



## CrossingBridge Funds 2Q 2022 Commentary

### In Flanders Fields<sup>1</sup>

In Flanders fields the poppies blow  
Between the crosses, row on row,  
That mark our place; and in the sky  
The larks, still bravely singing, fly  
Scarce heard amid the guns below.



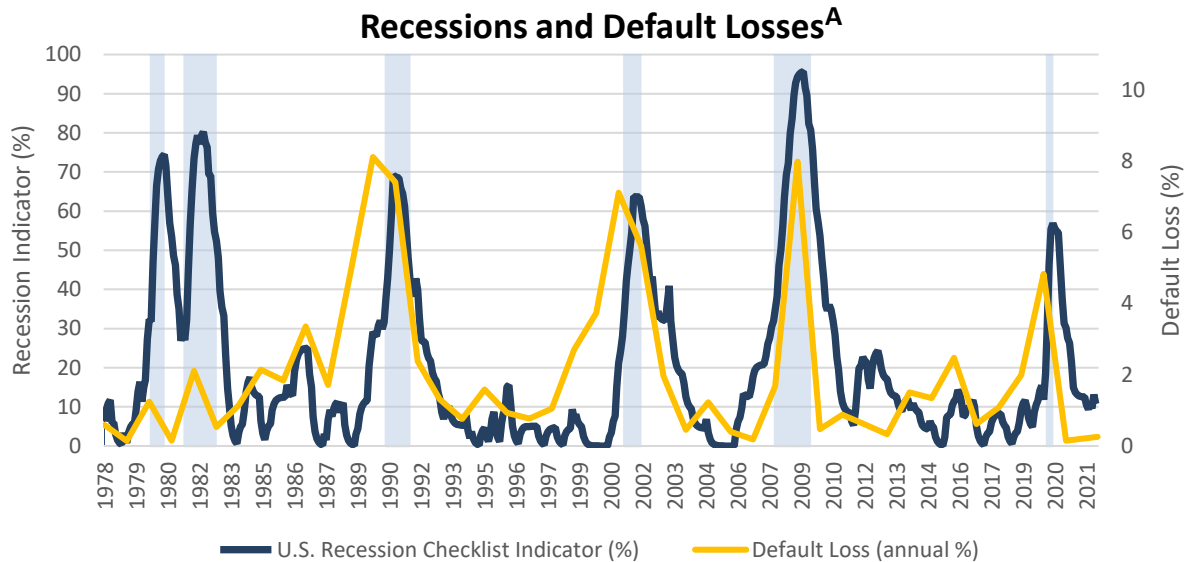
**Currently, investors are caught in an economic “No Man’s Land”<sup>2</sup> between the dangers of inflation and fears of recession as the Fed continues to raise interest rates. In the first half of 2022, U.S. equities and fixed income portfolios suffered some of their largest losses in history<sup>3</sup> leaving many investors shell-shocked. Just as the poppies returned to Flanders Fields, the decline in the markets is creating opportunities for investors.**

<sup>1</sup> *In Flanders Fields* is a poem written in May 1915 by Canadian physician Lieutenant-Colonel John McCrae inspired by the funeral of a friend and fellow soldier who died in the Second Battle of Ypres. The title refers to a major battle theater of World War I from 1914 to 1918 in which a million soldiers from more than 50 nations were wounded, missing or killed in action. The title has become a reference to the senselessness of war, with the poppy, which grew on the battlefields of Flanders, becoming a symbol of remembrance of soldiers who have died in battle.

<sup>2</sup> “No Man’s Land” is term that originated in the Middle Ages to denote an area of disputed territory which became more commonly used during World War I to describe the terrain between opposing armies and their trench lines.

[https://encyclopedia.1914-1918-online.net/article/no\\_mans\\_land](https://encyclopedia.1914-1918-online.net/article/no_mans_land)

<sup>3</sup> In 1H22, the S&P 500 price declined -20.6%, its worst first half performance since 1970. Investment grade bonds, represented by the ICE BofA US Corporate Bond Index, declined -13.93% in the first half of the year, their worst first half ever and the worst six-month period since 1Q80 (-16.35%). The ICE BofA US High Yield Index, which declined -14.04% in the first half, had its worst first half ever and worst six-month period since 4Q08 (-25.43%) (Source: Bloomberg)

