LITMAN GREGORY
MASTERS FUNDS

# High Income Alternatives Fund

*Launch Date: September 28, 2018*

**The fund seeks to generate a high level of current income from diverse sources, consistent with the goal of capital preservation over time.**

- ✓ Skilled, experienced managers
- ✓ Differentiated strategies focused on alternative and less commonly utilized sources of income
- ✓ Litman Gregory's 30 years of intensive manager due diligence, asset class analysis and tactical allocation expertise
- ✓ Sub-1% net expense ratio (MAHIX expense ratio: 1.10% gross, 0.98% net)
- ✓ Monthly distributions

SHARE CLASSES
[MAHIX] Institutional
[MAHNX] Investor
Available on most trading platforms

INVESTMENT MINIMUMS
Institutional Share Class $100,000
Investor Share Class $1,000
Available on most trading platforms

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## SUB-ADVISORS

### ARES MANAGEMENT – ALTERNATIVE EQUITY INCOME

Invests in specialty income-generating publicly traded equity sectors, primarily **business development companies (BDCs)**, **mortgage real estate investment trusts (mREITs)**, **master limited partnerships (MLPs)**, and selectively, **credit-based closed end funds (CEFs)** trading at discounts to net asset value, and **other opportunistic income investments**.

*Target Allocation: 15%*

### BROWN BROTHERS HARRIMAN - CREDIT VALUE

Invests in fixed-income securities from a **wide variety of sectors**, including **asset-backed securities (ABS)**, **commercial mortgage-backed securities**, **corporate bonds**, **floating-rate loans** and **municipal bonds**. Emphasis is expected to be on **A/BBB-rated asset-backed securities in non-traditional segments of the ABS market** and **BBB/BB-rated corporate securities**, as these ratings segments have historically offered attractive risk-adjusted returns, along with low default rates.

*Target Allocation: 32.5%*

### GUGGENHEIM PARTNERS - MULTI-CREDIT

Invests in a **wide range of fixed-income and other debt and senior-equity securities across various segments of the credit markets.** This includes **corporate bonds**, **loans** and **loan participations**, **structured finance investments**, **US government and agency**, **mezzanine**, **preferred securities** and **convertible securities**. The team seeks to take advantage of downturns/inefficiencies that occur during times of uncertainty, and also focuses on opportunities in **non-index-eligible securities.** The strategy is flexible and is not constrained by duration, sector, issuer, or credit quality.

*Target Allocation: 32.5%*

### NEUBERGER BERMAN - OPTION INCOME

Writes **collateralized put options on US stock indices**, primarily the S&P 500® Index and the Russell 2000® Index. The manager attempts to generate returns through the receipt of option premiums from selling **out-of-the-money puts**, collateralized typically by **short-duration US government securities**.

*Target Allocation: 20%*

### Why was this fund created?

Litman Gregory has been researching income-oriented strategies beyond traditional core investment-grade bonds for many years. We wanted to create a fund with the types of investments that could improve returns and diversify risks while playing an important strategic role in navigating interest rate and credit cycles. Leveraging our experience, we saw an opportunity to build an income-oriented fund that utilized the kinds of flexible and complementary approaches that we believe could benefit investors.

We partnered with skilled, experienced managers running differentiated strategies. Each offers access to alternative sources of income that investors may otherwise not own, or to which they may be under-allocated. We seek to generate a high level of income with an eye toward capital preservation – meaning that we don't want to chase high income without consideration for valuations and risk.

### What makes this fund different?

We wanted high levels of income, but not a swing-for-the-fences strategy. We selected opportunistic yet risk-conscious managers, who can take advantage of compelling opportunities but mitigate risk when prudent. This is consistent with how we think as investors.

The managers are highly experienced and have been chosen based on our conviction in their strategy individually and how each contributes to the overall portfolio characteristics. Also, as noted above, each of the strategies accesses non-traditional sources of income that may not typically be owned by most investors.

The multi-manager format allows each manager to take full advantage of compelling opportunities in their pursuit of high income, while the fund's structure provides diversification.

### What is the role of this fund in a diversified portfolio?

The fund can serve as part of an investor's diversified fixed income allocation or as part of an alternative strategies allocation. Litman Gregory believes that owning the fund as a dedicated allocation to complement traditional core bond investments has the potential to generate higher returns over a full market cycle while adding diversification and mitigating interest rate risk.

### Is this a good time to invest in an income-oriented alternatives fund?

We believe it is, although short-term timing isn't our focus since we are long-term investors. In addition to the strong rationale for the fund as a dedicated long-term/strategic holding, we are currently facing a challenging environment for traditional fixed income, with near historically low yields and higher interest-rate risk. We believe there are good opportunities to generate higher income and returns, and add diversification from managers with expertise in less traditional and/or less efficient areas of the financial markets.

