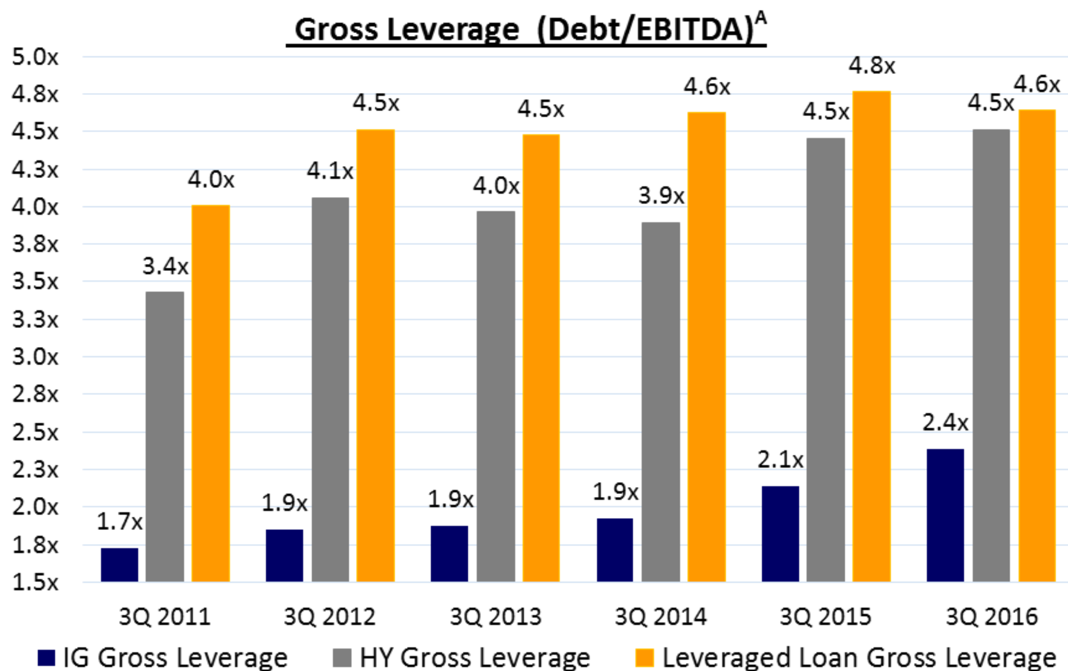
RIVERPARK FUNDS

RiverPark Short Term High Yield Fund
&
RiverPark Strategic Income Fund

4Q 2016 Commentary

Hoist by One's Own Petard[1] *Many moons ago, my cousin called me with good news. As a scientist at a biotech company that was being acquired, his stock options would provide a nice windfall. He asked me for stock picks. My advice was to pay off his mortgage. I explained that paying off the mortgage was equivalent to him investing in a riskless asset. He was dismayed so I asked him if his house was debt free, would he borrow against his home to invest in the stock market? He paused, realizing that I was trying to help him avoid being hoist by his own petard.*

Over the last several years, investors have continued to purchase and reinvest in US corporate debt with the expectation of yield with safety. Perhaps unbeknownst to debt buyers, the margin of safety in terms of credit quality has diminished materially.

