

Commentary

Morningstar Rating™

Overall Rating as of March 31, 2018



As of 3/31/18, Class A shares rated 4 stars among 147 U.S. Municipal Single State Intermediate Funds based upon risk-adjusted returns derived from a weighted average of the performance figures associated with 3-, 5- and 10-year (if applicable) Morningstar Ratings metrics.

Tickers

Class A: **LMDX**

Class C: **LMMCX**

Class I: **LMMIX**

Portfolio Management



R. Scott Pierce, CFA

Portfolio Manager

R. Scott Pierce, CFA manages the Fund and is a Managing Director and the Head of Fixed Income within 1919 Investment Counsel. He has over 26 years of industry experience.

About 1919 Investment Counsel

1919 Investment Counsel is the investment advisor to the 1919 Funds and manages approximately \$11.1 billion in assets as of March 31, 2018. The cornerstone of 1919's investment process is proprietary, fundamental research with an emphasis on quality, risk management and diversification.

In addition to the 1919 Funds, 1919 Investment Counsel provides customized equity and fixed income strategies for institutions, family offices and high net worth individuals.

Portfolio Manager Scott Pierce provides insight into current opportunities in the Maryland municipal market.

Q1: *Would you comment upon the level of municipal bond issuance in light of continuing rate hikes?*

Municipal bond funds continue to have inflows however, municipal issuance remains scarce. In fact, overall national municipal bond issuance this year is down 32% from last year while Maryland issuance is down 38%. This is not surprising given the record issuance last December in advance of rate hikes and tax reform.

This dearth of issuance has been challenging for many investors in higher tax brackets who are seeking tax-free income. With only a few Maryland municipal bond deals on the horizon, the potential for new issuance driven by the Baltimore beltway expansion, school funding projects and the federal government's potential investment in infrastructure bears monitoring. In addition, the opportunity to participate in any issuance involving Port Covington will depend on its credit rating.

In this current relatively supply-constrained environment, we believe our "home team" perspective and long-term relationships with local municipal traders provides us with Maryland municipal bond opportunities that other mutual fund managers or individual financial advisors may not have access to.

Q2: *Would you please provide your perspective on the rising rate environment as we move forward in 2018?*

As a result of the Federal Reserve's continued 25 basis point rate hike program there has been a flattening of the yield curve. This flattening has provoked some speculation that the yield curve may invert; which can be an indicator of a recession.

While the flattening yield curve is the result of rising interest rates at the short end of the curve, we believe our low inflationary environment forestalls any potential rate increase at the long end. Despite recent stock market volatility, the economy is strong and inflation is well in check. Going forward, as these gradual rate increases continue, we expect to be able to be more opportunistic in adding higher-yielding issues to the Fund's portfolio.

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1919 Maryland Tax-Free Income Fund

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Q3: What is your perspective on the new \$10,000 deduction limit for Maryland residents?

Maryland is considered a tax-expensive state with a higher tax burden for many state residents. Nearly half of all Marylanders with incomes greater than \$100,000 annually, take an itemized deduction with an average amount higher than the proposed \$10,000 limit.*

The increased tax burden resulting from the deduction limitation should make municipal bonds an even more attractive investment option for Maryland residents in these higher tax brackets. The 1919 Maryland Tax-Free Fund can help to mitigate the impact of this potentially higher tax bite while providing investors with tax-free income through a locally managed municipal bond fund. ■

Disclosure

*Source: Government Finance Officers Association.

Past performance does not guarantee future results.

Municipal bonds, taxable debt obligations and other asset classes have different risk-return profiles, which should be considered when investing. All investments contain risk and may lose value.

The Morningstar Rating™ for funds, or “star rating,” is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history without adjustment for sales load. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product’s monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating™ for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating™ metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Class A shares of the Fund were rated against 147, 143, and 121 U.S. Municipal Single State Intermediate Funds over the 3-, 5- and 10-year periods, respectively. With respect to these funds, Class A shares of the Fund received Morningstar Ratings of 4, 3, and 4 as of March 31, 2018. Ratings shown are for the highest and lowest rated share classes only, when available. Other share classes have different expense structures and performance characteristics. Classes have a common portfolio. ©2018 Morningstar Inc. All Rights Reserved. The information contained herein (1) is proprietary to Morningstar (2) may not be copied or distributed and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. **Past performance is no guarantee of future results.**

All investments are subject to risk including the possible loss of principal. Past performance is no guarantee of future results. Bonds are subject to a variety of risks, including interest rate, credit and inflation risks. As interest rates rise, bond prices fall, reducing the value of a fixed-income investment. Municipal securities purchased by the Fund may be adversely affected by changes in the financial condition of municipal issuers and insurers, regulatory and political developments, uncertainties and public perceptions, and other factors. The fund is non-diversified, meaning it concentrates its assets in fewer individual holdings than a diversified fund, specifically in the State of Maryland issues. The Fund is susceptible to adverse economic, political, tax, or regulatory changes specific to Maryland, which may magnify other risks and make the Fund more volatile than a municipal bond fund that invests in more than one state. Income from tax-exempt funds may become subject to state and local taxes and a portion of income may be subject to the Federal Alternative minimum tax for certain investors. Please see the Fund’s prospectus for a more complete discussion of these and other risks, and the Fund’s investment strategies.

A **Basis point (bp)** is one hundredth of one percent and is used to express differences in interest rates. A **yield curve** is a line that plots the interest rates of fixed income securities with equal credit quality but differing maturity dates at a set point in time.

Opinions expressed are subject to change at any time, are not guaranteed and should not be considered investment advice. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any security.

The fund’s investment objectives, risks, charges and expenses must be considered carefully before investing. The summary and statutory prospectus contains this and other important information about the investment company, and may be obtained by calling 1.844.828.1919. Read it carefully before investing.

Nothing contained in this communication constitutes tax or investment advice. Investors must consult their tax advisor for advice and information concerning their particular situation.

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