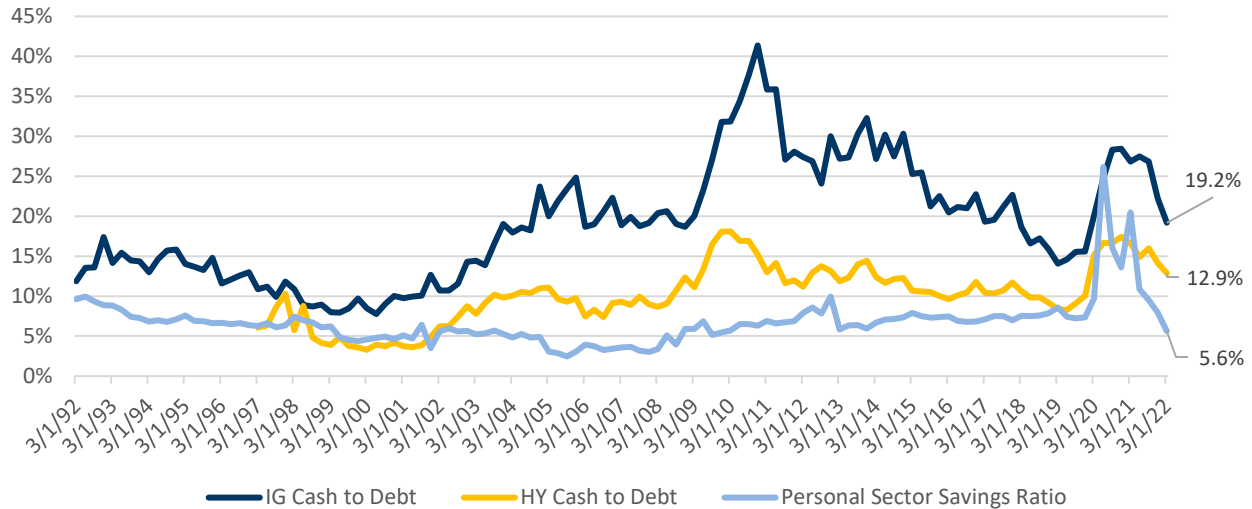


**At present, the U.S. Recession Checklist Indicator is rising.** However, the indicator has not always been predictive: In the year leading up to the recession of 2001, there was no indication of a recession before it began. In 1995 and 2012, the indicator rose to levels that exceed the current level, yet the U.S. economy did not go into a recession. The indicator did move up strongly prior to the recessions of 1979-80, 1991 and 2008-09.

As also shown on the graph above, **default losses typically peak during a recession.** However, a **recession is not necessarily felt in all sectors of the credit market equally.** For example, the recession of 2001 coincided with the bursting of the “.com” bubble and a significant number of defaults in the telecom and utility industries. If one avoided those sectors, default losses were substantially lower. **Specifically, in 2002, high yield telecom and utility bonds had returns of -30.6% and -17.0%, respectively, while the high yield market as a whole had a return of -1.89%. Excluding telecom and utility bonds, the high yield market would have returned 2.14% in 2002.<sup>B</sup>**

**Similarly, over the next few years, we believe that there will be significant losses among high yield debt that may be better described as “venture lending”:** high levels of debt financing incurred to support the growth of businesses without any proven capability to generate cash flow consistently. Just as in 2001, there will be businesses with ill-conceived business plans that will be forced to liquidate like eToys and Webvan. Other businesses, built on lofty valuations with too much debt, will restructure and may live on such as WiTel Communications, now a part of Level 3, and WorldCom that emerged from Chapter 11 in 2002 and was subsequently sold to Verizon. **For the high yield investor, active management and disciplined credit analysis will be essential to choose securities that will be less impacted by these turbulent conditions.**

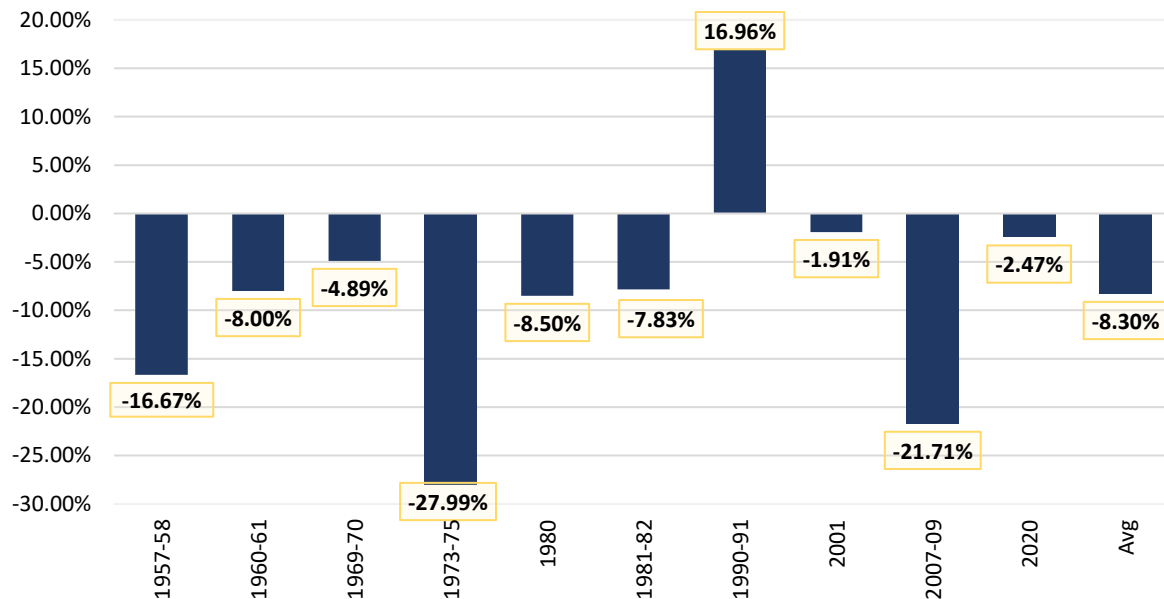
## Balance Sheet Health - Corporate & Households<sup>C</sup>



