



## CrossingBridge Funds 1Q 2022 Commentary

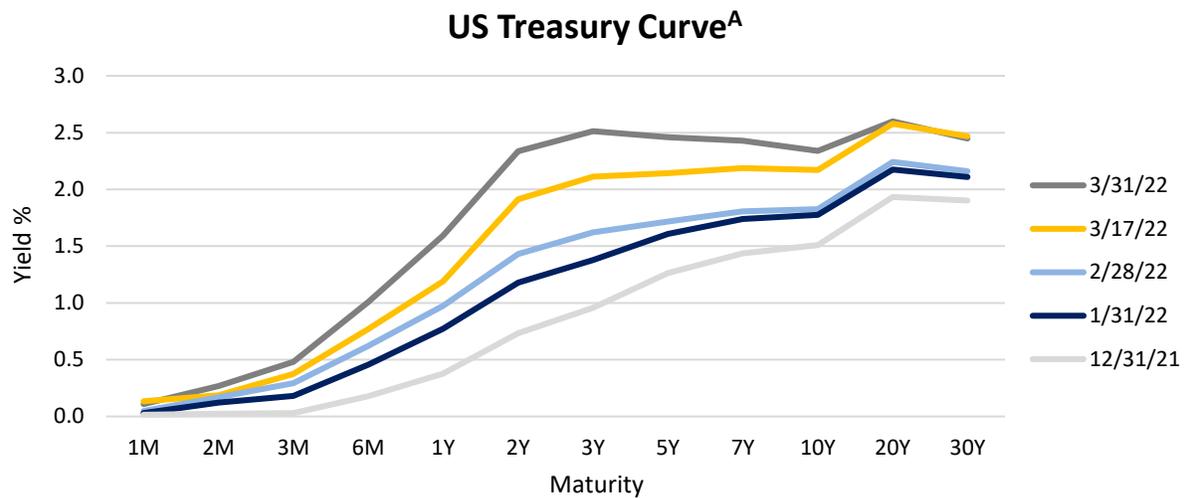
### *Locomotive Breath*<sup>1</sup>

*In the shuffling madness  
Of the locomotive breath  
Runs the all-time loser  
Headlong to his death  
Oh, he feels the piston scraping  
Steam breaking on his brow  
Old Charlie stole the handle  
And the train it won't stop  
Oh no way to slow down...  
No way to slow down  
No way to slow down*

The song *Locomotive Breath* portrays a loss of control resulting from extreme, unanticipated events and the need to make the best of it as we go forward, which could describe today's geopolitical and economic backdrop. In our 2021 year-end letter, we anticipated significant volatility. However, the events of this year have been beyond our expectations with the Russian invasion of Ukraine exacerbating ongoing challenges posed by inflation and supply chain bottlenecks. Capital preservation and investment success often come down to how an investor weathers these episodes and finds ways to take advantage of them.

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<sup>1</sup> Ian Anderson, the bandleader who wrote Jethro Tull's 1971 progressive rock song, *Locomotive Breath* (<https://www.youtube.com/watch?v=c4JqvK3Fwn8>), explained the lyrics of the song as follows: "We really have to face up to enormous changes... That we are on this seemingly lemming-like suicide mission in terms of an unstoppable force that we seem incapable of dealing with." <http://rockandrollgarage.com/jethro-tulls-ian-anderson-explains-the-meaning-of-locomotive-breath/>



The series of yield curves above reflects the crux of investors’ concerns. Beginning in 2021 and gaining momentum throughout the year, the U.S. economy was running “hot” leading to a steady decline in unemployment, rising wages and an ongoing increase in demand for goods causing inflation. This was compounded by supply chain bottlenecks and labor shortages. The Federal Reserve actively messaged its concern that inflation was no longer “transitory” and its intent to pursue policy to prevent a “runaway train.” Thus, the rise in yields in January and early February reflects the fact that “Mr. Market” was well prepared for the Federal Reserve to begin reversing its expansionary monetary policy.

Investors were not prepared for the Russian invasion of Ukraine that began on February 24<sup>th</sup>. Markets reacted quickly, but the typical “flight to quality” into U.S. Treasuries did not occur. Why? Energy and food prices spiked sharply raising fears that inflation might go out of control, similar to the 1970s, given Russia and Ukraine’s roles as significant global producers. On March 16<sup>th</sup>, true to their word, the Federal Reserve raised the Fed Funds Rate by 25 basis points and indicated that they would raise rates at each meeting through the end of 2022 and possibly into 2023.