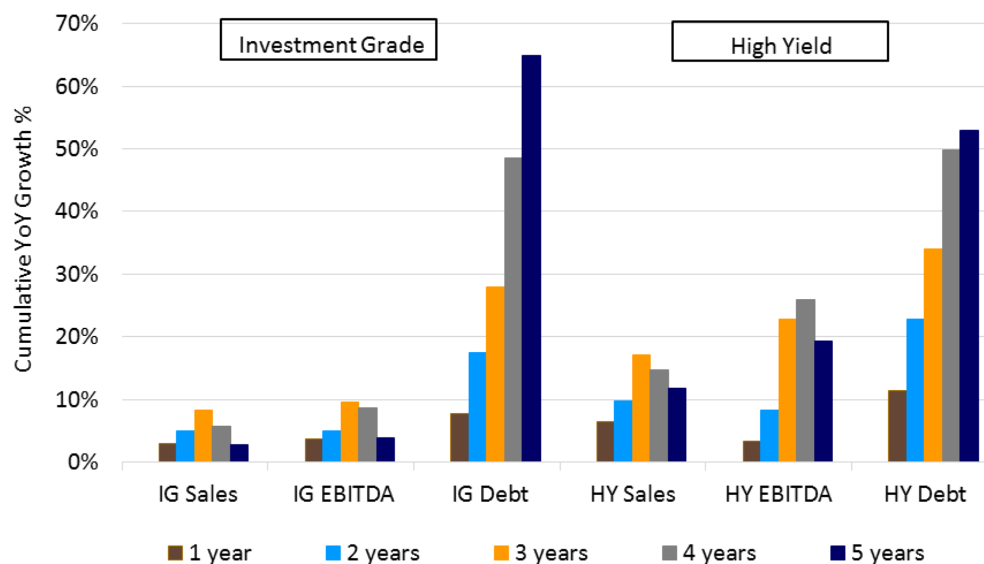


[1] Paraphrased from Shakespeare's Hamlet, "Hoist with his own petard", is an expression referring to a device or plan intended to be used against another, or for one's own protection, that backfires, causing harm to oneself.

Over the last five years, Corporate America has levered up as illustrated by the ratio of long term debt to EBITDA[2]:

- Leverage for Investment Grade debt has increased by 0.7 turns from 1.7x to 2.4x.
- Leverage for High Yield debt has increased by 1.1 turns from 3.4x to 4.5x.
- Leverage for Leveraged Loans has increased by 0.6 turns from 4.0x to 4.6x.

In the case of investment grade credits, leverage has reached the highest level in almost twenty-five years, even exceeding the previous high seen during the recession of 2001, at 2.37x, and the Great Recession of 2007-09, at 2.23x[B]. Similarly, high yield leverage peaked in 1Q16 at 4.62x, approximating the level seen in 2003 during an upsurge in defaults among telecom credits and in excess of the 4.32x level seen just after the Great Recession at the end of 2009[B]. In the last five years, the assets under management of leverage loans from net inflows into mutual funds and ETFs have grown by over 50% as investors have sought protection from rising interest rates.[C] They have held a disturbing misperception, however, that these investments are of better credit quality even as they have consistently had higher leverage then high yield bonds.

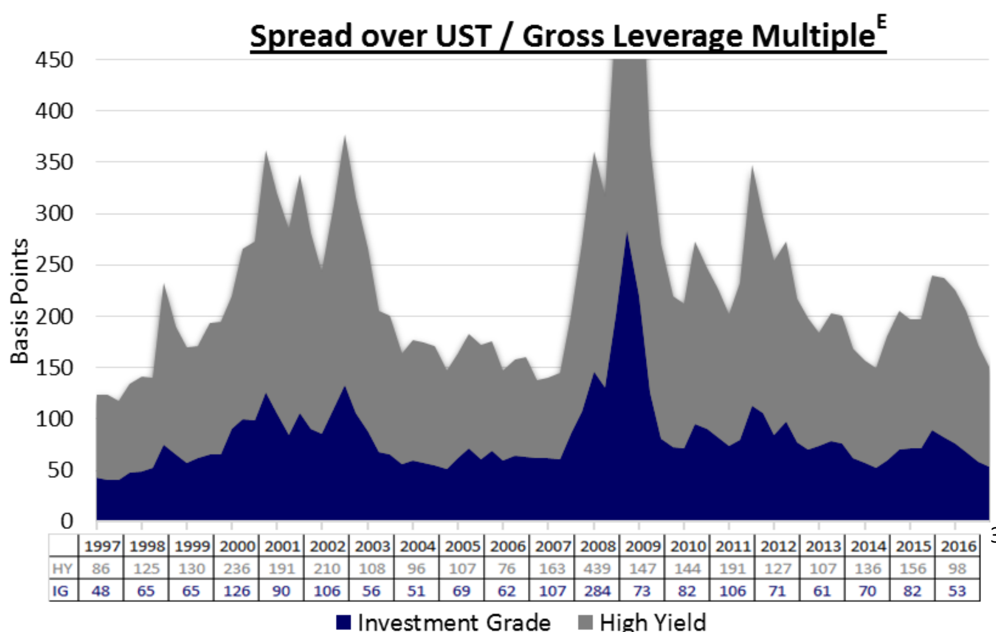


The increase in leverage reflects opportunistic financing by corporations to take advantage of the low interest rate environment and issue investor appetite for bonds. For investment grade issuers, proceeds from new debt issuance have increasingly been used for "financial

[2] Earnings before interest, depreciation and amortization and taxes, a common measure of unlevered pretax cash flow before capital expenditures and working capital adjustments.

engineering”, share repurchases and dividends to increase capital return to shareholders, and strategic acquisitions in the absence of organic growth opportunities in our low growth economy. Thus, corporations have been using their balance sheets to benefit shareholders in ways that are detrimental to bondholders.

