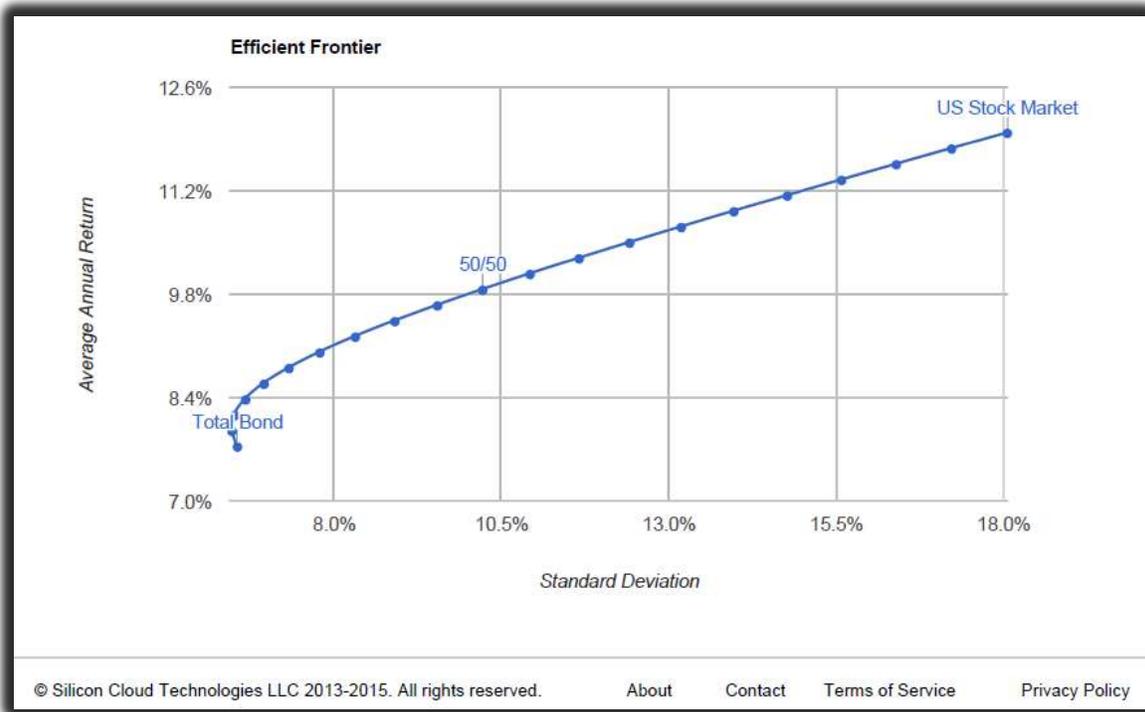


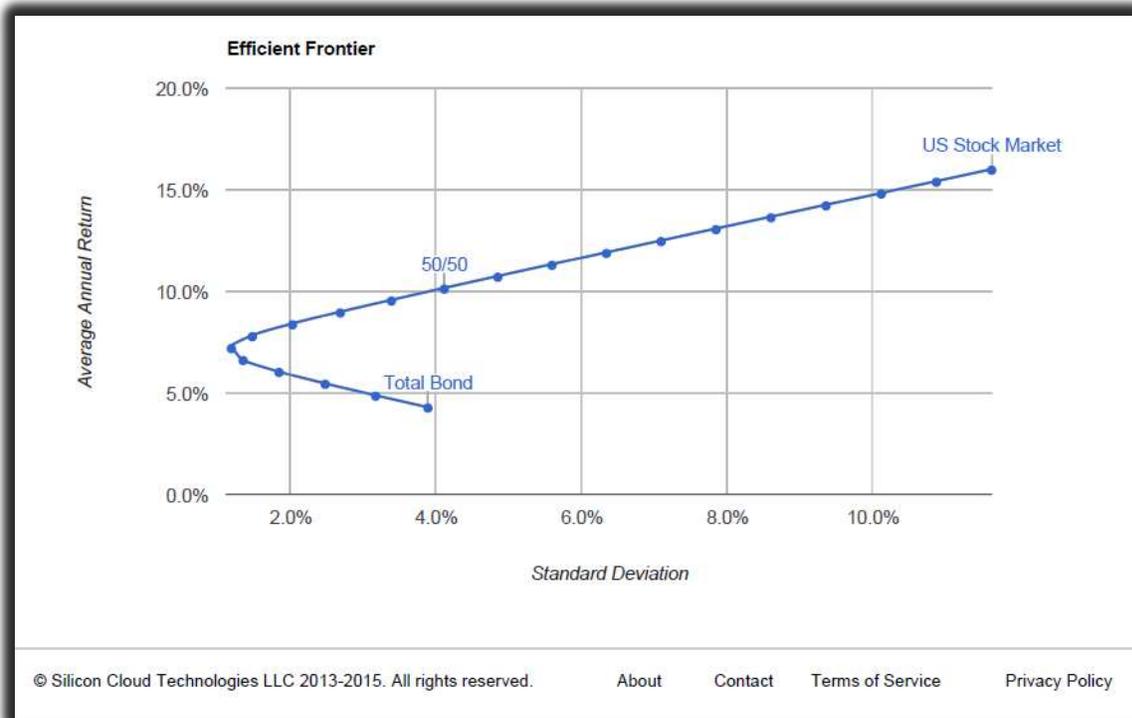
# GRIPMAN FUNDS - OUR THREE INVESTMENT COMMANDMENTS