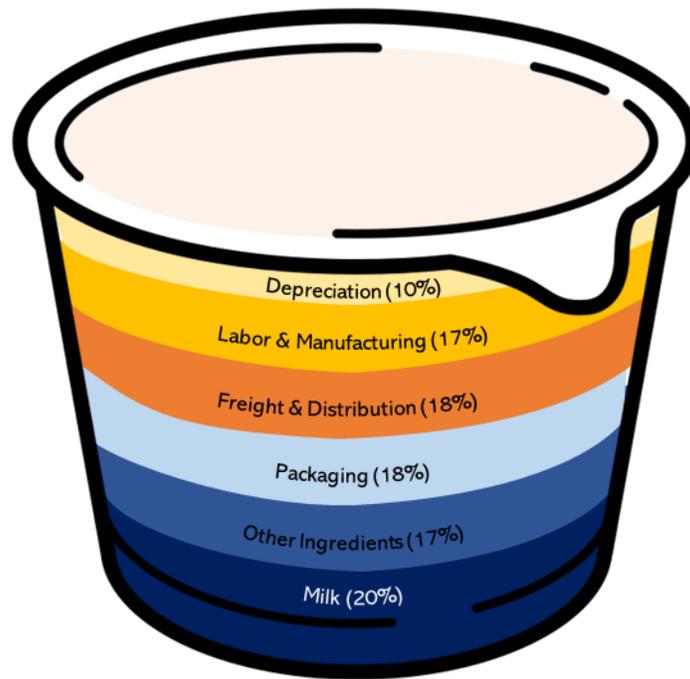
### Ukraine/Russia - Production and Commodity Price Changes<sup>B</sup>

|             | <u>% of Global</u> | <u>% Change in Price</u> |             |
|-------------|--------------------|--------------------------|-------------|
|             | <u>Supply</u>      | <u>2021</u>              | <u>1Q22</u> |
| Copper      | 4.0%               | 25.2%                    | 6.7%        |
| Aluminum    | 6.0%               | 41.8%                    | 24.3%       |
| Nickel      | 6.0%               | 24.9%                    | 60.1%       |
| Palladium   | 40.0%              | -22.1%                   | 18.6%       |
| Oil (WTI)   | 11.0%              | 55.0%                    | 33.3%       |
| Natural Gas | 17.0%              | 46.9%                    | 51.3%       |
| Wheat       | 25.6%              | 21.9%                    | 29.9%       |
| Corn        | 14.3%              | 34.6%                    | 25.8%       |

As shown above, oil and gas prices jumped dramatically after many Western countries barred the purchase of Russian-produced energy, effectively taking it off the market. Food prices also rose substantially since Ukrainian farming, which accounts for 8.0% and 13.2% of world wheat and corn exports<sup>C</sup>, respectively, was severely reduced by the war. Food prices were also impacted by higher cost for fertilizer, transportation and packaging, which are tied to oil and gas prices. Although Russia is not a major producer of copper, aluminum and nickel, challenges to global supply caused by the war propelled their prices higher. Further, the rise in the price of palladium in 1Q22 is representative of lesser-known commodities, including helium, neon, argon, krypton and xenon, for which Russia and/or Ukraine are major suppliers. These gases are critical inputs in high tech products such as semiconductors, which have experienced shortages due to supply chain disruptions.

Still, a portfolio is made up of individual investments that are impacted in different ways by changes in the economic and market environment. Below we discuss the impact of some of these factors and our thinking behind several positions that were in our portfolios at year end and experienced mark-to-market declines that provided the opportunity to add to these positions during 1Q22.