**If the U.S. economy does enter a recession, it appears likely to be relatively mild as neither corporations nor consumers appear to be overextended.** The low interest rate environment that prevailed since the advent of COVID-19 in March 2020 has afforded corporate treasurers the opportunity to refinance debt at attractive rates and push out maturities with the next significant increase in high yield maturities not coming until 2025.<sup>D</sup> As shown above, after peaking during the pandemic at the end of 2020, cash as a percentage of debt among investment grade issuers is about average compared to the last 30 years while, among high-yield issuers, cash as a percentage of debt is almost one standard deviation<sup>4</sup> above the mean for the same period.<sup>E</sup> Both measures are significantly higher than in period leading up to the 2001 recession. Personal savings increased due to government stimulus payments and rising wages. Meanwhile homeowners have been able to secure mortgages at historically low rates, leaving more cash in homeowners' pockets; Goldman Sachs recently noted that 99.5% of existing mortgages have a rate below current mortgage rates.<sup>F</sup> **Thus, both corporations and households appear to have the means to withstand an economic downturn with limited distress.**

<sup>4</sup> For investment grade debt, the mean ratio of cash to debt, since 1992, is 19.2%, and the standard deviation is 7.5%. For high yield bonds, the mean cash to debt ratio, since 1997, is 10.2% and the standard deviation is 3.7%. The Personal Sector Savings Ratio (personal savings divided by disposable income), since 1992, has had a mean of 6.7% and standard deviation of 3.0%.

### Percentage Change in Profit Margin During Recessions<sup>5G</sup>



**Notwithstanding, a recession would likely lead to reduced corporate profit margins and a decline in cash flow.** As shown above, the sharpest decline in profitability occurred in the deepest recessions, the recession of 1973-75 and the Great Financial Crisis of 2007-09. In contrast, profit margins increased in the relatively mild recession of 1990-91 and experienced only modest declines in mild recession of 2001 and the brief COVID-induced recession of 2020. Today, businesses are facing rising input costs due to inflation and supply chain bottlenecks. Although some companies have been able to pass along higher costs to customers, end-user purchasing power, confidence and demand are waning. Case in point, some input and commodity costs are already beginning to adjust downward in anticipation of a slowing economy. Regardless, **the decline in profitability will still be inescapable for most companies.**

<sup>5</sup> Profit margin is defined as Corporate Profits After Tax divided by Gross Domestic Product. The change noted is the percentage decline in profit margin from the quarter preceding the beginning of the recession to the trough margin during the recession. For example, the recession of 2001 began in April of 2001; the profit margin at the end of the prior quarter was 5.616%. The profit margin troughed during the recession in the June quarter of 2001 at 5.509%, resulting in a 10.71 basis point decline or a decline of 1.91% (i.e. -0.1071% divided by 5.6160% equals -1.9071%)

	CrossingBridge Low Duration High Yield Fund		CrossingBridge Responsible Credit Fund		CrossingBridge Ultra Short Duration Fund	
	1Q22	2Q22	1Q22	2Q22	1Q22	2Q22
"Dry Powder"	50.4%	47.4%	33.3%	21.2%	28.8%	38.6%
YTW	2.19%	7.65%	1.23%	3.96%	-1.00%	3.16%
YTW Duration	0.21	0.14	0.38	0.29	0.24	0.13
Remaining Portfolio	49.6%	52.6%	66.7%	78.8%	71.2%	61.4%
YTW	7.30%	9.15%	7.74%	10.35%	3.53%	5.59%
YTW Duration	1.36	1.73	2.03	1.94	0.77	1.01
Total Portfolio	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
YTW	4.73%	8.44%	5.58%	8.99%	2.23%	4.65%
YTW Duration	0.78	0.97	1.48	1.59	0.61	0.67

As discussed in previous investor letters, **we have been defensively postured in response to the increasingly speculative market and expectation that the Federal Reserve would begin to raise interest rates.** The table above shows **we have a healthy allocation to “dry powder”<sup>6</sup>** while the remaining invested portfolio has seen an increase in yield in excess of the move in the Treasury market and duration has remained relatively low. **Dry powder affords investors the ability to both withstand volatility and re-allocate capital to invest opportunistically.** It is a Wall Street proverb that “nobody rings a bell at the top or the bottom of a market.” Thus, following a significant decline, **when one sees the opportunity to capture a good absolute return with an acceptable level of risk, it makes sense to carefully deploy capital in a disciplined manner. We believe that time is now.** We recognize that the market may continue to sell-off, leading to mark-

