Ziegler
CAPITAL MANAGEMENT, LLC

SENIOR SECURED BANK LOANS

A COMPELLING OPTION IN A RISING INTEREST RATE ENVIRONMENT

In a rising rate environment, senior secured bank loans have the potential to serve as a defensive, income generating component of a diversified fixed income portfolio. They provide investors with a floating rate income stream which, in the current interest rate environment, falls between the coupon rates of investment grade bonds and high-yield securities.

EXECUTIVE SUMMARY

For those investors seeking income and diversification, floating rate securities and, in particular, senior secured bank loans, have the potential to improve a portfolio's risk-adjusted performance.

The structure and characteristics of these investment vehicles offer advantages over both traditional bonds and high-yield debt options.

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Like high-yield securities, senior secured bank loans are usually issued by companies whose credit quality has been categorized as non-investment grade. Historically, in periods of rising rates, senior secured bank loans, due to their short reset periods and variable rate structure, have proven to be an attractive option for income-oriented investors.

WHAT IS A SENIOR SECURED BANK LOAN?

Like traditional bonds, senior secured bank loans are debt obligations of the issuing company. Relative to typical debt obligations, bank loans are distinguished by their place in the issuing company's capital structure, as shown in Figure 1, and by their floating rate coupons. Whereas a traditional corporate bond is sold to the public via an underwriter or placement agent, senior secured bank loans are originated by banks and then sold only to institutional investors.

UNDERLYING CHARACTERISTICS

Two important characteristics to consider with regards to the structure of senior secured bank loans are capital structure and the floating rate income component.

Capital Structure

Companies borrowing via senior secured bank loans are often rated below investment grade by Moody's and Standard & Poor's and traditionally have found it difficult and expensive to acquire credit through traditional means. In order to compensate investors for taking on credit risk, bank loans are issued at the highest level of the borrower's capital structure and are typically both "senior" and "secured."

Figure 1 Company Capital Structure

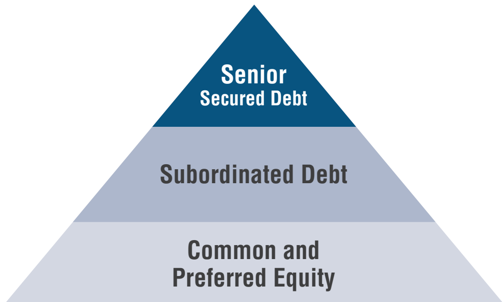


Figure 2 Average Moody's Recovery Rates Across Three Default Cycles*

Types of Debt	12/1989 - 12/1992	9/1999 - 2/2004	1/2009 - 8/2010
Senior Secured Bank Loans	87.7%	75.8%	78.5%
Senior Unsecured Bonds	56.8	34.0	44.5
Subordinated Debt	32.6	23.1	25.6

*Moody's, "Lessons from 1,000 Corporate Defaults," November 2011

"Senior" debt means that the holder of the instrument has a first lien on the company's "secured" assets in case of default or restructuring. The "secured" aspect refers to collateral pledged in the event of a loan default or restructuring. This could include any of the company's tangible assets such as property and equipment or intangible assets such as patents or trademarks. Second liens may also be taken on company assets but that debt would be subordinated to senior secured debt. The combination of being both a "senior" and "secured" obligation has enabled senior secured bank loans to have a higher default recovery rate than senior unsecured or subordinated debt as shown above in Figure 2.