## Estimated Cost Components for Yogurt<sup>D</sup>



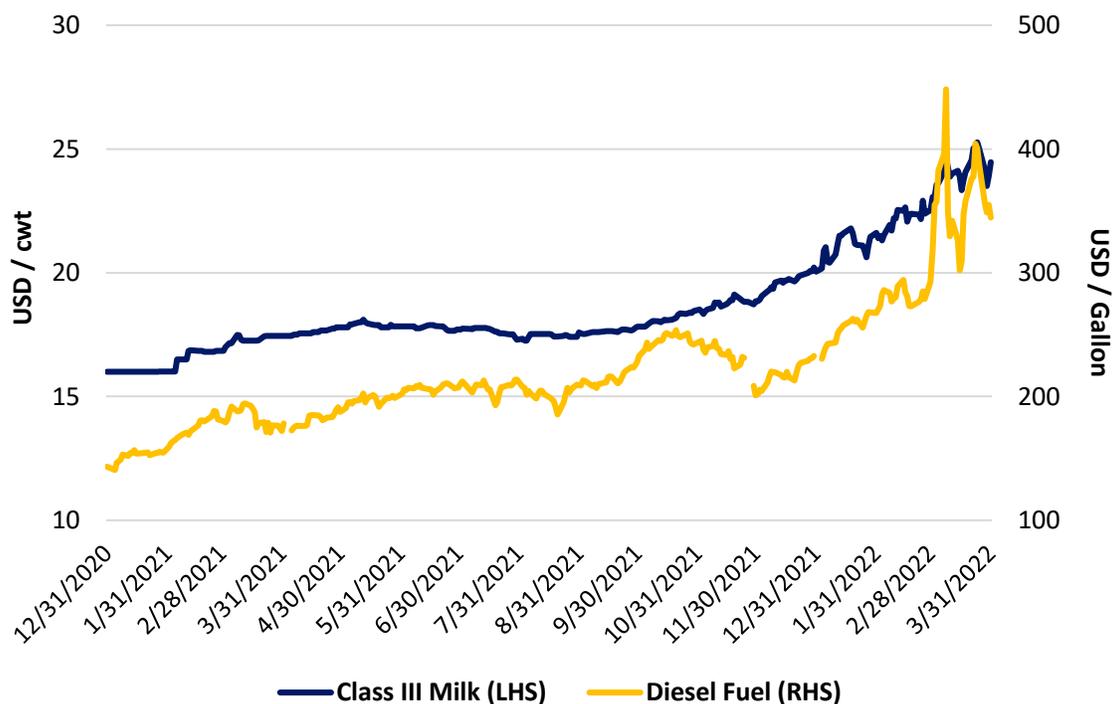
### *Increasing Input Costs*

Chobani Global Holdings, LLC (CHBANI)<sup>E</sup> – Chobani is a leading natural food company that primarily manufactures, markets and sells Greek yogurt and yogurt-based products in the U.S. The company’s yogurt products hold the #1 market share position, and they are aggressively leveraging their brand into additional products. We began purchasing the 7.5% senior unsecured bonds in March 2021 and continued through the year at an average price that would result in a 4.5% yield, were the bond called on April 15, 2022, and a 6.20% yield if held to the 4/15/25 maturity.<sup>F</sup> Through our analysis of the company, we concluded that it would continue to grow and that net leverage was reasonable at 6.1x. We also liked the “cushion”<sup>2</sup> characteristics of the bond and the added bonus that a much-rumored IPO might produce proceeds enabling an early redemption, increasing yield.

<sup>2</sup> A “cushion” bond is a callable bond with a high coupon that provides a higher yield the longer it remains outstanding.

*Impact of Rise in Input Costs* - Following a modest dip in revenues at the beginning of the pandemic, the company achieved solid revenue growth in 2020 and 2021 by outpacing the yogurt industry and successfully introducing several new products (creamers, oat milk, etc.). EBITDA grew in 2020, largely due to a reduction in SG&A, but flattened in 2021 as a result of increased marketing expenses and a decline in gross margin related to an increase in costs for inputs including milk prices, transportation and packaging, partly offset by lower costs for other ingredients. The prices for milk<sup>G</sup> and diesel fuel<sup>H</sup> (for transportation) have continued to rise, increasing 22.1% and 48.0%<sup>I</sup>, respectively, during 1Q22. These increased costs are partially being offset by the 24.7%<sup>J</sup> rise in butter<sup>K</sup> prices in 1Q22, which is mirrored in the selling price of cream, a by-product of yogurt production. As is the case with other yogurt producers, Chobani is raising prices through a combination of cash price increases, product size reductions and reductions in promotional activity, with the gross margin benefits likely to be realized in the second half of 2022. According to Nielsen data for March 2022,<sup>L</sup> yogurt sales have remained strong, +9.2% versus last year, despite the fact that prices have risen 7.7%, suggesting that consumer demand is currently inelastic.