<sup>6</sup> “Dry powder”, in the context of our portfolios, is defined as cash and investments that are expected to be repaid within 90 days as well as pre-merger SPACs that can be sold at or close to liquidation value. The liquidation value is the amount of cash and short-term securities held in a SPAC’s trust that is to be invested in a target company, distributed to shareholders who elect to redeem their shares for cash rather than invest in a proposed transaction or returned to shareholders at the liquidation date if the SPAC fails to find a merger partner. The “dry powder” category includes securities such as called bonds and debt maturing in less than 30 days. Called or maturing bonds with an ultra-short period to redemption may provide a misleading representation of portfolio metrics due to the potential large impact on yields from minor pricing variances versus the upcoming redemption price. Investments represent a snapshot of a specific point in time and may not reflect future positioning. For example, the “dry powder” yield for the CrossingBridge Low Duration High Yield Fund was 9.12% on 6/30/22, which is an accurate snapshot of the yield at quarter-end. However, as described above, there was a called bond, Tenet Healthcare, that was being redeemed out on 7/1/22. On 6/30, the bond was priced at a 165.58% yield for the 1.33% position, adding significant yield to the portfolio. If you zero-out the yield for the Tenet Healthcare position, the dry powder yield for the CrossingBridge Low Duration High Yield Fund would have been 3.08% as of 6/30.

to-market losses; however, as long as we do not incur permanent impairments as a result of credit mistakes, these are only “opportunity costs” that should be overcome in the long run.<sup>7</sup>

SPACs Liquidating between 9-15 months <sup>H</sup>				
Status	# of SPACs	Total Trust Assets (in \$MM)	Wtd. Avg. Yield	Wtd. Avg. Maturity (yrs)
Announced	11	\$ 2,409	3.68%	0.97
Seeking	168	\$ 38,403	4.43%	0.93
	179	\$ 40,812		

In response to the sharp rise in rates that has caused such turmoil in both equity and fixed income markets, **some investors are considering liquidating their portfolios at a loss in order to purchase “safe” short-term Treasuries. Our view is that these investors can do better by investing in a portfolio of pre-merger SPACs given that SPAC proceeds (held for the benefit of shareholders) are generally invested in short-term U.S. government bonds.**

Consider two investors, one who invests in short-term Treasury bonds and another investor who buys a portfolio of SPACs that are seeking merger partners but will liquidate their portfolio of Treasury securities to return their capital to investors if they have not completed a transaction within 9-15 months.<sup>8</sup>

The SPAC portfolio has a weighted average life of 0.93 years, or nearly one year, and a weighted average yield of 4.43%<sup>I</sup> so, if the investment horizon is only one year, the investment in the SPAC portfolio has a return that beats the 1-year Treasury rate of 2.93%<sup>J</sup> on 6/30/22 by 150 basis points.

If the time horizon is two years, the investor in the SPAC portfolio will again earn 4.43% for the first year and, therefore, need only earn a return of 1.57% in the second year to outperform an investment in a two-year Treasury, yielding 2.99%<sup>K</sup> on 6/30/22.

<sup>7</sup> With respect to corporate bonds, a permanent impairment is a loss of principal resulting from the issuer becoming distressed due to excessive leverage and/or a sharp decline in operating performance. A mark-to-market loss, considered temporary, is caused by a rise in interest rates and/or credit spread which causes the price of a fixed income instrument to decline, but does not imply heightened credit-specific concern with respect to a full recovery of principal and receipt of all interest due. A mark-to-market loss may be considered an opportunity cost in that the decline in the bond price represents a lost opportunity to purchase the bond at a higher yield.

<sup>8</sup> If a SPAC identifies a merger partner prior to liquidation, investors in the SPAC shares will have the opportunity to redeem their shares for the cash liquidation value prior to the close of the merger, increasing the rate of return of the investment.

Lastly, if the time horizon is three years, the investor who holds the SPAC portfolio in year one will only need to reinvest at an annual rate of at least 2.40% over the following two years in order to outperform the three-year Treasury, yielding 3.08%<sup>L</sup> as of 6/30/2022.

Further, on an after-tax basis, the total return of SPACs may be more advantageous versus U.S. Treasuries: return on many SPACs will be taxed as capital gains rather than as ordinary income (as is the case with Treasuries).

**Unrelated to SPACs, the rise in rates and widening of credit spreads has afforded us the opportunity to deploy our “dry powder” into higher yielding bonds and loans of companies that we believe will be less impacted by either the surge in inflation or a slowing economy.** In general, as shown in the following discussions, these are companies that have hard assets that are difficult to replace, provide necessary services, often under long-term contracts, or have upcoming events that are likely to lead to repayment within a reasonable timeframe.

Rockpoint Gas Storage Canada (ROCGAS)<sup>M</sup> – Rockpoint Gas Storage is the largest owner/operator of natural gas storage assets in North America. It provides contractual and spot storage services for a wide range of participants in the natural gas market in California, Oklahoma, Texas and Canada, including producers, marketers, power generators, pipelines and municipalities as well as the NYMEX and ICE exchanges. The company also optimizes its capacity utilization by entering into proprietary purchase contracts that are paired with forward sale or hedging contracts to lock in a margin. The company’s facilities play a vital role in balancing the supply of natural gas with demand, which varies both seasonally as well as sporadically due to swings in winter and summer weather. With excellent assets, net leverage<sup>9</sup> at a reasonable level at 4.1x, strong ability to generate cash flow and a financially astute equity sponsor, Brookfield Asset Management, holding hundreds of millions of investment capital junior to our secured bonds, we became confident in the credit.