Corporate financial engineering is akin to taking out a home equity loan and spending the proceeds on a vacation rather than improving one’s property. If a homeowner borrows against his home equity to finance a kitchen remodel, he is using the capital productively, making an investment in the value of the house similar to a corporation investing for growth. Using the proceeds to invest in the stock or bond market has its risks, like a corporation making a strategic acquisition, but such an investment has a positive expected rate of return. Using the proceeds of the home equity loan to pay for an extravagant vacation is a lot like a corporation issuing debt to finance share repurchases or pay large dividends to shareholders. Once the money is spent, it is gone. The homeowner may have gained great memories of the vacation, but may be financially worse off when it comes time to repay the home equity loan. The increased return of capital to shareholders has been made at the expense of lenders or bondholders; unless the corporation’s cash flow has increased such that leverage and interest coverage is no worse than before, this bit of financial engineering will have negatively impacted the corporation’s credit quality and increased refinancing risk due to the increased level of debt.



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
HY	86	125	130	236	191	210	108	96	107	76	163	439	147	144	191	127	107	136	156	98
IG	48	65	65	126	90	106	56	51	69	62	107	284	73	82	106	71	61	70	82	53

[3] Spread over UST is the yield-to-worst minus the yield of a US Treasury with a similar expected maturity. Gross leverage multiple is the ratio of a company’s debt divided by EBITDA (defined earlier). The figures provided in the table and discussed below, reflect the spread divided by the leverage multiple. Put simply, the calculation measures the incremental return above a US Treasury for each turn of leverage.

A concurrent, if not an enabling, factor of this increase in leverage to support higher shareholder returns, is a decline in compensation to bondholders for the credit risk they are taking on. The low level of interest rates we have seen since the Credit Crisis of 2008-09 is only part of the story. Credit spreads have also narrowed such that the credit spread - the level of compensation above the "risk free rate" (i.e. the Treasury rate) per turn of leverage - has narrowed significantly over the last five quarters. With respect to investment grade credit, spread per turn over leverage at the end of 4Q16 was 54.5 bp, the narrowest it has been at a quarter-end since 4Q06. The situation is worse in high yield where risky credits have become riskier, yet investors are being paid less per unit of risk. High yield spreads at 93.5 bp are at their lowest level per turn of leverage, but for one quarter in 2014, since 2007, just before the Credit Crisis.

Credit quality has been declining, yet investors are being paid less and less for that increasing level of risk. Corporate issuers and investors are in danger of their own strategies coming back to "bite them in the ass" when rates rise, the economy slows or negative unexpected events occur. There is no foolproof plan. In this environment, bond investors must be acutely aware of the margin of safety of each individual investment and confident that they are being appropriately compensated for the risk. Below are a few examples of RiverPark Strategic Income and/or RiverPark Short Term High Yield Funds' investments that did not go quite as expected, yet, ultimately, the misstep created an opportunity or fell into the category of: "if it's the worst thing we ever did, it's not so bad."

Dispensing Dynamics[F] is a leading manufacturer of paper towel dispensers for the Americas and Europe. In 3Q14, the company discovered, upon changing staffing agencies, that many plant workers were undocumented aliens, requiring replacement of a large portion of its labor force. This may have been a case of "don't ask, don't tell", but the company was not found to be at fault as it relied on a third party source for staffing. Nonetheless, the company's business plan, based on a stable, well trained labor pool, was suddenly disrupted as it needed to quickly re-staff in order to continue operation. New employees require training and time on the job to achieve the necessary level of productivity and, in the company's experience, were the subject of a high degree of turnover, making staffing levels unpredictable. As a result, for 4 to 6 quarters, as the company transitioned to a new workforce, profitability suffered, causing net leverage to rise to a high of 6.6x. However, customer loyalty remained strong and revenues remained stable. Despite a decline in cash flow, the company's net debt stayed nearly flat and liquidity remained healthy. Cash flows began to grow again in 4Q15, with net leverage declining to 4.9x. Despite market concerns, which caused the bond's price to dip, we were confident in the company's business and held our position, adding to it opportunistically at discounted prices. Late in 2016, the company sold its most successful division and, in January 2017, paid off the notes at par with proceeds from the asset sale. This was a case in which a company encountered an unexpected crisis, yet had the management capability and financial stability to withstand the challenge.