### Class III Milk and Diesel Fuel<sup>M</sup>

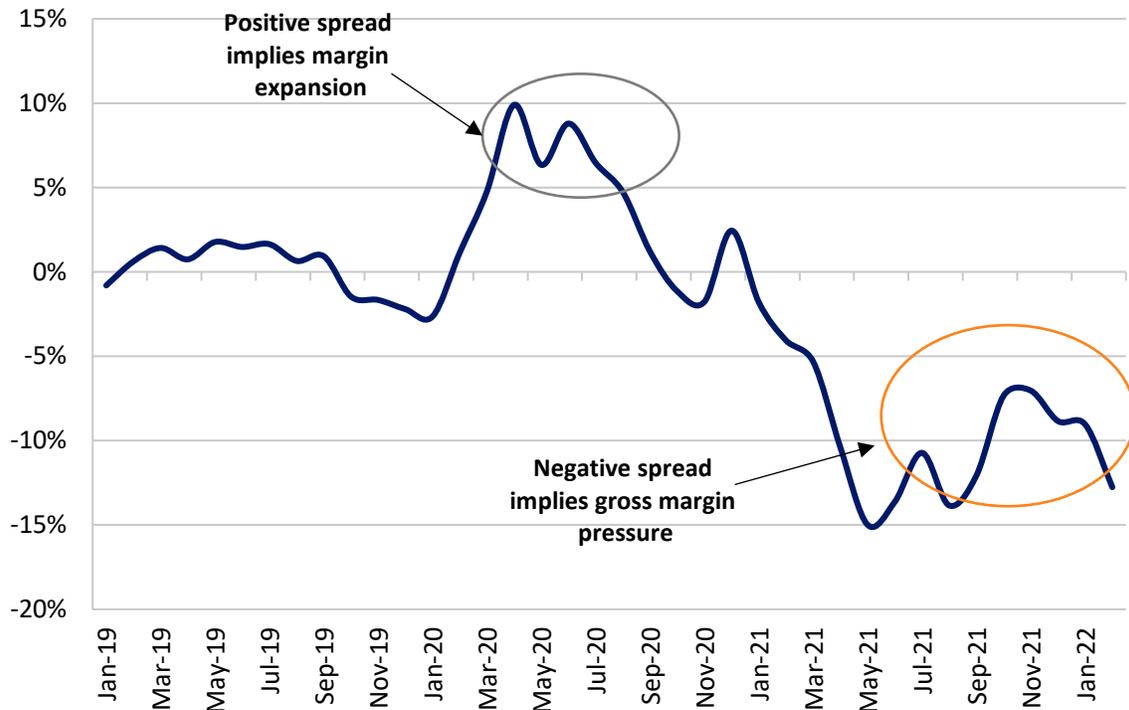


*Bond Pricing and Current View* - During 1Q22, the price of the Chobani bond declined from approximately 103 to just below 97, reflecting the view that an IPO and refinancing are not imminent. This was due to the general rise in interest rates, widening of high yield credit spreads and investor concern that the company's credit quality may be negatively impacted by rising input costs. We purchased the bonds in 2021 based on an expectation that the bonds may be refinanced early, but, if that were not the case, the yield would rise to compensate us for the extension in the expected repayment date toward maturity, an acceptable outcome. At the end of 1Q22, the bond was trading at a yield-to-maturity of 8.64% in comparison to 6.20% a year prior. The 244 basis point increase in yield-to-maturity reflects a 51 basis point increase in credit spread with 193 basis points related to interest rate movement. We remain comfortable with the credit: the brand has great customer loyalty, which is permitting product line extension and, as suggested above, likely will allow price increases to be partially passed through to consumers. At year-end, we estimate that net leverage was 6.3x and cash interest expense coverage was 2.5x. Although Chobani has experienced some credit deterioration due to margin squeeze, liquidity is strong, there are no imminent debt maturities and gross debt remains below \$1.4 billion, far below the \$10 billion expected IPO valuation.<sup>N</sup> Thus, the mark-to-market price decline provided an opportunity to add to the position at an attractive yield. Should the market stabilize so that Chobani can execute an IPO and use the proceeds to repay the bonds prior to the 2025 maturity, the total return would be higher than the current yield-to-maturity because the discount from par would be amortized over a shorter period of time.

### **Impact of the Pandemic, Inflation and Higher Rates**

Fresh Market (TFM)<sup>O</sup> – Fresh Market is a chain of 159 mid-sized, fresh food-focused grocery stores, with perishables making up 71% of sales (versus 35% in traditional grocery stores). Its targeted consumer is similar to that of Whole Foods, owned by Amazon. Fresh Market particularly benefitted from the sharp increase in in-home eating caused by the pandemic. Although customer traffic declined by 10% as consumers limited trips outside the home, average transaction size increased 25% and same-store sales rose 22%. As a result, EBITDA nearly doubled year-over-year, and the company reduced leverage from 6.7x at the end of fiscal 2020 to 3.3x at the end of the fiscal year ended January 2021. Focused on the sharply improved operating performance and a better credit profile, we began purchasing the 9.75% Secured Note, due May 1, 2023 in the first half of 2021. The purchases made throughout the year had yields-to-maturity in excess of 7.70%.

### Retail to Wholesale Inflation Spread (2-Year Stack)<sup>P</sup>



*Impact of Re-Opening and Inflation* – In the two years ended February 2022, the consumer price index for food at home has risen 12.5% led by meat/poultry/fish/eggs at 18.9% and fruits & vegetables at 11.3%,<sup>Q</sup> categories which Fresh Market emphasizes. As shown above, the difference between retail and wholesale inflation turned negative in 1Q21, implying shrinking margins for grocers. Thus, with the recent sharp rise in gasoline prices, coupled with food inflation, grocers face the potential for lower margins and the risk that consumers shift food spending toward lower cost alternatives.

In 2021, Fresh Market’s growth slowed from the torrid pace of calendar year 2020, particularly during the summer and fall as the pandemic eased and people were eager to get out of their homes. As a result, for the nine months ended October 2021, Fresh Market’s transaction count increased by 9.3%, reflecting greater customer comfort in visiting stores, but same-store sales growth slowed to 3.2%, still solid, and average transaction size declined 5.6% as consumers felt less need to fill their pantries. Directionally mirroring the graph above, EBITDA margin fell from 11.6%, in the first three quarters of 2020, to 9.9% in the comparable period in 2021. As a result, net leverage rose from 3.3x to 3.7x during the first three quarters of 2021. That said, even if EBITDA were to fall by 25% in 2022, net leverage would only rise to 5.0x, still healthy for a grocery store credit. As Fresh Market targets a consumer who tends to focus on fresh food and healthier

alternatives, it is likely to be less impacted by rising prices. Moreover, while commodity food prices may experience sharp spikes in response to adverse events, these have proven to be transitory with consumer food prices determined more by surplus or deficit driven by seasonal harvests, highly dependent on weather, and cost of non-food components such as marketing, packaging and transportation.<sup>R</sup>