We made our first purchase of Rockpoint’s 7% first lien bonds, due March 31, 2023, in March of 2021 with the expectation that the company would repay the bonds when they became callable at 103.5 on July 2, 2021. We were surprised when the company did not call the bonds at that time, but, apparently, the company’s private equity sponsor determined that a) it did not want to pay a premium to redeem the bonds and b) it thought it might achieve a lower cost of financing if it waited. Confident in the value of the assets and Brookfield’s commitment to the company, we opportunistically added to the position in expectation that the company would redeem the bonds when the call priced declined to par on 3/31/22. Once again, the company surprised us when it did not call the bonds at that time, apparently again because Brookfield was still hoping to achieve a lower cost of re-financing. The rise in interest rates in 2Q22 has caused the company

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<sup>9</sup> Net leverage equals total funded debt less unrestricted cash, divided by EBITDA.

to defer the bond refinancing again, although it will likely be opportunistic if rates and credit spreads recede. This has created an opportunity for us, however, as, with the bond price falling back from par to trade as low as 98, to yield as much as 9.375%, we were active buyers throughout the quarter. Following the company's release of its Fiscal 2022 results (year ended 3/31/22), the company announced that it generated excess cash during the year, requiring that it tender for a portion of the outstanding bonds at par. We are likely to sell some of our position into the tender in order to capture the discount to par, after which we will consider replacing the tendered bonds via additional market purchases.

Inmarsat (ISATLN)<sup>N</sup> – Inmarsat is a British satellite telecommunications company offering global mobile telephone and data services via a constellation of 14 geostationary satellites and associated ground stations. The company delivers voice and broadband communication, remote monitoring and control, and emergency and military communications to customers in a wide range of industries, including aviation, maritime, government, energy and agriculture. Supporting mission-critical business and government applications, the company has long-term contracts with most customers making for good visibility with respect to future revenues. Moreover, given that the satellite system and supporting infrastructure is already in place, capital expenditures are limited, providing the opportunity to grow cash flow to permit investment for growth as well as the ability to de-lever. Given the vital role the company plays and net leverage at a reasonable 5.2x, we became comfortable with the credit and initially purchased the company's 6.75% first lien bond, due October 1, 2026, in February 2020 at approximately a 5.21% yield to the October 2024 call. With the advent of COVID in March 2020, the bond's yield briefly spiked over 11%, but retraced back toward 5% by year-end. In 2021, the yield remained in the 5.5-6.0% range, but since the beginning of 2022, has risen with rates and credit spreads to a yield-to-worst above 9%, where we bought it during 2Q22. On November 8, 2021, the company announced that it was being acquired by Viasat, a U.S. provider of satellite services similar to Inmarsat. On a stand-alone basis, Inmarsat's net leverage has declined from 4.6x at the time the deal was announced to 4.1x at 1Q22 on the strength of EBITDA growth and higher free cash flow. Pro forma leverage for the combined company will initially be 5.0x, but, per Viasat's projections, is expected to decline to 4.0x by the end of 2024.<sup>O</sup> As the Inmarsat bond does not have a change of control put, Viasat is assuming the bond and it will remain outstanding, retaining the benefit of its first lien on the Inmarsat assets, post-transaction. Our confidence in the bond is further supported by the fact that, in February 2022, Standard & Poor's put it on Watchlist for a rating upgrade from its current B+ level. Lastly, pending the resolution of long-running litigation concerning the ability of Ligado Networks, a satellite communications company, to use certain radio frequency spectrum, Inmarsat may be entitled to as much as \$1 billion that would likely be used to reduce debt, thereby further improving the credit quality.



Stolt-Nielsen (SNINO)<sup>P</sup> – Stolt-Nielsen is a Norwegian provider of bulk-liquid logistics and storage and a distributor of bulk liquids and chemicals, with the world’s largest fleet of chemical tankers, a global terminal network and over 43,000 tank containers. The company is also an investor in transport infrastructure for liquified natural gas and a leader in sustainable land-based seafood production. Stolt has experienced cumulative average growth in revenue and EBITDA of 9.1% and 10.3%, respectively, since 2015 with 2021 revenue and EBITDA margin rebounding above the pandemic-impacted 2020 levels. This has facilitated a reduction in net leverage from 5.1x in 2017 to 4.3x at the end of 2021 with further de-leveraging expected in 2022 through free cash flow generation. Confident in the quality of its assets, its key role in global logistics for bulk-liquid and its improving credit quality, we have been involved with the company’s bonds for several years. During 2Q22, we began buying the 6.375% senior unsecured bonds due September 21, 2022 at a yield to maturity in the 6-7% range. The company has more than enough cash on its balance sheet to retire the bonds but appears likely to repay them at maturity. Ordinarily, we would not see bonds with such a short maturity and high probability of repayment offered for sale. However, with the bonds denominated in U.S. dollars, Norwegian funds that hedge their positions back into Norwegian kroner have become forced sellers as the sharp rise in the U.S. dollar has caused them to face margin calls on their currency swaps. This has provided us the opportunity to accumulate a significant position at an attractive short-term yield. To further enhance the rate of return, we are considering offering the issuer the opportunity to purchase our position at a price that would provide us with a capital gain but would also be advantageous for the company relative to the interest cost of its bank facility.