Lansing Trade Group[G] is an independent commodity merchandising and logistics company, nearly 100 years old that is primarily engaged in the movement of agricultural commodities from farmers to end users via strategically located storage and handling facilities. We initially invested in the company's 9.25% senior secured bonds, due 2019, when they were issued in early 2014. Despite the potential for volatility in the agriculture markets, we were comforted by the company's limited capital expenditure requirements, ability to generate significant excess cash flow available for debt repayment and high level of working capital and unencumbered assets, collateral for the bonds, the value of which far exceeded the total debt outstanding. The financial covenants in the bond indenture also gave us confidence that, if something unexpected happened, bondholders would have legal recourse to protect their investment. In late 2015, the company was hit by a number of negative factors: reduced demand for grain in emerging markets and animal feed in China and a sharp decline in the company's developing frac sand logistics business due to the decline in oil prices. Simultaneously, however, the credit was bolstered by a significant equity investment from a Chinese agriculture company, proceeds of which were partly used to repurchase bonds, reducing leverage. Problems continued in the first half of 2016: low grain prices caused farmers to withhold from shipping product in hope of higher prices in the future; sales to China were hindered by anti-dumping duties; energy-related operations remained depressed due to low energy prices and the company had two self-inflicted problems related to commodity hedging and mismanagement of container inventory in China. Still, the company further improved its credit quality by generating cash via a reduction in working capital, reducing capital expenditures and continuing to repurchase bonds. With limited visibility for an improvement in operations, but strong liquidity, the company proposed to redeem our bonds in September 2016 and purchased them at par in 4Q16. Given the increasing uncertainty of the business and some concerns regarding management missteps, we agreed to forego the prepayment premium to which we were entitled and safely exit the position. The Lansing experience reflects a company responsibly reducing financial risk in the face of rising operating risk, avoiding harming itself as a result of its capital strategy. It also reflects an investment, on our part, in a complex business that had enough structural and financial safeguards to permit a successful outcome despite the risks.

Wise Metals'[H] parent, Constellium N.V., announced, on November 7th, the redemption of the Wise Metals 9.75% Senior Notes with a December 5th payment date. Since the redemption was fully funded with cash on hand, we began purchasing the notes at an expected weighted average purchase yield of approximately 2.8%, an attractive level for what seemed to be a plain vanilla bond redemption. However, to our surprise, on the December 5th call date, we received repayment on the bonds at a rate of approximately 104.59% of par, rather than the 104.875% call price. After some digging and research, we learned from the bond indenture trustee that the reason for the underpayment was their decision to hold back a portion of the call proceeds as reimbursement for an outstanding legal bill, something we have never seen before in all our years of purchasing redeemed securities. It is our understanding that the trustee incurred these

expenses at the direction of a group of bondholders in late 2015 or early 2016 when the bonds were trading at more stressed levels. Since the issuer refused to pay these expenses, the trustee pulled the funds from the only available cash they could access – the redemption proceeds. The notice issued by the trustee that detailed this holdback wasn't distributed until the day of the payment (December 5th), thereby making it very difficult for us to have foreseen or avoided this outcome. In the end, we received nearly $50,000 less in proceeds than we had been expecting, which was effectively over 100% of the potential profit in the position. The trustee is still in discussions with the Issuer with respect to recovering at least some of those proceeds, and we have contemplated taking further action as well for a recovery, but are mindful of throwing good money after bad. While the amount of money involved here was relatively de minimus, we have chalked this up to a lesson learned. Going forward, we will need to pay extra attention to any security in a similar situation that had previously been in a position – as a result of previous distress or otherwise – in which unreimbursed legal expenses may have been incurred. While this adds another step in the due diligence process, it is worth the work to avoid this kind of negative surprise.