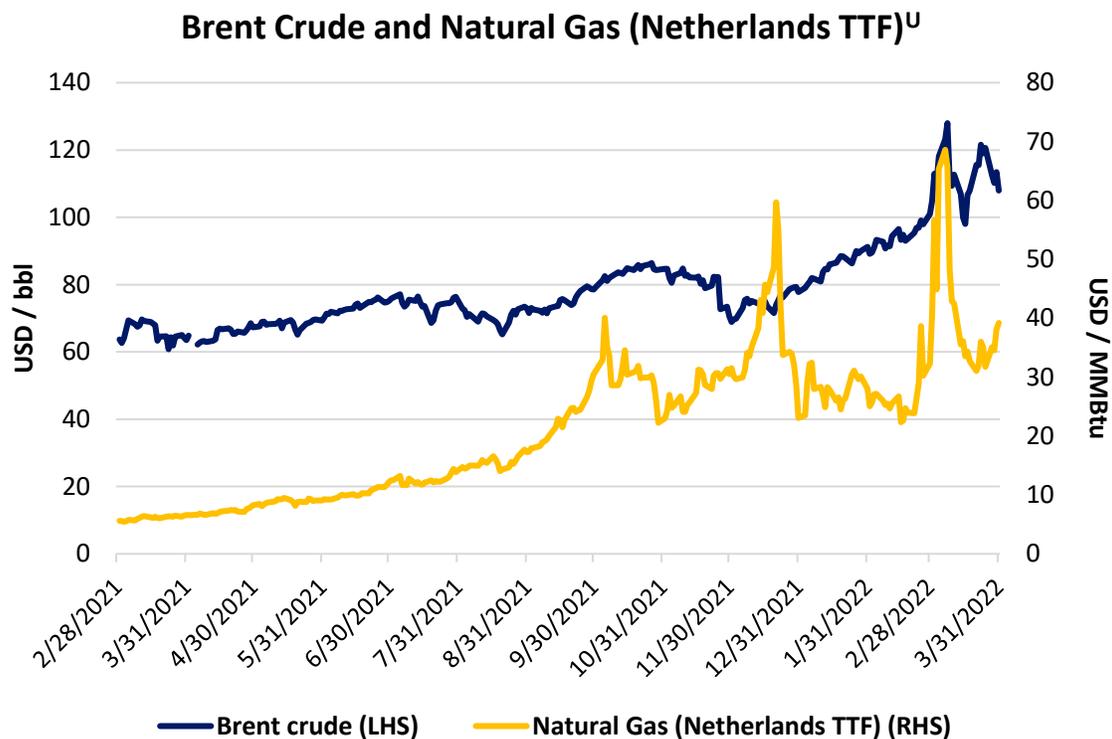
*Impact of Higher Interest Rates* – Fresh Market is focused on reduction of leverage, having recently repaid \$90 million of a senior priority note with funds generated from operations, leaving \$43 million outstanding. The bond we own matures on May 1, 2023; thus, Fresh Market must find a way to repay the bond by that date or face default. We believe the company has several avenues to effect repayment of the bond. In July 2021, Fresh Market filed an S-1 Registration Statement for an IPO, which was updated on March 14, 2022. The IPO has been deferred thus far due to market conditions, but, if the environment improves, IPO proceeds would likely be used to repay the bond. The company could also pursue a debt financing, issuing either a new secured bond or a combination of bonds and term loan that would provide prepayment flexibility. Fresh Market is currently rated B3/B- (Moody's/S&P). We estimate that the credit spread for a B3/B- bond would be about 540 basis points while CCC bonds would have a spread of about 750 basis points.<sup>S</sup> Thus a new 5-year bond would likely be issued at a yield between 8.00% and 10.00%. This would still result in interest expense comparable to or lower than the company is currently paying on its 9.75% bond. Were the company to elect to split the capital raise between a new bond and a term loan, the total interest cost might be a bit lower. Additionally, the company's private equity sponsor, Apollo, recently provided capital to allow it to repay its revolving credit facility. Thus, it is reasonable to think that Apollo would step up to protect its equity position. Lastly, the company would be an attractive strategic acquisition for a competitor. All-in, we believe that the value of the company exceeds the debt through the bonds we hold.

*Bond Pricing and Current View* - During 1Q22, the price of the Fresh Market bond declined from approximately 103 to 98.25, resulting in an increase in its yield-to-maturity from 7.34% to 11.49%. We attribute most of the decline to high yield funds "taking some chips off the table" by selling a short maturity bond to meet outflows. Taking advantage of this price decline, we added to the position during the quarter.

### **Rising Energy Prices, Changing Supply Lines**

Golar LNG Ltd.<sup>T</sup> – Golar LNG Ltd. is a lessor and operator of liquefied natural gas (LNG) transport ships, floating natural gas liquefying systems (FLNGs) and a floating storage regassification unit (FSRU). LNG ships take on natural gas that has been cooled into a liquid state to permit transport to distant ports for re-gasification and distribution. The FLNGs, positioned near offshore gas production wells, efficiently liquefy natural gas on-site using cold seawater, avoiding the need for

pipelines linked to on-shore liquefaction facilities. The FSRU stores LNG and has onboard facilities that convert LNG back into its gaseous state. Comfortable with the quality of the company’s hard assets and confident that cash flow from operations would permit deleveraging, in October 2021, we participated in the new issuance of Golar’s 7% unsecured bonds due 2025. The new issue proceeds were used to repay their convertible bond due in February 2022. At that time, leverage net of cash was 6.6x and leverage net of cash and equity investments was 4.8x.



