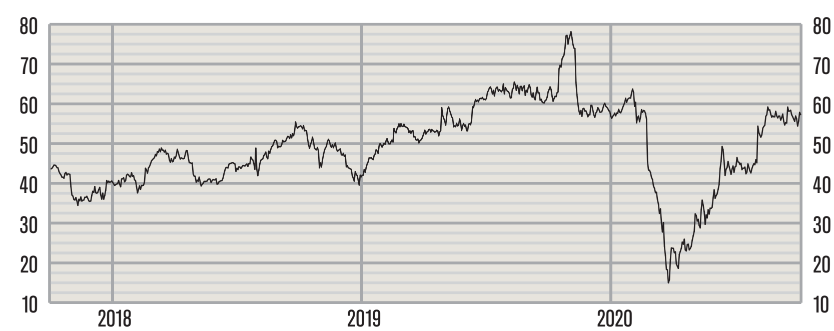
Largest Institutional Owners
(@6/30/20 or latest filing):

Company	% Owned
BlackRock	10.4%
Vanguard Group	10.0%
T. Rowe Price	8.4%
Dimensional Fund Adv	5.4%
HG Vora Capital	3.7%

Short Interest (as of 9/15/20):

Shares Short/Float	3.2%

AAN HISTORY



THE BOTTOM LINE

While the company's traditional retail business is perfectly fine, James Callinan believes more growth and value will be driven by its Progressive division that partners with third-party retailers to create lease-to-own programs for them. It is soon to be spun off, but on his five-year estimates it alone by 2025 would be worth around $140 per current share.

Sources: Company reports, other publicly available information

gressive will almost certainly meet our requirements for growth, but the remaining Aaron's, depending on how it ends up being valued, also has a lot of potential. If I had to guess today, I'd imagine we'll probably end up keeping Progressive only going forward.

Back to an earlier-stage business, explain your investment case for Progyny [PGNY].

MU: This is a specialty managed-healthcare business focused exclusively on fertility, primarily in-vitro fertilization [IVF] treatments. What's different about Progyny's approach is that it focuses more on outcomes rather than costs. They use a high-end network of physicians – one-third of whom only work with Progyny – and patients going through treatments are assigned a concierge to help guide them through the process. The goal is to improve outcomes, and success rates have been consistently higher. The pregnancy rate is about 60%, versus less than 50% using other managed-care networks. In-network miscarriage rates are at about half the level of other IVF providers.

This tends to be a carved-out benefit offered by large employers – Alphabet and Microsoft are two prominent customers – with more than 1,000 employees. The companies pay Progyny something on the order of $18,000 per IVF cycle and Progyny keeps roughly 20% of that after paying its providers. Its annual revenue run rate today is about $400 million and the business, at a still-early part of its lifecycle, is roughly breakeven. For context, revenues were $100 million in 2018.

The anchor points here are the overall penetration of fertility benefits at large employers and Progyny's share of the market. Today about 40% of 1,000-employee or more companies offer fertility benefits in the U.S., but the company and a number of industry experts believe that share can double to 80% over the next five years. Excluding this as a benefit is increasingly considered discriminatory, so it will likely continue to get harder and harder not to offer it. At the same time, management believes the company can double its share of the market to 20% over the next five years. Given the growth trajectory so far and the demonstrated quality of the service, we think that's achievable.

Now trading at just over $29, where can the stock trade if the goals are met?

MU: With 80% overall market penetration and Progyny taking a 20% share, that would translate into an average of about 10 million lives on their platform by 2025. We estimate that would result in roughly $1.6 billion in revenue and close to $2 per share in earnings. We use a 25x P/E, which would mean a $50 stock.

We talked earlier about how stocks can behave after an IPO. In this case the shares came out at $13 and rose quickly above $30 before the coronavirus hit. In the market downdraft even a stock like this fell sharply. It was obviously even better then, but we think the risk/reward is still quite positive.

Your company Chairman John Osterweis often talks about the investment merits of "inside-out" growth stories. Would Axon Enterprise [AAXN] be a good example of that?

INVESTMENT SNAPSHOT

Progyny
(Nasdaq: PGNY)

Business: Managed-healthcare provider focused exclusively on fertility treatment programs for employees of large corporate customers such as Alphabet and Microsoft.