**How did you determine the target allocations to each manager?**

We analyzed quantitative and qualitative factors including: (1) our forward-looking risk and return expectations for each strategy and the fund overall, across various scenarios, (2) actual and simulated historical performance for strategies similar to what the managers will be running for our fund, and (3) our qualitative manager assessments.

After considering all the data and our qualitative judgments, we arrived at the manager weightings we believe can best achieve the fund's stated performance objectives and expectations. We gave larger weightings to the two managers with broader mandates and lower expected volatility. The target allocations are as follows:

Guggenheim: 32.5%
BBH: 32.5%
Neuberger: 20%
Ares: 15%

**How do you expect the fund to perform in various rate (rising, flat, falling) environments?**

We expect the fund to be relatively insensitive to the direction of interest rates, due to the flexibility of credit managers to vary the amounts of fixed- vs floating-rate assets they own, the short-duration nature of collateral in the options strategy, and the more credit-sensitive nature (and flexibility to shift the portfolio) of the equity income strategy.

**What are your goals for the fund's returns, volatility, and correlation?**

The fund is not explicitly managed to volatility and correlation goals, but we are seeking returns that are significantly higher than its Bloomberg Barclays Aggregate U.S. Bond Index benchmark, with lower correlation and less interest rate risk, but with higher volatility.*

We believe returns will be comparable to high-yield bonds over time, but with lower volatility and downside risk because of the diversified sources of return and manager flexibility. The correlation may be relatively high to high-yield bonds, though with significantly lower beta. Importantly, given the flexibility of the managers' mandates, we expect the correlation to vary over time depending on the market environment and managers' positioning.

**What is the expected mix of distributed dividend income (ie., qualified/non-qualified)?**

The majority will be non-qualified. There will also be income from option sales that will be taxed at 60/40 long-term/short-term capital gains rates.

| EXPENSE RATIOS as of 9/7/2018 | MAHIX | MAHNX |
|---|---|---|
| Inception Date | 9/28/2018 | 9/28/2018 |
| Management Fees | 0.95% | 0.95% |
| Distribution and or Service (12b-1) Fees | None | 0.25% |
| Other Expenses[(1)] | 0.15% | 0.15% |
| Total Annual Fund Operating Expenses | 1.10% | 1.35% |
| Fee Waiver and/or Expense Reimbursement[(2)] | 0.12% | 0.12% |
| **Total Annual Fund Operating Expenses After Fee Waiver and/or Expense Reimbursement[(2)]** | **0.98%** | **1.23%** |

[(1)] "Other Expenses" have been estimated for the current fiscal year. Actual expenses may be different.
[(2)] The expense ratios can be found in the most recent Summary Prospectus (9/7/2018). The Advisor has contractually agreed to limit the Fund's operating expenses (including management fees payable to Litman Gregory but excluding any taxes, interest, brokerage commissions, expenses incurred in connection with any merger or reorganization, borrowing costs (including commitment fees), dividend expenses, acquired fund fees and expenses and extraordinary expenses such as but not limited to litigation costs) through April 30, 2020.

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***Past performance does not guarantee future results. Index performance is not illustrative of fund performance. An investment cannot be made directly in an index. This fund is new and performance information is not available. Once performance is available, it may be obtained by calling 1-800-960-0188 or by visiting www.mastersfunds.com***

*The fund's investment objectives, risks, charges, and expenses must be considered carefully before investing. The statutory and summary prospectus contains this and other important information about the investment company, and it may be obtained by calling 1-800-960-0188. Read it carefully before investing.*

*Although the managers actively manage risk to reduce portfolio volatility, there is no guarantee that the fund will always maintain its targeted risk level, especially over shorter time periods and loss of principal is possible. The performance goals are not guaranteed, are subject to change, and should not be considered a predictor of investment return. All investments involve the risk of loss and no measure of performance is guaranteed. The fund aims to deliver its return over a full market cycle, which is likely to include periods of both up and down markets.

Dividends, if any, of net investment income are declared and paid monthly. The Fund intends to distribute capital gains, if any, to shareholders on a quarterly basis. There is no assurance that the funds will be able to maintain a certain level of distributions. The fund is newly organized with no history of performance.