## KNOW THY RISK

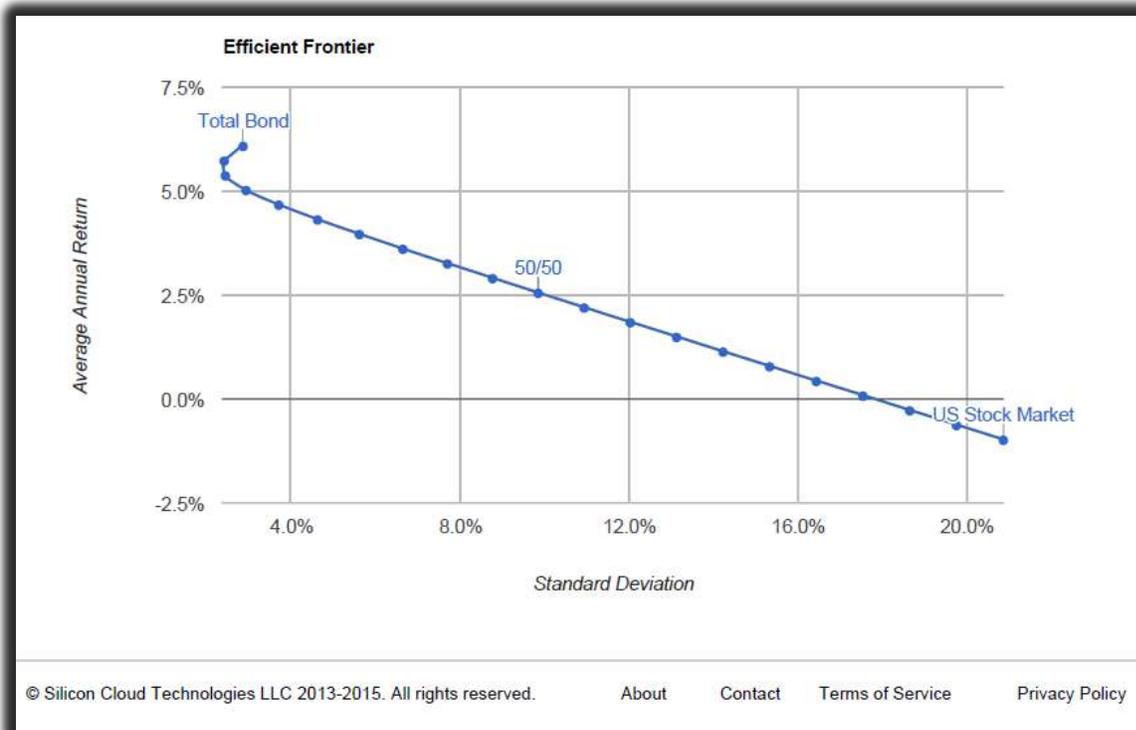
This is obviously number one in that before you can estimate an expected return you must take into account how much risk you are willing to take to pursue that return. In order to propagate Harry Markowitz's efficient frontier optimal portfolio you consider all the portfolios which have your desired expected volatility. With a majority of the United States population aging we estimate that the desired volatility on most investment portfolios will shrink over time. Looking backwards from 1972 until 2014 at the US stock market and total bond market the lowest volatility portfolio was between 6.5-7.0% standard deviation and consisted of 90-95% bonds and the remainder of stocks.



Looking at the next page we have the efficient frontier chart with risk/return a bit closer to 2015 (from 2010-2014) the lowest volatility portfolio has shifted to around 75% bonds and 25% stocks.