Over the last few years, the credit markets have been highly accommodative in financing companies with questionable uses of proceeds. Unfortunately for debtholders, leverage has risen to a level usually seen during a recession, raising concerns about downgrades, default rates and recovery on distressed debt when the inevitable next recession occurs. Given these recent developments in leverage and narrowing credit spreads, as well as the prospect that the long bull market in bonds may have come to an end, it is critical that investors look to active management of corporate fixed income portfolios which rely on portfolio managers to discern which companies are acting responsibly with respect to their capital structure. Hence, we reiterate from our 3Q16 letter:

> *We are neither bulls nor bears. That being said, we have decidedly become defensive in our portfolios. We are "not in Kansas anymore". The confluence of mixed signals and ever-increasing exogenous risk leads us to be cautious. We are optimistic about the quality and return of our portfolios consistent with the funds' mandates. Further, we remain nimble to take advantage of the unintended consequences resulting from government action.*

With our front porch brightly lit and remaining hopeful for 2017,

David Sherman and the Cohanzick Team

[A] Source: Morgan Stanley, Capital IQ, Bloomberg, Citigroup, S&P LCD
[B] Source: Morgan Stanley, Bloomberg, Citigroup
[C] Source: EPFR Global
[D] Source: Morgan Stanley, Bloomberg, Citigroup
[E] Source: Morgan Stanley, Bloomberg, Citigroup
[F] As of 9/30/2016, our position in Dispensing Dynamics represented 1.09% of the Strategic Income portfolio and 1.19% as of 12/31/2016.
[G] As of 9/30/2016, our position in Lansing Trade Group represented 2.85% of the Strategic Income portfolio. During the quarter, RiverPark Strategic Income Fund sold 17.2MM of Lansing Trade Group 9.25% 2/15/19.
[H] During the quarter, the Short Term High Yield Fund bought 16.6MM and sold 16.6MM of Wise Holdings/Fin Corp 9.75% 6/15/19.

RiverPark Short Term High Yield Fund
&
RiverPark Strategic Income Fund

Fourth Quarter 2016

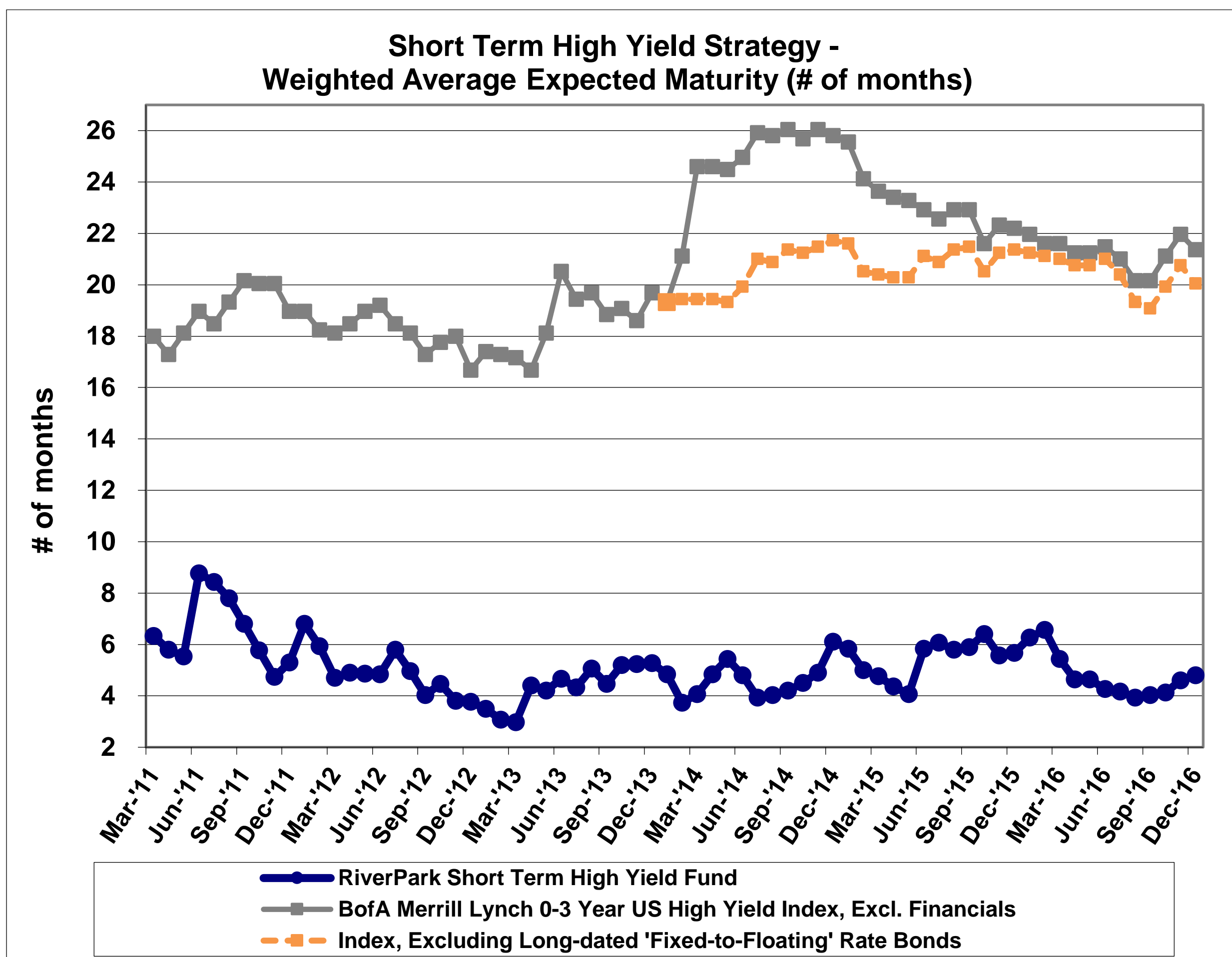
RIVERPARK SHORT TERM HIGH YIELD FUND
DECEMBER 31, 2016

