Semper MBS Total Return Fund Quarterly Conference Call
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Chairperson: Greg Parsons, CEO, Semper Capital Management, L.P.

Disclosures:

Diversification does not guarantee a profit or protect from loss in a declining market.

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 855-736-7799. Short term performance, in particular, is not a good indication of the fund's future performance, and an investment should not be made based solely on returns.

Definitions:

Basis Points: A unit of measure that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument.

Cash Flow: Mortgages typically have required monthly interest and principal payments which are collected by servicers of mortgage-backed securities trusts, which in turn distribute these payments to MBS investors.

Duration: Measure of a bond or bond portfolio's sensitivity to changes in interest rates. Generally, the longer the duration, the greater the price change relative to interest rate movements.

Effective Duration: Calculation for bonds with cash flow variability. It takes into account that expected cash flows will fluctuate as interest rates change.

Empirical Duration: Calculation of a bond's duration based on historical data (change in price for a given change in yield to maturity).

Yield To Maturity: Anticipated rate of return on a bond if held until the maturity date.

Operator: The views expressed on this call are the current views of the participants and are not intended as a forecast or as investment recommendations. Any information provided with respect to the fund is as of the dates described and is subject to change at any time. Performance data quoted represents past performance and is not a guarantee of future results. I will now turn the call over to Greg Parsons of Semper Capital Management.

Greg Parsons: Great. I want to say a quick thank you to everyone for calling in. Tom Mandel and I look forward to spending a few minutes updating or introducing you to the Semper MBS total return mutual fund, a mortgage-centric mutual fund we launched just over a year ago in late July of 2013. My name is Greg Parsons, I'm the CEO of Semper Capital Management and I'm joined in the call by Tom Mandel, Co-Founder and Senior Managing Director of the firm.

We'll take the time today and divide the call into three parts. A quick overview of the Semper platform for those that are being introduced to us and our product. Tom will discuss many of the market dynamics, the fund-specific opportunities that we're seeing and we'll open up at the end for questions.

Again as mentioned I'd like to take just a few minutes on Semper Capital, the firm, as we believe our structure, size and skills add distinct value to the fund offering. We are a fixed income boutique that currently manages over 1.2 billion of assets across the firm. We're focused on opportunities in the structured credit space, residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS), asset-backed securities (ABS) with over a billion dollars of the firm's assets in some form of mortgage-centric investment strategy.

These strategies include absolute return, total return and index-based, and are offered across multiple product formats to include institutional separate accounts, private funds and public funds. We're a private employee-owned firm that actually invests alongside our clients ensuring alignment of interest for both the Total Return Fund as well as all of our other products. The senior investment leadership has been at Semper since the 1990s and provides strong fixed income experience, deep structured credit market expertise and have managed continuity of investment process through quite a dynamic time period. Our investment team is supported by a robust institutional platform

that leverages strong human capital, content specific skills and places a strong emphasis on operations, compliance and risk management.

Before turning it over to Tom to talk about the product and the opportunities we see, I'll close with some high level comments as it pertains to the opportunity and what we believe is our distinctive value proposition. As we think about drivers of value for the fund, they break down across three simple dimensions.

The size, fragmentation and inefficiencies that continue to exist within the roughly trillion dollars of addressable opportunity. Second our team, their skills, experience and capabilities provide us a distinct edge in identifying and capitalizing on opportunities in the market.

Finally, the structural positioning of the firm allows us to be quite nimble and opportunistic and take advantage of many opportunities that are limited or frankly not available to others as a function of size. I'll now turn the call over to Tom to talk about the fund specifically.

Tom Mandel: Hello I'm Tom Mandel and for those of you who haven't had the opportunity to talk to me yet I am as Greg said a co-founder of the firm, been here since 1992 when we started. I was our first CIO and I remain a senior member of the investment team, and at this point one of my key responsibilities and frankly one of my greatest pleasures is being our primary liaison with investors. So I look forward to having the opportunity to speak to you going forward.

I have been a fixed income portfolio manager for 30 years, my entire career has been on the buy side. I'm going to start with a little bit of history of the MBS Total Return Fund. As Greg mentioned we started the fund late last July, the timing was great. We launched the fund in the midst of that rapid rise in rates that we saw during that initial tapering talk from last spring and summer.

The five year treasury was about 70 basis points when we launched the fund – I'm sorry, in April. It was about 135 basis points when we launched, went up to about 1.75 and we're still at about a 1.75% yield today although we were as

low as about 1.40 in January. So that led to some interesting and temporary spread widening and it was a great time to launch the fund and frankly this momentum has continued. We invest primarily in mortgage-backed securities and today we are invested primarily in legacy Non-Agency RMBS and CMBS.

One of the things that we continue to be excited about is that we view this fund as a great way for investors to invest in a housing recovery in both in accessible and in a liquid way - we don’t see a lot of other ways to do that. I wanted to mention that U.S. Bancorp is our fund administrator and our custodian so we’ve got great operational support. And we have done a lot of work to make the fund available to investors. We’ve very recently been added to a couple platforms including LPL and Lincoln and we’re already on a number of others, and we continue to add more.