Just like the bursting of the telecom bubble in 2001 and the mortgage crisis of 2008-09, **the sharp declines seen in the markets recently have been the result of excess.** In the current instance, it has been the product of an **excess of liquidity** provided by the Federal Reserve and fiscal stimulus provided by Congress in response to the COVID-19 crisis. It has also been caused by **excessive speculation** as exemplified by individual investors seeking quick riches via cryptocurrencies, meme stocks and pre-revenue, capital-chewing companies.

**Still, this has not been some unusual cataclysmic event, granted that the war in Ukraine has exacerbated the situation.<sup>10</sup>**

**This bear market is providing opportunities for investors with capital ready to deploy. “High Yield” is once again “high” with the yield for the Bloomberg U.S. Corporate High Yield Index at 8.89%, its highest quarter-end level (but for the COVID-induced spike at 1Q20) since September 2011. Yields for companies that are over-levered or are pursuing questionable business models have risen, but in so doing, have pulled yields wider for good credits with predictable cash flows, solid assets and better balance sheets. These are the fertile fields where we will be looking to find the poppies growing.**

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<sup>10</sup> For discussion of the direct impact of the Ukraine war on companies’ credit, see our 1Q22 investor letter.

Going “over the top,”<sup>11</sup> our senses acutely aware of the “whizz bangs”<sup>12</sup> while we pick a bouquet of poppies,

DKS

David K. Sherman and CrossingBridge Team

**POSTSCRIPT**

Following up on credits profiled in our 1Q22 investor letter, we provide the table below:

	<u>12/31/21</u>	<u>3/31/22</u>	<u>6/30/22</u>
<b><i>Chobani Global Holdings - 7.50% Senior Notes due 4/15/25</i></b>			
Price	102.97	96.85	92.01
Yield to Maturity	6.48%	8.70%	10.90%
Benchmark Treasury Rate	1.04%	2.55%	2.84%
Spread (basis points)	544	615	807
<b><i>Fresh Market - 9.75% Secured Notes due 5/1/23</i></b>			
Price	103.00	98.25	100.00
Yield	7.33%	11.49%	9.75%
Benchmark Treasury Rate	0.50%	1.72%	2.70%
Spread (basis points)	683	977	706
<b><i>Golar LNG Ltd. - 7.00% Senior Notes due 10/20/25</i></b>			
Price	99.20	99.63	93.00
Yield	7.24%	7.11%	9.51%
Benchmark Treasury Rate	1.11%	2.55%	3.21%
Spread (basis points)	613	456	630

<sup>11</sup> “Over the top” refers to soldiers emerging from their protective trenches, ready to engage the enemy.

<sup>12</sup> During World War I, soldiers learned to identify shells by size, effect or sound. “Whizz-bangs” were munitions fired from high-velocity guns that made an identifiable sound but gave soldiers no time to duck out of the way.

Prices for Chobani and Golar have fallen, primarily due to a rise in Treasury rates and a widening in credit spreads generally. We continue to believe in the investment merits of both of these bonds, as discussed in our 1Q22 investor letter, and look at the decline in their prices as an opportunity to add to these positions at attractive yields. With respect to Fresh Market, we had expressed our concern about the manner in which the company might refinance the bond given its relatively near-term maturity (5/1/23) and, having concluded that the credit metrics were in order, added to our position below par when other investors sought liquidity. To our surprise, on May 10, 2022, the company announced that it was repaying the bonds in conjunction with the sale of a 67% equity stake to a Chilean retail conglomerate. As such, the bond was quoted at par at quarter-end and was repaid at par on July 5, 2022.

### Endnotes

<sup>A</sup> MRB Partners, Federal Reserve Bank of St. Louis, NYU Stern School of Business (1978-84 default losses), J.P. Morgan (1985-Present default losses) (n.b. there may be minor differences in the calculation of default losses in 1984 and prior versus subsequent periods)

<sup>B</sup> Lehmann, Livian, Fridson Advisors LLC

<sup>C</sup> Bloomberg, S&P Capital IQ, Morgan Stanley, Bureau of Economic Analysis, NIPA/Haver Analytics, Oxford Economics

<sup>D</sup> *Global Credit Trader - New wises, same challenges*, Goldman Sachs, June 30, 2022

<sup>E</sup> Bloomberg, S&P Capital IQ, Morgan Stanley, Bureau of Economic Analysis, NIPA/Haver Analytics, Oxford Economics.

<sup>F</sup> *Global Credit Trader - New wises, same challenges*, Goldman Sachs, June 30, 2022

<sup>G</sup> *MicroEdge – Microstrategy: Rising Margin Risks – June 2022 Wrap*, Jefferies, July 5, 2022; Federal Reserve Bank of St. Louis

<sup>H</sup> [www.Spacinformer.com](http://www.Spacinformer.com); SpacInformer.com is owned by eBuild Ventures, an affiliate of Cohanzick Management, LLC.

<sup>I</sup> [www.Spacinformer.com](http://www.Spacinformer.com); SpacInformer.com is owned by eBuild Ventures, an affiliate of Cohanzick Management, LLC.