Floating Rate Income

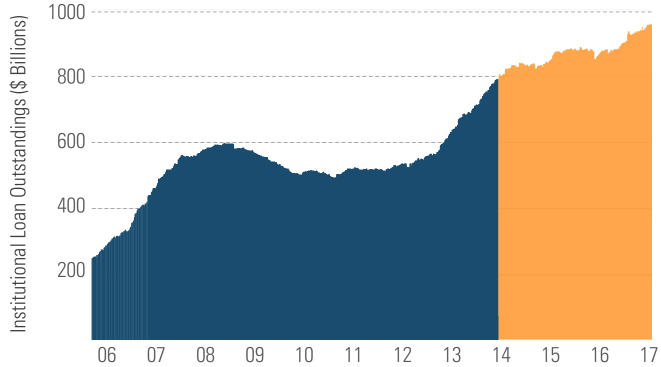
Like all floating rate instruments, senior secured bank loans have coupons that periodically adjust to a benchmark interest rate. This periodic adjustment can mitigate the price effects of interest rate movements on the principal amount of the obligation. The yield for senior secured bank loans is based on a well-established and widely accepted market rate such as the Federal Funds Rate or the London InterBank Offered Rate (LIBOR). In most instances, the LIBOR rate is used. LIBOR is a short-term interest rate used by the world's largest banks to lend amongst themselves.

Typically, the rate will be adjusted in intervals of 30, 60 or 90 days. The rate will "float" depending upon the prevailing market interest rate environment, adjusting upwards in a rising rate environment or downwards in a falling rate scenario. Therefore, the principal component of senior secured bank loans exhibits lower interest rate sensitivity compared to fixed rate bonds.

HISTORY OF FLOATING RATE LOANS

In the 1980s, banks began offering floating rate loans to firms where traditional underwriting options were unattainable or too costly. Their primary use was to finance leveraged buyouts and merger and acquisition activity. The market at that time was largely considered illiquid due to a lack of transaction transparency or an established secondary market. This much-needed transparency came in 1992, when the Credit Suisse Leveraged Loan Index was created to track the performance of floating rate loans. This encouraged greater investor interest and liquidity in the secondary market. As of December 2017, the floating rate loan market stood at approximately $955 billion as shown in Figure 3.

Figure 3 Institutional Loans Outstanding



Source:S&P/LSTA Leveraged Loan Index

COMPETITIVE ADVANTAGES

Senior secured bank loans can serve an important role in a well-diversified fixed income portfolio as shown in Figure 4 below.

Figure 4 A Comparison Of Fixed Income Characteristics

	Interest Rate Sensitivity	Credit Risk	Income
High	10-Yr. Treasury Notes	High-Yield Bonds	High-Yield Bonds
	Investment Grade Fixed Rate Bonds	Senior Secured Bank Loans	Senior Secured Bank Loans Investment Grade Fixed Rate Bonds
	High-Yield Corporate Bonds	Investment Grade Fixed Rate Bonds	10-Yr. Treasury Notes
Low	Senior Secured Bank Loans Treasury Bills	10-Yr. Treasury Notes Treasury Bills	Treasury Bills

Figure 5 Senior Secured Bank Loans In A Rising Rate Environment (Annual Return)

	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	Annualized
Credit Suisse Leveraged Loan Index	10.3	8.9	7.5	8.3	5.3	4.7	4.9	2.7	1.1	11.0	5.6	5.7	7.3	1.9	-28.8	44.9	10.0	1.8	9.4	6.2	2.1	-0.4	9.9	4.3	6.0
BAML U.S. Treasury Current 10 Yr. TR	-8.3	23.6	0.1	11.2	12.8	-8.3	14.9	4.3	14.6	1.3	4.8	2.0	1.4	9.8	20.1	-9.7	7.9	17.2	4.2	-7.8	10.7	0.9	-0.2	2.1	5.4

The shaded areas are times of rising Fed Funds rates.
Source: Morningstar

Compared to traditional fixed income vehicles, such as investment grade and high-yield yield bonds, senior secured bank loans offer three distinct advantages:

1. Potential Hedge In A Rising Rate Environment

A fixed rate bond has a coupon rate which remains constant until maturity. That rate will be a representation of the issuer's credit risk - the higher the issuer's rating and creditworthiness, the lower the rate.

In times of rising interest rates, fixed rate bonds become less attractive because prices will decrease as investors seek securities that will compensate them based on the prevailing market rate.