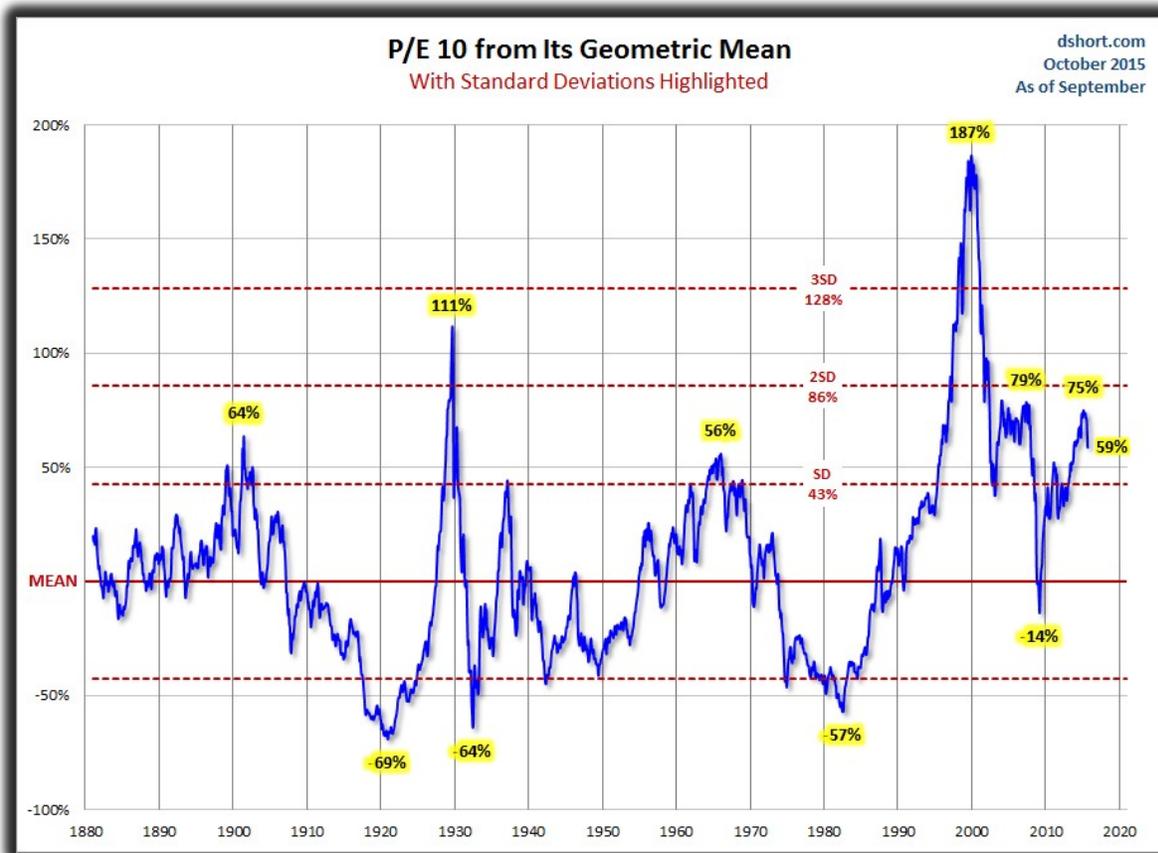


What would happen to the frontier if we looked at data from 2000 up until 2008? You would want to own very few stocks in this scenario.



The efficient frontier charts above are all looking back at historical information. As a result there really is no perfect efficient frontier chart that will tell you how to allocate over a future period of time because we don't know what the future could bring. We suggest looking ahead and attempting to figure out what risk/return we could see over the next five to ten years. To do this we use the historical return and volatility data, but compare scenarios using current market indicators.

Simply put valuations are stretched. There are reasons for this with interest rates low and the central banks interventions. However, reversion to the mean is a powerful longer term catalyst. We don't know the movement of markets in the next year or two, but given valuations on stocks a more conservative allocation for at least a portion of your portfolio seems appropriate. We have chosen to use a base target for the **Gripman Absolute Value Balanced Fund (GAVBX)** portfolio of 70% bonds and 30% stocks. By starting with this allocation we are attempting to keep volatility of average annual returns for the fund at close to mid-single digits.