<sup>J</sup> Bloomberg

<sup>K</sup> Bloomberg

<sup>L</sup> Bloomberg

<sup>M</sup> As of 3/31/2022 our position in Rockpoint Gas Storage represented 2.01% of the Low Duration High Yield Fund, 1.92% of the Ultra-Short Duration Fund, and 3.86% of the Responsible Credit Fund. As of 6/30/2022 our position in Rockpoint Gas Storage represented 3.26% of the Low Duration High Yield Fund, 3.15% of the Ultra-Short Duration Fund, and 5.09% of the Responsible Credit Fund.

<sup>N</sup> As of 3/31/2022 our position in Inmarsat represented 0.00% of the Low Duration High Yield Fund, 0.00% of the Ultra-Short Duration Fund, and 0.00% of the Responsible Credit Fund. As of 6/30/2022 our position in Inmarsat represented 0.11% of the Low Duration High Yield Fund, 0.00% of the Ultra-Short Duration Fund, and 1.22% of the Responsible Credit Fund.

<sup>O</sup> *Viasat + Inmarsat Investor Presentation*, November 8, 2021

<sup>P</sup> As of 3/31/2022 our position in Stolt-Nielsen represented 1.83% of the Low Duration High Yield Fund, 0.00% of the Ultra-Short Duration Fund, and 0.00% of the Responsible Credit Fund. As of 6/30/2022 our position in Stolt-Nielsen represented 0.00% of the Low Duration High Yield Fund, 3.01% of the Ultra-Short Duration Fund, and 0.00% of the Responsible Credit Fund.

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## Disclosures

Must be preceded or accompanied by a prospectus. The prospectus for the CrossingBridge Ultra-Short Duration Fund, CrossingBridge Low Duration High Yield Fund, and CrossingBridge Responsible Credit Fund can be found by [clicking here](#). To obtain a hardcopy of the prospectus, call 855-552-5863. Please read and consider the prospectus carefully before investing. Per rule 30e-3, the fiscal [Q1 holdings](#) and [Q3 holdings](#) can be found by clicking on the respective links.

The prospectus for the CrossingBridge Pre-Merger SPAC ETF can be found by [clicking here](#). The Statement of Additional Information (SAI) can be found by [clicking here](#). To obtain a hardcopy of the prospectus, call 855-552-5863. Please read and consider the prospectus carefully before investing.

The funds are offered only to united states residents, and information on this site is intended only for such persons. Nothing on this website should be considered a solicitation to buy or an offer to sell shares of the fund in any jurisdiction where the offer or solicitation would be unlawful under the securities laws of such jurisdiction.

**CrossingBridge mutual funds' disclosure: mutual fund investing involves risk. Principal loss is possible. Investments in foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investment in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher-rated securities. Because the fund may invest in ETFs and ETNs, they are subject to additional risks that do not apply to conventional mutual fund, including the risks that the market price of an ETF's and ETN's shares may trade at a discount to its Net Asset Value ("NAV"), an active secondary trading market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact a fund's ability to sell its shares. The value of ETN's may be influenced by the level of supply and demand for the ETN, volatility and lack of liquidity. The fund may invest in derivative securities, which derive their performance from the performance of an underlying asset, index, interest rate or currency exchange rate. Derivatives can be volatile and involve**

various types and degrees of risks, and, depending upon the characteristics of a particular derivative, suddenly can become illiquid. Investments in asset backed, mortgage backed, and collateralized 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. Investing in commodities may subject the fund to greater risks and volatility as commodity prices may be influenced by a variety of factors including unfavorable weather, environmental factors, and changes in government regulations. Shares of closed-end fund frequently trade at a price per share that is less than the nav per share. There can be no assurance that the market discount on shares of any closed-end fund purchased by the fund will ever decrease or that when the fund seeks to sell shares of a closed-end fund it can receive the nav of those shares. There are greater risks involved in investing in securities with limited market liquidity.

CrossingBridge Pre-Merger SPAC ETF disclosure: investing involves risk; principal loss is possible. The fund invests in equity securities and warrants of SPACs. Pre-combination SPACs have no operating history or ongoing business other than seeking combinations, and the value of their securities is particularly dependent on the ability of the entity's management to identify and complete a profitable combination. There is no guarantee that the SPACs in which the fund invests will complete a combination or that any combination that is completed will be profitable. Unless and until a combination is completed, a SPAC generally invests its assets in U.S. Government securities, money market securities, and cash. Public stockholders of SPACs may not be afforded a meaningful opportunity to vote on a proposed initial combination because certain stockholders, including stockholders affiliated with the management of the SPAC, may have sufficient voting power, and a financial incentive, to approve such a transaction without support from public stockholders. As a result, a SPAC may complete a combination even though a majority of its public stockholders do not support such a combination. Some SPACs may pursue combinations only within certain industries or regions, which may increase the volatility of their prices. The fund may invest in SPACs domiciled or listed outside of the U.S., including, but not limited to, Canada, the Cayman Islands, Bermuda and the Virgin Islands. Investments in SPACs domiciled or listed outside of the U.S. May involve risks not generally associated with investments in the securities of U.S. SPACs, such as risks relating to political, social, and economic developments abroad and differences between U.S. And foreign regulatory requirements and market practices. Further,

tax treatment may differ from U.S. SPACs and securities may be subject to foreign withholding taxes. Smaller capitalization SPACs will have a more limited pool of companies with which they can pursue a business combination relative to larger capitalization companies. That may make it more difficult for a small capitalization SPAC to consummate a business combination. Because the fund is non-diversified it may invest a greater percentage of its assets in the securities of a single issuer or a smaller number of issuers than if it were a diversified fund. As a result, a decline in the value of an investment in a single issuer could cause the fund's overall value to decline to a greater degree than if the fund held a more diversified portfolio.