Share Information (@9/29/20):

Price	**29.16**
52-Week Range	13.29 – 36.50
Dividend Yield	0.0%
Market Cap	$2.43 billion

Financials (TTM):

Revenue	$271.9 million
Operating Profit Margin	2.3%
Net Profit Margin	(-3.8%)

Valuation Metrics
(@9/29/20):

	PGNY	S&P 500
P/E (TTM)	n/a	35.5
Forward P/E (Est.)	64.8	24.9

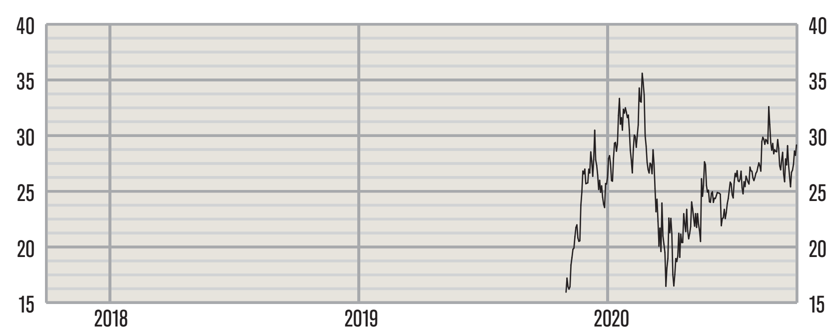
Largest Institutional Owners
(@6/30/20 or latest filing):

Company	% Owned
Fred Alger Mgmt	4.3%
Macquarie Inv Mgmt	4.1%
Vanguard Group	2.8%
ClearBridge Inv	2.2%
Parkwood LLC	1.9%

Short Interest (as of 9/15/20):

Shares Short/Float	9.6%

PGNY HISTORY



THE BOTTOM LINE

With the premier product in an addressable market that can double within five years, this specialty-healthcare company focused on fertility benefits is poised to dramatically increase revenues and profits, says Matt Unger. Putting what he expects to be a reasonable 25x multiple on his 2025 earnings estimate, the shares would trade at closer to $50.

Sources: Company reports, other publicly available information

BW: What John is describing is when one piece of a business that's being overlooked today has the potential to be the driver of growth for the entire company tomorrow. That's exactly the dynamic here.

Axon's original business is selling conducted energy weapons, more commonly known as Tasers, used in law-enforcement and security applications as a less-lethal alternative to guns. It added another successful franchise on to that with the sale of body and in-car cameras that are also now in common use in law enforcement.

It's the third leg of the business – cloud-based evidence and records management software, primarily for police forces – that we find particularly attractive. Here they're applying technology to an area where it historically hasn't been well utilized to create an integrated platform that facilitates the storage, management and retrieval of information from disparate input sources – from cameras, say, or case reports, or dispatch logs. They're capitalizing on already strong relationships with municipal police departments and believe this has great potential as well in adjacent areas like correctional facilities, military police and federal law enforcement. The software business today generates $180 million in mostly recurring revenue, and if it grows as we expect it will before long be more than 50% of total sales, up from around 30% today.

The company's target market is very much in the news. How are you assessing the impact of all that on Axon's prospects?

BW: There will likely be short-term pressure on all the businesses both from the movements to defund police departments and from recession-induced municipal budgetary constraints. But longer term we don't see any fundamental decline in the importance of public safety, in the need for better non-lethal technology, in the need for more complete documentation of what happens in the field, or for more effective and efficient record keeping to keep track of it all. Axon has an important role to play in all of that.

The shares have been volatile even after the broad-based market decline and rebound. How are you looking at valuation with the stock trading at around $88.50?

BW: The company believes it can grow revenue more than 20% annually over the next five years, and as the mix shifts more to software that overall EBITDA margins can go from the high teens today to closer to 30%. We believe those goals are reasonable and that the resulting EPS five years out can be about $6. Here we think with the increasing software focus and continued high growth prospects that the shares can then earn a 30x multiple, yielding a $180 target price. If we do a sum of the parts and put a software-type multiple on the software business, the shares look even cheaper.

We haven't talked too much generally about the pandemic and its impact on the market. How overall would you characterize your opportunity set today?

JC: I would say around 40% of our holdings have been fundamentally hit by the pandemic. That means their businesses were materially impacted, but less so their

INVESTMENT SNAPSHOT

Axon Enterprise
(Nasdaq: AAXN)

Business: Provider to law-enforcement agencies of products and services including Taser weapons, in-car and body cameras, and evidence and records management software.

