

Commentary

Morningstar Rating™

Overall Rating as of September 30, 2018



As of 9/30/18, Class I shares rated 4 stars among 138 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 I: **LMMIX**
Class A: **LMDMX**
Class C: **LMMCX**

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 \$11.7 billion in assets as of September 30, 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: What are your thoughts on the strength of the Maryland economy?

From an overall state perspective, Maryland has a strong economy and responsible budgetary oversight as evidenced by the State's AAA rating for its general obligation bonds. The State is highly linked to the federal government and the defense industry which play key roles in sustaining the region's high employment and wage base.

As a relatively high tax state, there is generally strong demand for Maryland municipal, essential services and education bonds. As might be expected in our rising rate environment, we believe that bond yields for Maryland municipals will continue to rise. The Fund is well positioned to take advantage of higher rates as several current holdings will mature next year and the proceeds can be reinvested at higher rates.

Q2: Do you recall another period of persistent low issuance such as this in Maryland, especially with rates historically at the low end?

Not surprisingly, Maryland issuance continues to be light in 2018 and is consistent in direction to what has taken place on a national basis. To date, Maryland issuance is down 50% while nationally municipal bond issuance is down 15%. However, the lack of issuance this year is somewhat expected. In anticipation of tax reform that was enacted in early 2018, many issues were brought to market ahead of schedule. In fact, issuance surged and increased 50% nationally relative to 2016.

While we do not anticipate any pick up in issuance through year end, we will be looking forward to 2019 where the State of Maryland and Montgomery County will likely come to market in Q1. As buyers of essential services bonds, we believe Baltimore City will also issue bonds in light of some of the ongoing water infrastructure issues.

Q3: What essential services themes are on your radar and represent Maryland municipal bond opportunity?

We continue to favor issues that are critical to improving the everyday living quality of the broader citizen base. Capital improvements to the Baltimore water infrastructure services became even more apparent given the record amount of rain that the area experienced this summer. With the region's population density, transportation infrastructure also continues to be an area of focus by state government officials. Major thoroughfares in the Baltimore-Washington DC corridor require improvement and expansion in some cases, including the DC beltway and I-95 expressway to improve traffic flow and relieve congestion.

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1919 Maryland Tax-Free Income Fund

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Q4: Given the current rising rate environment, how is the Fund positioned?

The Fund remains conservatively and defensively positioned with a duration of 3.72 years at quarter-end. We will continue to look for opportunities to contribute to the Fund's yield while being mindful of principal protection as rates rise.

While Maryland municipal bond supply continues to be tight in the current environment, our home team advantage should help us identify opportunities across the state that may be overlooked by others not dedicated to the local market. ■

Disclosure

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 I shares of the Fund were rated against 138, 137, and 115 U.S. Municipal Single State Intermediate Funds over the 3-, 5- and 10-year periods, respectively. With respect to these funds, Class I shares of the Fund received Morningstar Ratings of 4, 4, and 4 as of September 30, 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.

Duration is a measure of the sensitivity of the price, the value of principal, of a fixed-income investment to a change in interest rates and is expressed as a number of years.

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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