*Impact of Rising Energy Prices* – The recent rise in oil prices has had a dual benefit for Golar:

- 1) **Contract Pricing** - The contract for the FLNG vessel, Hilli, provides for a minimum level of EBITDA, but also includes a pricing escalator that has the net effect of increasing EBITDA by \$2.7 million per year for every dollar above \$60/barrel for Brent crude and \$3.7 million per year for each dollar above \$1.60/MMBtu for Dutch TTF (natural gas). With Brent averaging \$70.87/barrel and TTF averaging \$17.91 in 2021,<sup>V</sup> Golar saw a sharp rise in EBITDA in 2021. This is expected to rise further in 2022 as, in 1Q22, Brent has averaged \$97.59/barrel and TTF has averaged \$32.43/MMBtu.<sup>W</sup> The rise in energy prices also afforded the company the opportunity to sign a long-term contract with BP for its second FLNG vessel, Gimi, currently 80% complete and expected to be commissioned by the end

of 2023. This contract is expected to produce \$151 million of EBITDA per year beginning in 2024.<sup>X</sup>

- 2) Asset Value - Rising demand for LNG in Europe and Japan has led to increasing need for transport capacity. As a result, the company’s fleet of LNG vessels became very attractive to potential buyers and, in December 2021, Golar agreed to sell 8 of its 9 LNG transport vessels to Cool Company Ltd., a publicly-traded Norwegian company. In exchange, Golar received cash, equity in Cool and assumption of debt with a value representing 8.1x estimated EBITDA. With this transaction leading to a substantial reduction in debt, leverage net of cash declined to 6.0x and, net of cash and equity investments, 1.7x.

*Impact of Changing Supply Lines* – The Russian invasion of Ukraine has upended the global view of energy security, leading to the stark realization that reliance on potential adversaries for critical supplies creates risk of higher prices or, in the extreme, severe shortages. Indeed, while Germany has been unwilling, to date, to cut off purchases of Russian oil and gas for lack of alternative supplies, most Western nations have refused to purchase Russian energy, reducing supplies in the market and driving prices up. Thus, with the ability to liquefy natural gas for long-distance transport via its FLNGs and re-gasify at its destination with its FSRU, Golar’s services are now in high demand. This should provide a long-term opportunity for Golar as, given extreme distrust of Russia resulting from its recent aggression, Europe has begun to develop infrastructure to support increased imports of LNG to replace Russian energy. More broadly, this circumstance, along with COVID-related bottlenecks in supply chains that led to shortages in semiconductors, consumer goods, food, etc., has led government and business leaders to encourage development of onshore sourcing of critical raw materials, components and finished goods to reduce risk of future disruptions.

**Golar 7.00% Unsecured Bond Due 10/20/25**

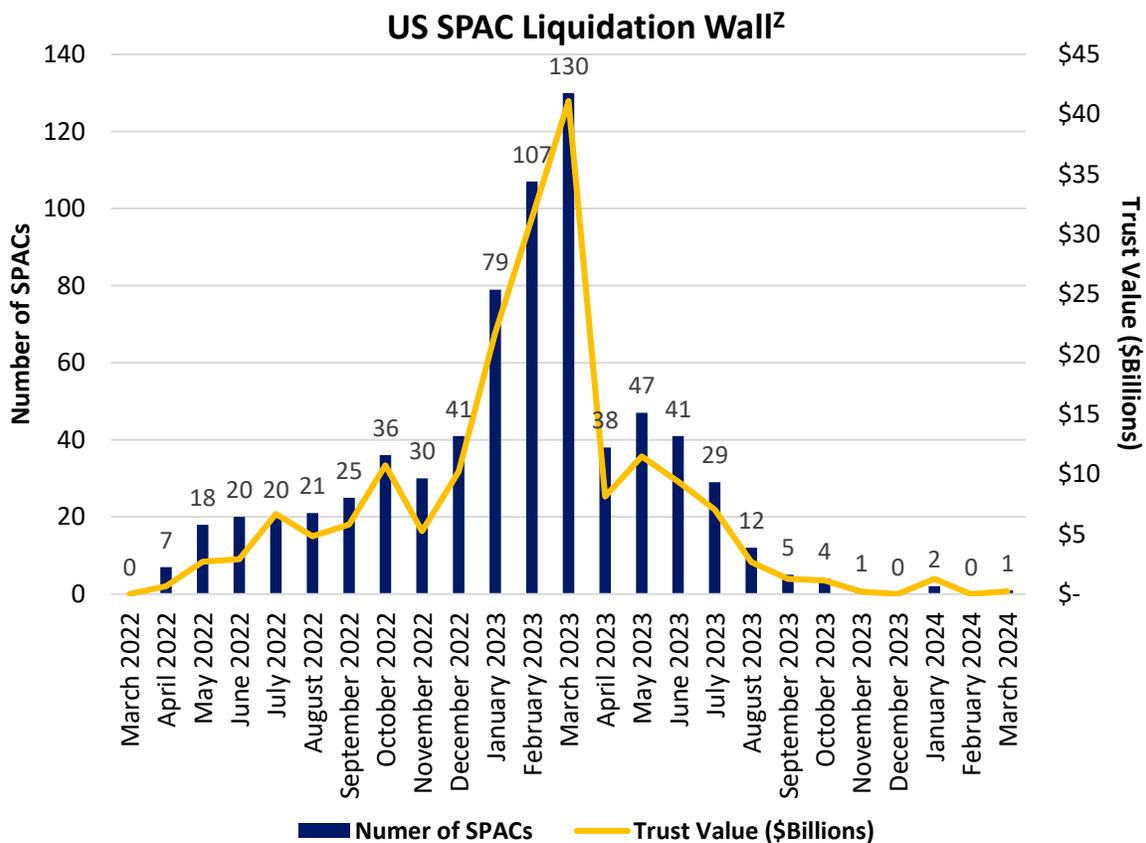
|                                      | 10/20/21<br><u>(Issue Date)</u> | 12/31/21 | 3/31/22 |
|--------------------------------------|---------------------------------|----------|---------|
| Price                                | 100.00                          | 99.20    | 99.625  |
| Yield                                | 7.00%                           | 7.24%    | 7.11%   |
| Benchmark Treasury Rate <sup>Y</sup> | 0.99%                           | 1.11%    | 2.55%   |
| Spread (basis points)                | 600                             | 613      | 456     |