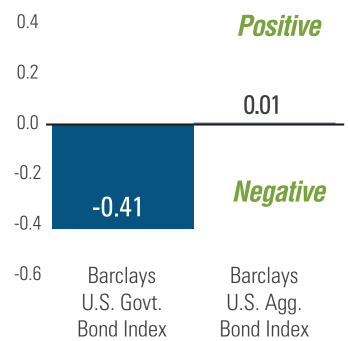
However, senior secured bank loans have a floating coupon that can act as a hedge against income and price sensitivity by adjusting in accordance with LIBOR and the contracted spread - which will increase with rising rates; therefore helping mitigate price sensitivity.

As shown in Figure 5, since 1994 when the Federal Open Market Committee (FOMC) increased the Fed Funds rate, floating rate bank loans have historically outperformed fixed rate bonds as U.S. Treasuries.

2. May Reduce Overall Portfolio Volatility

Senior secured bank loans can be used to provide greater diversification in a fixed income portfolio. As shown in Figure 6, over the ten year period ending January 31, 2018 floating rate loans have had a low correlation with other types of fixed income vehicles.

Figure 6 Correlation Versus Credit Suisse Leveraged Loan Index
January 31, 2008 - January 31, 2018



Source: Morningstar

3. High In The Capital Structure

Within the fixed income market, senior secured bank loans offer the potential to help mitigate credit risk. Generally, senior secured bank loans are rated as noninvestment grade, which are similar to those ratings found in high-yield bonds.

However, the difference between the two securities lies within senior secured bank loans' structure which is at the highest level of a company's capital structure and is secured by the firm's assets.

AN INVESTMENT VEHICLE WHOSE TIME HAS COME

Given the current rising interest rate environment, senior secured bank loans have the potential to offer increasing levels of income, lower price sensitivity, and act as a defensive, income-generating holding. When compared to other fixed income investments, senior secured bank loans can serve an important role in an investor's diversified fixed income portfolio.

Ziegler Floating Rate Fund

Available on these Stifel Platforms:

1. Fundamentals 2. Horizon 3. Brokerage

Class A	Class C	Class I
ZFLAX	ZFLCX	ZFLIX

DISCLOSURE

An investment in the Fund is subject to risk and there can be no assurance that the Fund will achieve its investment objective. The principal risks of investing in the Fund include bank loans and senior loans risk, borrowing and leverage risk, CLO risk, counterparty risk, credit risk, defaulted debt securities risk, floating rate securities risk, foreign securities risk, high-yield yield securities risk, inflation risk, interest rate risk, investment risk, issuer risk, liquidity risk, loan interests risk, manager risk, market risk, new fund risk, regulatory risk, and unrated securities risk. Please see the prospectus for more information. Even though senior debtholders are in line to be repaid first in the event of bankruptcy, they will not necessarily receive the full amount they are owed.

Performance data quoted represents past performance; past performance does not guarantee future results. Index performance is not illustrative of Fund performance. One cannot invest directly in an index. Please call 1-844-828-1919 for fund performance.

You should consider the Fund's objectives, risks, charges and expenses carefully before investing. To obtain a statutory or summary prospectus that contains this and other information about the Fund, please call 1-844-828-1919 for a free prospectus or visit zcmfunds.com. Please read it carefully before investing.

Diversification does not assure a profit or protect against loss in a declining market.

Bond rating firms, such as Standard & Poor's and Moody's, use different designations consisting of upper- and lower-case letters 'A' and 'B' to identify a bond's credit quality rating. 'AAA' and 'AA' (high credit quality) and 'A' and 'BBB' (medium credit quality) are considered investment grade. Credit ratings for bonds below these designations ('BB', 'B', 'CCC', etc.) are considered lower credit quality or below investment grade. **The Credit Suisse Leveraged Loan Index** is an index designed to mirror the investable universe of the $US-denominated leveraged loan market. Loans must be rated "5B" or lower; only fully-funded term loans are included; the tenure must be at least one year; and the issuers must be domiciled in developed countries. **Correlation** measures the degree to which two securities move in relation to each other. Correlation is computed into what is known as the correlation coefficient, which has value that must fall between -1 and 1.

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