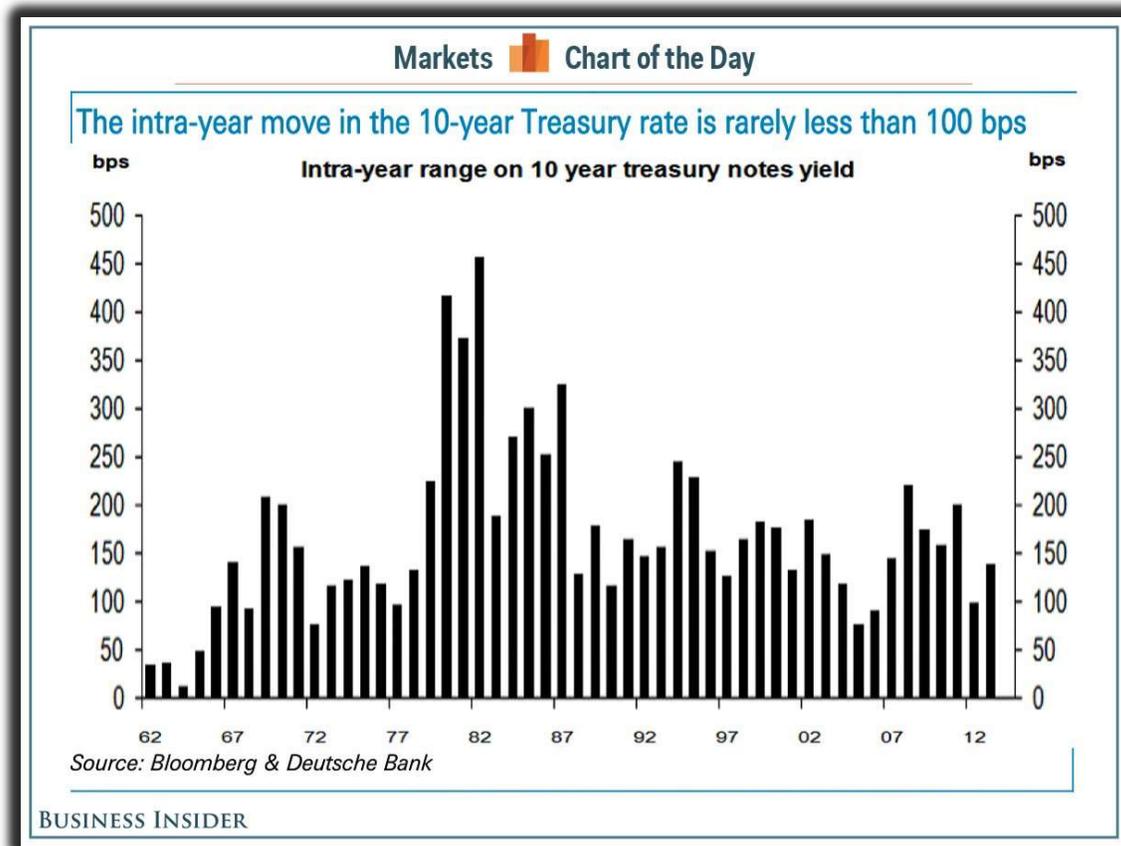
In building real life portfolios we understand that there are other options than the broad US equity and bond market. We also understand that investors all have different risk profiles. However, we feel that to prudently manage a client portfolio you need to start with at least a part of the portfolio in a low risk allocated fund that factors in valuations and that is focused on keeping volatility low. The **Gripman Absolute Return Balanced Fund (GAVBX)** is that fund for your clients. As valuations change or sector

opportunities in other sectors come around you can allocate to those areas knowing that you have a fund that has the potential to provide a ballast to the portfolio as a whole.

## HONOR THY CASH FLOWS

So now we have allocated the portfolio given the risk/reward of the broad markets, we need to actually determine what investments to purchase to build out that portfolio. We could use an index fund or we could use active funds. Your eventual return is going to be the cash flows from your investments and the potential price difference for holding your investments over a period of time. Cash flow analysis and calculation of a securities cash flow yield is a fairly simple activity. However, many times during a year this cash flow return can be eclipsed by a simple increase in price of a security due to many factors apart from cash flows valuation.

In fixed income the yield to worst is a good representation of what you can generally expect to earn from an investment if interest rates don't move. However, interest rates tend to move around quite often.



For many years the investment return is guided by price changes rather than yield. This translates to equities as stock prices can show even greater movement due to all sorts of factors. In fact many times investors do not necessarily focus on cash flow yield of an equity investment as price changes can and many times do make up the biggest portion of expected returns over a short period of time.

At Gripman we take a longer term view with equity securities. We model each company out by building a credit profile which includes determining a cost of debt and then we add an equity risk premium determined not by asset class, but by each individual company. Does the company have good growth prospects? Are they seeing increasing/decreasing completion in major product lines? Do they have assets that are undervalued that they can convert to cash? There are many questions we ask to determine various scenarios to determine long-term valuation and risk. However, we buy and hold equities with the key focus on harvesting the cash flow yield over time.