Next, I would like to touch on fund performance for just a minute. We have crossed the one year mark, year-to-date through August 31st the institutional class has returned 7.3 percent net, and by the way we’re up about three-quarters of a percent net month-to-date.

Since inception last July through our last quarter end June 30th, the fund was up 15.06 percent, again net for the institutional class, and from inception through the end of August which is now an annualized number the fund has returned 14.87 percent for the institutional share class. By the way the ticker is SEMMX. And this performance has come during a very interesting environment, we again we saw very volatile rates during the first couple of months until tapering was pushed back. We then saw a rally when so many people thought rates would rise. We’ve seen very mixed domestic and economic results capped by first quarter negative gross domestic product (GDP) and then second quarter strength in GDP; we’ve seen weak global growth generally especially China and Europe. And at the same time we see continued and in some cases expanding accommodative monetary policies globally. Of course lots of evolving geopolitical events which continue to have some impact on both stocks and the bond market. Specific to the real estate market we’ve seen a solid and now moderating U.S. housing market characterized by continued improvement in credit fundamentals. Everyday

more and more mortgagees go from having negative equity in their homes to positive equity. We've seen high single digit home price appreciation this year after double digits the past couple of years. And the commercial real estate (CRE) market is perhaps even stronger. In the financial markets overall we seen strong performance of risky assets, stocks (not today), emerging markets have comeback, high yield has done well. We continue to be close to record highs in stocks and lows in spread sector spreads.

And in the midst of all this with these legacy RMBS and CMBS we're focused on continued to grind tighter in spreads and higher in price, and there have been a number of factors: Again we continue to see improvement in credit fundamentals leading to cash flow quality increases. These bonds that we're investing in become increasingly seasoned which further reduces uncertainty and unknowns; many of these bonds have 10 years of history and more. And of course it also leads to declining average lives.

We've largely seen an end to force selling which we saw so much of a few year ago and bonds ending up in stronger and stronger hands. So this is all leading to improving technicals as well, combined with a continued reduction in supply of call it roughly 10 percent a year.

Let me now talk briefly about the current portfolio composition and the structure, I don'' want it give you too many numbers and I'm happy to answer specific questions later during the Q&A, and again you can contact me at any time.

Most of you most likely received our monthly fact sheets and there's a lot of this information is on these fact sheets as well. It is also on our website. So the portfolio today is very well diversified in terms of securities. We have roughly 200 securities, we're diversified across sectors, we have many, many subsectors that we have investments in, again in the RMBS and in the CMBS space. Very diversified in terms of underlying collateral in myriad ways, a couple of examples: we own a number of bonds that have strong upside price optionality to increased real estate prices and CRE.

In terms of sectors there have been a couple of changes since our last quarterly call; we currently have about a 62 percent allocation to Non-Agency RMBS and that is 30 percent Prime, 30 percent Alt-A and 40 percent Subprime. Agency allocation continues to be sub 5 percent. Non- Agency CMBS allocation has gone up from about 18 percent a quarter ago to 28 percent today and I'll talk a little bit about the value we're seeing there. And then cash makes up the difference.

Duration continues to be low both in terms of effective duration and empirical duration. Our effective duration is about 2.4 years. It's about one half of the duration of the mortgage index today. How that breaks down: the duration of our Prime subsector is about two and one-half years which is just a little bit higher than last quarter. Our Alt-A securities have an average duration of about 2.9 years which is similar to last quarter.

Subprime, about 2.1 years, continues to be a little bit lower than last quarter. The CMBS effective duration is about 2.2 years on average today which is down about a year from a quarter ago. And then our agency allocation continues to have duration close to five years, so very close to the agency market. In terms of average dollar price by sector, the average price of the overall – of the securities of the portfolio was about $90 versus the cost of about $88, and unchanged versus the last quarter.

Our Prime securities have an average dollar price of about $90, Alt-A about $84, Subprime about $91. So although we do have a solid allocation to Subprime as you can see, they tend to be higher dollar price securities. And then CMBS also low $90s for the average dollar price.

A couple of other key characteristics: one of the primary risk management activities that we undertake is liquidity management. So liquidity in the portfolio today, about 40 percent of the portfolio can be sold in a day at its fair value; 50 percent within a week, 70 percent within two weeks and a 100 percent within a month, which is what our longer term targets are. The portfolio is very seasoned: about 40 percent of the portfolio, is comprised of securities issued before 2005; the number for Subprime is even greater, it's about 60 percent issued before 2005, so a lot of seasoning.

About two-thirds of the portfolio is senior in addition to that we own a lot of mezzanine classes that behave as though they were senior because of the significant seasoning. And that 65 percent is up a little bit versus 60 percent a quarter ago. About 50 percent of the portfolio is in floating rate securities and turnover remains the same at roughly 10 percent a month.