*Bond Pricing and Current View* – Since Golar issued the bond, the price has declined modestly, reflecting the rise in interest rates largely offset by the tightening of the credit spread. The narrowing of the credit spread reflects the improvement in credit quality resulting from rising EBITDA and de-levering related to the sale of the LNG ships. During 1Q22, we added to our position in the bonds opportunistically at yields in excess of 7.00%. We remain comfortable that the company is asset rich and is benefitting from tailwinds including the growing demand for

energy as the world emerges from the pandemic and evolving thinking with respect to supply lines for strategically important goods.

### SPAC Update

Special Purpose Acquisition Companies (SPACs) represent a significant holding in our portfolios.<sup>3</sup> We recognize that the SPAC market has slowed and the SEC has issued proposed regulations concerning disclosures that may impact the volume of issuance going forward,<sup>4</sup> but we remain confident that this is a permanent asset class for capital formation.<sup>5</sup> Regardless, the outstanding issuance is plentiful for ultra-short investing at attractive yields with limited credit risk as long as one purchases SPACS below trust value and always redeems.



<sup>3</sup> At 3/31/22 CrossingBridge Low Duration High Yield Fund 11.3%, CrossingBridge Ultra-Short Duration Fund 12.1%, and CrossingBridge Responsible Credit Fund 17.2%.

<sup>4</sup> For an academic study regarding the quality and effect of greater disclosure for SPACs, see *SPACs and Forward-Looking Disclosure: Hype or Information*, Chapman, Frankel and Martin, October 2021

<sup>5</sup> For an academic study of the merit of capital formation via SPAC transactions, see *PE for the Public: The Rise of SPACs*, Gryglewicz, Hartman-Glaser and Mayer, 3/18/22

As shown at the bottom of the previous page, there are billions of dollars of capital in trust accounts of SPACs that have yet to complete a merger. However, as each day passes, they are moving toward the date at which they must liquidate, returning their capital to shareholders. This effectively represents the universe of SPACs from which we can select investments for our fixed income-oriented approach to SPACs. The spike in the number of SPACs reaching their liquidation date in early 2023 is an echo of the peak in SPAC issuance during the summer of 2021, reflecting the typical 18-month period during which a SPAC can look for a merger partner.

| SPACS Seeking Merger Partners |           |                                 |              |                      |                       |
|-------------------------------|-----------|---------------------------------|--------------|----------------------|-----------------------|
|                               | Count     | Total Trust Assets (\$billions) | Gross Spread | Yield to Liquidation | Months to Liquidation |
| 12/31/2021                    | 575       | 154.18                          | 1.99%        | 2.25%                | 13.2                  |
| 3/31/2022                     | 609       | 162.40                          | 2.07%        | 2.74%                | 10.6                  |
| <b>Δ</b>                      | <b>34</b> | <b>8.22</b>                     | <b>0.09%</b> | <b>0.49%</b>         |                       |

Despite a slowdown in SPAC issuance in 1Q22, the number SPACs seeking merger partners and the capital they represent increased during the quarter, providing a growing opportunity set for our investment in SPACs. In addition, the yield to liquidation increased by 49 basis points, reflecting the rise in interest rates, while the months to liquidation declined by nearly 3 months. At quarter-end, the Treasury yield for a T-Bill with maturity 10.6 months out was approximately 1.59%<sup>BB</sup>; thus, on average, an investment in SPACs seeking merger partners had a yield to liquidation that exceeded the yield on the comparable T-Bill by 115 basis points. The yield achieved on a portfolio of such SPACs would likely be higher as some SPAC mergers will likely take place earlier than the liquidation date, thus speeding up the return of capital to shareholders who elect to redeem their shares.