Though not an international fund, the fund may invest in foreign securities. Investing in foreign securities exposes investors to economic, political and market risks, and fluctuations in foreign currencies. Investments in debt securities typically decrease when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in mortgage-backed securities include additional risks that investor should be aware of including credit risk, prepayment risk, possible illiquidity, and default, as well as increased susceptibility to adverse economic developments. Investments in lower-rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. Derivatives may involve certain costs and risks such as liquidity, interest rate, market, credit, management, and the risk that a position could not be closed when most advantageous. Investing in derivatives could lose more than the amount invested. The fund may invest in master limited partnership units. Investing in MLP units may expose investors to additional liability and tax risks. Multi-investment management styles may lead to higher transaction expenses compared to single investment management styles. Outcomes depend on the skill of the sub-advisors and advisor and the allocation of assets amongst them. The fund may make short sales of securities, which involves the risk that losses may exceed the original amount invested. Merger arbitrage investments risk loss if a proposed reorganization in which the fund invests is renegotiated or terminated.

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

Leverage may cause the effect of an increase or decrease in the value of the portfolio securities to be magnified and the fund to be more volatile than if leverage was not used.

**Asset-backed security (ABS)** is a financial security collateralized by a pool of assets such as loans, leases, credit card debt, royalties or receivables.
Beta is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole.
**Business development company (BDC)** is an organization that invests in and helps small- and medium-size companies grow in the initial stages of their development.
**Closed-end fund (CEF)** is a publically traded, pooled investment fund with a manager overseeing the portfolio. It is then structured, listed, and traded like a stock on a stock exchange.
**Collateralized put-write** is An options trading strategy that involves short positions in put options and the use of the underlying stock as collateral.
**Convertible security** is an investment that can be changed into another form. The most common convertible securities are convertible bonds or convertible preferred stock, which can be changed into equity or common stock.
**Correlation** is a statistical measure of how two securities move in relation to each other.
**Duration** is a commonly used measure of the potential volatility of the price of a debt security, or the aggregate market value of a portfolio of debt securities, prior to maturity. Securities with a longer duration generally have more volatile prices than securities of comparable quality with a shorter duration.
**Floating interest rate**, also known as a variable or adjustable rate, refers to any type of debt instrument, such as a loan, bond, mortgage, or credit, that does not have a fixed rate of interest over the life of the instrument.
**Investment grade bond** is a bond with a rating of AAA to BBB; a
Below Investment Grade bond is a bond with a rating lower than BBB.
**Loan participation note (LPN)** is a fixed-income security that permits investors to buy portions of an outstanding loan or package of loans.
**Master limited partnership (MLP)** is a type of business venture that exists in the form of a publicly traded limited partnership. It combines the tax benefits of a partnership — profits are taxed only when investors actually receive distributions — with the liquidity of a public company.
**Mezzanine debt** Debts that incorporate equity-based options, such as warrants, with a lower-equity debt. It is actually closer to equity than debt, because the debt is only important in the event of bankruptcy. Mezzanine debt is frequently associated with acquisitions and buyouts where it may be used to prioritize new owners ahead of existing owners in the event of bankruptcy.
**Mortgage-backed security (MBS)** is a type of asset-backed security that is secured by a mortgage or collection of mortgages
**Mortgage real estate investment trusts (mREITs)** deal in investment and ownership of property mortgages; they loan money for mortgages to owners of real estate, or purchase existing mortgages or mortgage-backed securities.
**Non-index-eligible securities** are securities that are not eligible for inclusion in an index
**Options** are a financial derivative sold by an option writer to an option buyer. The contract offers the buyer the right, but not the obligation, to buy (call option) or sell (put option) the underlying asset at an agreed-upon price during a certain period of time or on a specific date.
**Out of the money (OTM)** is term used to describe a call option with a strike price that is higher than the market price of the underlying asset, or a put option with a strike price that is lower than the market price of the underlying asset. An out of the money option has no intrinsic value, but only possesses extrinsic or time value.
**Structured finance** is a complex financial instrument offered to borrowers with unique and sophisticated needs.
**The Bloomberg Barclays Aggregate U.S. Bond Index** is a market capitalization-weighted index, meaning the securities in the index are weighted according to the market size of each bond type. Most U.S. traded investment grade bonds are represented. The index includes US Treasury Securities (non TIPS), Government agency bonds, Mortgage backed bonds, Corporate bonds, and a small amount of foreign bonds traded in U.S.
**The Russell 2000 Index** measures the performance of the 2,000 smallest companies in the Russell 3,000 Index.
**The S&P 500 Index** consists of 500 stocks that represent a sample of the leadin companies in leading industries. This index is widely regarded as the standard for measuring large-cap U.S. stock market performance.

You cannot invest directly in an index.

*Mutual fund investing involves risk. Principal loss is possible.*

Litman Gregory Fund Advisors, LLC has ultimate responsibility for the performance of the Litman Gregory Masters Funds due to its responsibility to oversee the funds' investment managers and recommend their hiring, termination, and replacement.

The Litman Gregory Masters Funds are Distributed by ALPS Distributors, Inc.
LGM000733 exp. 1/31/2019