The gross loss adjusted yield to maturity of the portfolio today is about 5 and a half percent and it's been in a range of 5 and a half to 6 percent. As an aside, speaking of yield, one of the questions that we continue to get is how does this sector compared to high yield corporates? And we believe that this remains a very attractive alternative for a couple of reasons.

First in terms of yield, although the growth yields are similar, the securities we're investing in have yields of about 6 percent, same goes for the average yield, the high yield market, the high yield credit market, the high yield credit market is not loss adjusted. So over time as defaults ultimately happen and pickup, the yield and maturity ends up being materially different between these two sectors.

Our strategy has much lower interest rate sensitivity, about 2 1/2 years relative to four years for the high yield corporate market and about 5 1/2 years for the overall fixed income market. And importantly we continue to believe that legacy MBS have the opportunity for prices to go up in concert with improving fundamentals in the real estate market which will, to a great extent, offset the impact of rising rates. And we do think that we're closer to rising rates, we don't know when or how but we're closer to that point. And at that point we think that our – that this sector will really standout relative to the overall fixed income market place.

A few of current views on our sectors: first in the Non-Agency RMBS space we believe value remains for many portions of this legacy market. The market is still large about $800 billion in legacy RMBS. It becomes more and more fragmented, more seasoned than ever, something like 70,000 different Cusips, many of whom are 10 years old or longer.

Cash flow credit quality continues to get better, interest rate sensitivity continues to decline. And as I mentioned briefly before, technicals continue to improve as the market slowly shrinks and demand continues to rise. We continue to find micro sectors offering attractive value, we look at their complexity premiums - their credit complexity premiums - basically the opportunity to generate higher returns if one is willing or able to do the work, which we are.

Some of these micro sectors that we're currently looking at are in the Alt-A space, low loans count deals, low loan balance deals. Single family rental securitizations are another new emerging area that we find value and we work hard to stay on top of these new emerging sectors. In the Agency space although the negative convexity and extension risk are much less of an issue now than they were a year ago, we still think that the Agency market is subject to widening and underperforming as tapering continues, although even after the tapering is concluded next month or so, the Fed still be purchasing something like $200 billion in order to reinvest cash flows over the next year.

In the Agency space we do see some value, some of the less liquid sectors like Ginnie Mae reverse mortgage for example. Touching on CMBS for a moment, that sector has done well as commercial real estate has recovered even more than residential real estate of late, demand and liquidity have picked up. Last week we had the largest number in size of conduit deals that have come to market in something like five or six years.

We see a continued opportunity now to own well-seasoned subordinated bonds, that number one, have good credit enhancement but importantly they still have optionality to improving fundamentals. We currently see value in a portion of the AJ (Legacy mezzanine tranches originally AAA) market and these are – we're looking at shorter very liquid securities with solid yields around 5 percent. We're also finding value in small balance deals.

In terms of our outlook, in our plans we expect for the near-term to continue to keep 65 to 70 percent of the portfolio allocated to Non-Agency RMBS, 25 percent more or less in CMBS, and call it 10 percent in a combination of cash and Agency securities to support liquidity. We will keep our duration short in

that two to two and a half year range. We're going to keep liquidity high and we believe we'll be able to continue to keep loss adjusted yield in the 5 1/2 to 6 percent range for the near term.

In the Non-Agency space we will continue to look for these less-well-sponsored and emerging micro sectors that I mentioned. In CMBS we expect to continue investing in a combination of diverse basket of subs with optionality as well as low volatile securities with significant excess coverage even versus worst case loss projections. Importantly we always view ourselves as focusing on bottoms-up looking for undervalued cash flows in the structured credit sectors and we'll continue to do that.

And again we see more and more pockets of emerging sectors: non performing loans, single family rental deals, that we think really demonstrate the fact that this market is here to stay. It will certainly evolve but given our credit and attention approach we are confident we'll be able to stay on top of it.

In our view again we're now closer than ever to either increasing rates or to, at a minimum, increasing volatility, and we do think that this sector is well positioned to generate attractive returns in a rising rate environment through a combination of its yield, its low duration, its improving fundamentals, continued optionality to upside and its technicals – the technical state of the market. Well, I've probably talked enough so at this point I'd like to again invite you to call me, to email us, to visit us at any time so we can continue this conversation.

And at this point I'll pass it back to Greg.

Greg Parsons: Great. Well in closing, the fund today is a little more than a $125 million of assets up from $80 million a quarter ago. We remain extremely excited about the opportunities we're seeing in the market to drive value. And I just want to express my thanks for myself and the firm, to those on the phone who are already investors for their support to date.

And now we will open it up – open it up to questions.

Operator: Ladies and gentlemen, to register for a question, please press star then the number one on your telephone keypad. Again that is star then the number one on your telephone keypad.

We'll pause for just a moment to compile the Q&A roster.

And we have no audio questions.

Greg Parsons: Great. Again we appreciate your support, we appreciate the participation and look forward to following up the conversation to those in the forward timeframe. We appreciate the help.

Operator: This concludes today's conference call. You may now disconnect.

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