### Dynamic Braking

“Dynamic braking” is used to stop runaway trains.<sup>6</sup> Similarly, the Fed is using higher interest rates and quantitative tightening to quell inflation. Whether they will be successful, we have no opinion.

Some have taken note that the yield curve has inverted<sup>7</sup> between the 3-year and 10-year maturities and pointed to curve inversion as a harbinger of recession. However, members of the

<sup>6</sup> For those interested, we recommend *Train Wreck: The Forensics of Rail Disaster*, George Bibel, The Johns Hopkins University Press 2012

<sup>7</sup> An “inverted” yield curve is one in which shorter rates are higher than longer rates.

Federal Reserve have been dismissive of the signaling power of a 2-year versus 10-year inversion and only become concerned when an inversion of the 3-month T-Bill versus the 10-year bond becomes deeply negative and persistent.<sup>CC</sup> Thus, with the curve quite steep beyond 3 months, the labor market red-hot and GDP at its highest level in over 20 years<sup>DD</sup> a recession may seem far off. But what do we know? 🙋

Focusing on the fundamentals,



David K. Sherman and CrossingBridge Team

## Endnotes

<sup>A</sup> Bloomberg

<sup>B</sup> Bloomberg and *Ukraine/Russia conflict: The read-through for US HY supply chains*, Goldman Sachs, 3/11/22

<sup>C</sup> *Ukraine/Russia conflict: The read-through for US HY supply chains*, Goldman Sachs, 3/11/22

<sup>D</sup> Cohanzick estimate based on input from Goldman Sachs, Jefferies and Chobani Inc. Form S-1 Registration Statement, 11/17/21

<sup>E</sup> As of 12/31/2021 our position in Chobani represented 1.91% of the Low Duration High Yield Fund, 0.00% of the Ultra-Short Duration Fund, and 3.50% of the Responsible Credit Fund. As of 3/31/2022 our position in Chobani represented 1.91% of the Low Duration High Yield Fund, 0.00% of the Ultra-Short Duration Fund, and 3.28% of the Responsible Credit Fund.

<sup>F</sup> Bond prices and implied yields throughout this letter are based on prices provided by independent pricing services employed by fund custodians including, but not limited to, IDC and Reuters.

<sup>G</sup> Class III Fluid Milk, Bloomberg <DAK2>

<sup>H</sup> US Gulf Coast Ultra Low Sulfur Diesel Fuel, Bloomberg <DIEIGULP>

<sup>I</sup> Bloomberg

<sup>J</sup> Bloomberg

<sup>K</sup> Butter, Bloomberg <BUT1>

<sup>L</sup> *Nielsen Update – March – Batteries, Beauty, Bleach, Tobacco, Yogurt and KHC*, Barclays, 4/5/22

<sup>M</sup> Bloomberg

<sup>N</sup> *Chobani's IPO Is Delayed Yet Again Amid a Lull in Issuance*, Barrons.com, 3/11/22

<https://www.barrons.com/articles/chobani-stock-ipo-delayed-51647035549>

<sup>O</sup> As of 12/31/2021 our position in Fresh Market represented 2.27% of the Low Duration High Yield Fund, 1.45% of the Ultra-Short Duration Fund, and 2.81% of the Responsible Credit Fund. As of 3/31/2022 our position in Fresh Market represented 3.55% of the Low Duration High Yield Fund, 3.41% of the Ultra-Short Duration Fund, and 3.52% of the Responsible Credit Fund.

<sup>P</sup> *Food Retail – Inflation Deep Dive...*, Wolfe Research, 3/15/22

<sup>Q</sup> *Food Retail – Inflation Deep Dive...*, Wolfe Research, 3/15/22

<sup>R</sup> *Food inflation to spike briefly as commodity prices bite*, Oxford Economics, 4/6/22

<sup>S</sup> *High Yield Daily Update*, JP Morgan, 4/5/22

<sup>T</sup> As of 12/31/2021 our position in Golar represented 3.07% 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 3/31/2022 our position in Golar represented 2.02% of the Low Duration High Yield Fund, 1.49% of the Ultra-Short Duration Fund, and 2.02% of the Responsible Credit Fund.

<sup>U</sup> Bloomberg

<sup>V</sup> Bloomberg

<sup>W</sup> Bloomberg

<sup>X</sup> Golar LNG Ltd.

<sup>Y</sup> Bloomberg

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

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

<sup>BB</sup> The 1.375% Treasury Bond maturing on February 15, 2023 had a yield to maturity of 1.59% on March 31, 2022.

<sup>CC</sup> *Yield curve: Flashing orange*, Barclays, 3/29/22

<sup>DD</sup> Bloomberg

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## Disclosures

The prospectus for the CrossingBridge Low Duration High Yield Fund, CrossingBridge Ultra-Short Duration 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 Ultra-Short Duration Fund and CrossingBridge Responsible Credit Fund 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 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**

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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 seek 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."

**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."

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All performance data greater than 1 year is annualized.

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

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

The CrossingBridge Pre-Merger SPAC ETF is distributed by Foreside Fund Services, LLC.