By focusing on cash flow yield it allows us to compare and allocate capital between the equity and fixed income sleeves and gives a more accurate measure of longer term expected return of the portfolio. We can spend more of our time analyzing companies and looking for attractive longer term investments than trying to capture the price momentum or more speculative names in the equity space. Besides there are other investors that would be happy to fill a more speculative trading role for you if you wish?

## THOU SHALT NOT SPECULATE

The **Gripman Absolute Value Balanced Fund (GAVBX)** has chosen a custom benchmark that attempts to reduce the amount of speculative risk that would result from being tied to benchmarks that have too much exposure to price sensitive securities. The fund will attempt to guard against capital loss on any of our investments. Valuation fluctuations are to be expected, but capital loss should be avoided as much as possible. Our fixed-income benchmark (70% of total fund) is the Barclay's 1-7 US Aggregate index to help limit interest rate volatility and to not take too much credit risk. Our equity benchmark (30% of total fund) is the S&P 500 Dividend Aristocrat index that mainly represents historically strong cash flow generating companies.

We will still have to drive alpha in the portfolio above and beyond what we can earn from the custom benchmark. To achieve these goals we will look at security selection and valuation. We will buy fair to cheap securities from quality companies in our benchmark indices with good fundamental qualities. We will also focus on liquidity to make sure that we avoid securities that could potentially take a capital loss due to lack of access of funds from the capital markets.

The typical balanced fund may try and reach for yield on the fixed income side by extending duration or buying a large amount of high yield bonds. On the equity side they might decide to invest in more speculative equity securities like small caps or highly leveraged companies. We will focus on attempting to take advantage of different areas of the market where the silo structure of the investment industry creates opportunities if an investor is willing to be patient and do the required due diligence.

One such area is in BB securities. We don't allocate by silo, but in certain cases BB securities of selective names offer a more attractive risk/return to BBB securities in the same sector. Many times we don't understand why a firm's 2yr bonds, which are covered two times by cash on a company's balance sheet, are rated BB just like that firm's 30yr bonds? In our opinion the credit risk is not the same for those two bonds and we will strive to take advantage of that in many cases. Also, we believe we can take advantage of event risk in names falling out of the investment grade index in which investment grade accounts are forced sellers.

## SUMMARY

The **Gripman Absolute Value Balanced Fund (GAVBX)** has chosen a custom benchmark that attempts to reduce the amount of speculative risk that would result from being tied to benchmarks that have too much exposure to price sensitive securities. Our benchmark also focuses on keeping volatility low in a wide variety of potential market scenarios. By buying fair to cheap securities from quality companies in our benchmark indices with good fundamental qualities and by striving to take advantage of market inefficiencies, we believe that we have the ability to drive alpha in the portfolio above and beyond what we can earn from the custom benchmark. The **Gripman Absolute Value Balanced Fund (GAVBX)** is managed in a manner to actively seek long-term growth while simultaneously partnering to achieve stability and effective risk management.

At Gripman, we are committed to providing our clients with investment strategies that focus on value, stability and growth. These strategies can be particularly useful during these volatile and uncertain times. As an advisor, when your investment committee conducts due diligence and wonders how to properly de-risk your clients' portfolios, we want to be the firm you turn to that will be focused on providing a great performing and easy to monitor strategy for your clients.

**Before investing you should carefully consider the fund's investment objectives, risks, charges and expenses. This and other information is in the prospectus, a copy of which may be obtained from contacting us at 1-844-GRIPMAN or GRIPMANFUNDS.COM. Please read the prospectus carefully before you invest.**

**Absolute value investing** is subject to the risk that the market will not recognize a security's inherent value for a long time or at all. In addition, during some periods (which may be extensive) value investment generally may be out of favor in the markets. Therefore, the Fund is most suitable for long-term investors who are willing to hold their shares for extended periods of time thorough market fluctuations and the accompanying changes in share prices. The fund may invest in **smaller, less seasoned companies** which may present greater opportunities for growth but also may involve greater risks than customarily are associated with more established companies. Up to 10% of the fund's holdings may be invested in **high yield bonds**, which are debt securities rated below investment grade, that are speculative, involve greater risks, and are more volatile and tend to be less liquid than investment-grade securities. Up to 10% of the Fund's investments may be in **distressed bonds**, which may involve a high degree of credit risk, price volatility and liquidity risk. These instruments typically are unrated, lower-rated, in default or close to default. Valuing such instruments may be difficult and the Fund could lose all of its investment. Any investments in **Mortgage-backed securities** include the risks associated with direct ownership of real estate; there can be no assurance that mortgage-backed securities will make payments of principal and interest at the times or in the amounts scheduled.

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