**Definitions:** The **S&P 500**, or simply the **S&P**, is a stock market index that measures the stock performance of 500 large companies listed on stock exchanges in the United States. The **ICE BOFA Investment Grade Index** tracks the performance of US dollar denominated investment grade rated corporate debt publicly issued in the US domestic market. The **ICE BOFA High Yield Index** tracks the performance of US dollar denominated below investment grade rated corporate debt publicly issued in the US domestic market. **EBITDA** is a company's earnings before interest, taxes, depreciation, and amortization is an accounting measure calculated using a company's earnings, before interest expenses, taxes, depreciation, and amortization are subtracted, as a proxy for a company's current operating profitability. **A Basis Point (BP)** is 1/100 of one percent. **Pari-Passu** is a Latin term that means 'on equal footing' or 'ranking equally'. It is an important clause for creditors of a company in financial difficulty which might become insolvent. If the company's **debts** are **Pari-Passu**, they are all ranked equally, so the company pays each creditor the same amount in insolvency. **LIBOR** is the average interbank interest rate at which a selection of banks on the London money market are prepared to lend to one another. **Yield to Maturity (YTM)** is the total return anticipated on a bond (on an annualized basis) if the bond is held until it matures. **Free Cash Flow (FCF)** is the cash a company produces through its operations, less the cost of expenditures on assets. In other words, Free Cash Flow is the cash left over after a company pays for its operating expenses and capital expenditures. **Duration** is a measure of the sensitivity of the price of a bond or other debt instrument to a change in interest rates. **Debtor-in-Possession (DIP)** financing is a special kind of financing meant for companies that are in bankruptcy. Only companies that have filed for bankruptcy protection under chapter 11 are allowed to access dip financing, which usually happens at the start of a filing. Dip financing is used to facilitate the reorganization of a Debtor-

in-Possession (the status of a company that has filed for bankruptcy) by allowing it to raise capital to fund its operations as its bankruptcy case runs its course. **Yield to Call (YTC)** refers to the return a bondholder receives if the bond is held until the call date, which occurs sometime before it reaches maturity. The SEC Yield is a standard yield calculation developed by the U.S. Securities and Exchange Commission (SEC) that allows for fairer comparisons of bond funds. It is based on the most recent 30-day period covered by the fund's filings with the SEC. The yield figure reflects the dividends and interest earned during the period after the deduction of the fund's expenses. It is also referred to as the "standardized yield." **Yield to Worst** is the yield on the portfolio if all bonds are held to the worst date; Yield to Worst date is the date of lowest possible yield outcome for each security without a default.

**ETF definitions: the ICE BOFA 0-3 Year U.S. Treasury Index** tracks the performance of U.S. dollar denominated sovereign debt publicly issued by the U.S. government in its domestic market with maturities less than three years. **Gross Spread** is the amount by which a SPAC is trading at a discount or premium to its pro rata share of the collateral trust value. For example, if a SPAC is trading at \$9.70 and shareholders' pro rata share of the trust account is \$10.00/share, the SPAC has a gross spread of 3% (trading at a 3% discount). **Yield to Liquidation:** similar to a bond's yield to maturity, SPACs have a yield to liquidation/redemption, which can be calculated using the gross spread and time to liquidation. **Maturity:** similar to a bond's maturity date, SPAC also have a maturity, which is the defined time period in which they have to complete a business combination. This is referred to as the **Liquidation or Redemption Date**. Price refers to the price at which the ETF is currently trading. The sec yield is a standard yield calculation developed by the U.S. Securities and Exchange Commission (SEC) that allows for fairer comparisons of bond funds. It is based on the most recent 30-day period covered by the fund's filings with the SEC. The yield figure reflects the dividends and interest earned during the period after the deduction of the fund's expenses. It is also referred to as the "standardized yield." **Weighted Average Life** refers to the weighted average time until a portfolio of SPACs' Liquidation or Redemption Dates.

All performance data greater than 1 year is annualized.

**Diversification does not assure a profit nor protect against loss in a declining market.**

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A stock is a type of security that signifies ownership in a corporation and represents a claim on part of the corporation's assets and earnings. A bond is a debt investment in which an investor loans money to an entity that borrows the fund for a defined period of time at a fixed interest rate. A stock may trade with more or less liquidity than a bond depending on the number of shares and bonds outstanding, the size of the company, and the demand for the securities. The Securities and Exchange Commission (SEC) does not approve, endorse, nor indemnify any security. Duration is a measure of the sensitivity of the price of a bond or other debt instrument to a change in interest rates.

Tax features may vary based on personal circumstances. Consult a tax professional for additional information.

The CrossingBridge Ultra-Short Duration Fund, CrossingBridge Low Duration High Yield Fund, and CrossingBridge Responsible Credit Fund are distributed by Quasar Distributors, LLC.

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