Share Information (@9/29/20):

Price	**88.62**
52-Week Range	49.80 – 104.90
Dividend Yield	0.0%
Market Cap	$5.58 billion

Financials (TTM):

Revenue	$591.1 million
Operating Profit Margin	(-3.5%)
Net Profit Margin	(-5.6%)

Valuation Metrics
(@9/29/20):

	AAXN	S&P 500
P/E (TTM)	n/a	35.5
Forward P/E (Est.)	63.3	24.9

Largest Institutional Owners
(@6/30/20 or latest filing):

Company	% Owned
BlackRock	9.5%
Vanguard Group	8.9%
Baillie Gifford	6.7%
Wellington Mgmt	3.7%
Abdiel Capital	3.4%

Short Interest (as of 9/15/20):

Shares Short/Float	9.6%

AAXN HISTORY

THE BOTTOM LINE

Bryan Wong believes that for understandable but short-term reasons the market isn't recognizing the potential of the company's business providing evidence and records-management software to law-enforcement agencies. As it drives increased company growth and profitability he believes the shares can reach $180 within the next five years.

Sources: Company reports, other publicly available information

stocks because prices have come back so fast. But these are still high-growth businesses: the revenue growth for our companies in the second quarter averaged 24% year over year.

In the pandemic we added more what might be considered traditional companies to the portfolio. We added Aaron's. We bought more Brooks Automation. We added Cavco Industries [CVCO], a manufactured-housing business. We traded out of a company like Yeti Holdings [YETI] – we thought the inessential nature and premium prices of its coolers and other gear meant it would fare less well in a recession – and bought companies we'd been following that we thought might do well in the changed economic environment. That included Wingstop [WING], the fast-food chain that specializes in delivery and to-go orders, and Floor & Decor [FND], a home-improvement firm focused on flooring. All of the companies we added had strong long-term secular growth profiles that we didn't think were correctly reflected in depressed share prices.

In general, we've been trimming or closing out a lot of winners. It's wavered a bit of late, but in a market like today's investors are willing to pay up more for longer-term growth than usual. That translates into higher multiples that tend to make us uncomfortable. Our cash level is in the low teens, so we have money to put to work when that changes. VII

OSTERWEIS EMERGING OPPORTUNITY FUND
Value Investor Insight

With respect to this reprint, please note the following: The attached article has been reprinted with the permission of Value Investor Insight. The original article was first published on September 30, 2020.

The Fund's average annual total return for the one year, three year, five year, and since-inception periods ending 3/31/2023 were as follows:

	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception (10/1/2012)
Osterweis Emerging Opportunity Fund	*-10.18%*	*17.67%*	*10.84%*	*13.61%*	*13.60%*
Russell 2000 Growth Index	*-10.60%*	*13.36%*	*4.26%*	*8.49%*	*9.38%*

Gross/Net expense ratio as of 3/31/2022: 1.17% / 1.10%. The Adviser has contractually agreed to waive certain fees through June 30, 2023. The net expense ratio is applicable to investors.

Performance data quoted represents past performance and 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 lower or higher than the performance quoted above. Performance data current to the most recent month end may be obtained by calling toll-free (866) 236-0050.

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.

Opinions expressed in the article are those of the author and investment team. These opinions are subject to change at any time, are not guaranteed and should not be considered investment advice.

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 visiting 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. The Osterweis Emerging 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.

Current and future holdings are subject to risk. Top ten holdings as of 3/31/2023 can viewed here: OSTGX Holdings.

The Russell 2000 Growth Index (Russell 2000G) is a market-capitalization-weighted index representing the small cap growth segment of U.S. equities. This index does not incur expenses, is not available for investment and includes the reinvestment of dividends.

While the fund is no-load, management fees and other expenses still apply. Please refer to the prospectus for more information.

Growth stocks typically are more volatile than value stocks; however, value stocks have a lower expected growth rate in earnings and sales.

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

EBITDA is an acronym for Earnings Before Interest, Taxes, Depreciation and Amortization.

Earnings Per Share (EPS) is a company's earnings per outstanding share of common stock.

Price-to-Earnings (P/E) Ratio is the ratio of a company's stock price to its twelve months' earnings per share.

It is not possible to directly invest in an index.

Diversification does not guarantee a profit or protect from loss in a declining market.

Osterweis Capital Management is the adviser to the Osterweis Funds, which are distributed by Quasar Distributors, LLC. [OSTE-20201002-0008]