	RiverPark Short Term High Yield Fund Performance		BofA Merrill Lynch 1-Year U.S. Treasury Index[1]	BofA Merrill Lynch 1-3 Yr U.S. Corp Index[1]	BofA Merrill Lynch 0-3 Yr U.S. HY Index Ex-Financials[1]
	RPHIX	RPHYX			
4Q16	0.65%	0.59%	0.05%	(0.21%)	2.46%
YTD 2016	3.45%	3.31%	0.76%	2.39%	15.34%
One Year	3.45%	3.31%	0.76%	2.39%	15.34%
Five Year	3.16%	2.88%	0.32%	2.16%	6.01%
Since Inception*	3.32%	3.03%	0.35%	2.05%	5.68%

** Total Returns presented for periods less than 1 year are cumulative, returns for periods one year and greater are annualized. Fund Inception Date: September 30, 2010.*
The performance quoted herein 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, and current performance may be higher or lower than the performance.
As of the most recent prospectus, dated 1/28/2016, gross expense ratio was 0.87%. Gross Expense Ratio does not reflect the ability of the adviser to recover all or a portion of prior waivers, which would result in higher expenses for the investor. Please reference the prospectus for additional information.
[1] The BofA Merrill Lynch 1-3 Year U.S. Corporate Index is a subset of the BofA Merrill Lynch U.S. Corporate Master Index tracking the performance of U.S. dollar denominated investment grade rated corporate debt publicly issued in the U.S. domestic market. This subset includes all securities with a remaining term to maturity of less than 3 years. The BofA Merrill Lynch 1-Year U.S. Treasuries Index is an unmanaged index that tracks the performance of the direct sovereign debt

of the U.S. Government having a maturity of at least one year and less than three years. The BofA Merrill Lynch 0-3 Year U.S. High Yield Index Excluding Financials considers all securities from the BofA Merrill Lynch US High Yield Master II Index and the BofA Merrill Lynch U.S. High Yield 0-1 Year Index, and then applies the following filters: securities greater than or equal to one month but less than 3 years to final maturity, and exclude all securities with Level 2 sector classification = Financial (FNCL).

As of December 31, 2016 the portfolio was comprised of securities with an average maturity of 4.8 months. The average maturity is based on the Weighted Average Expected Effective Maturity, which may differ from the stated maturity because of a corporate action or event.



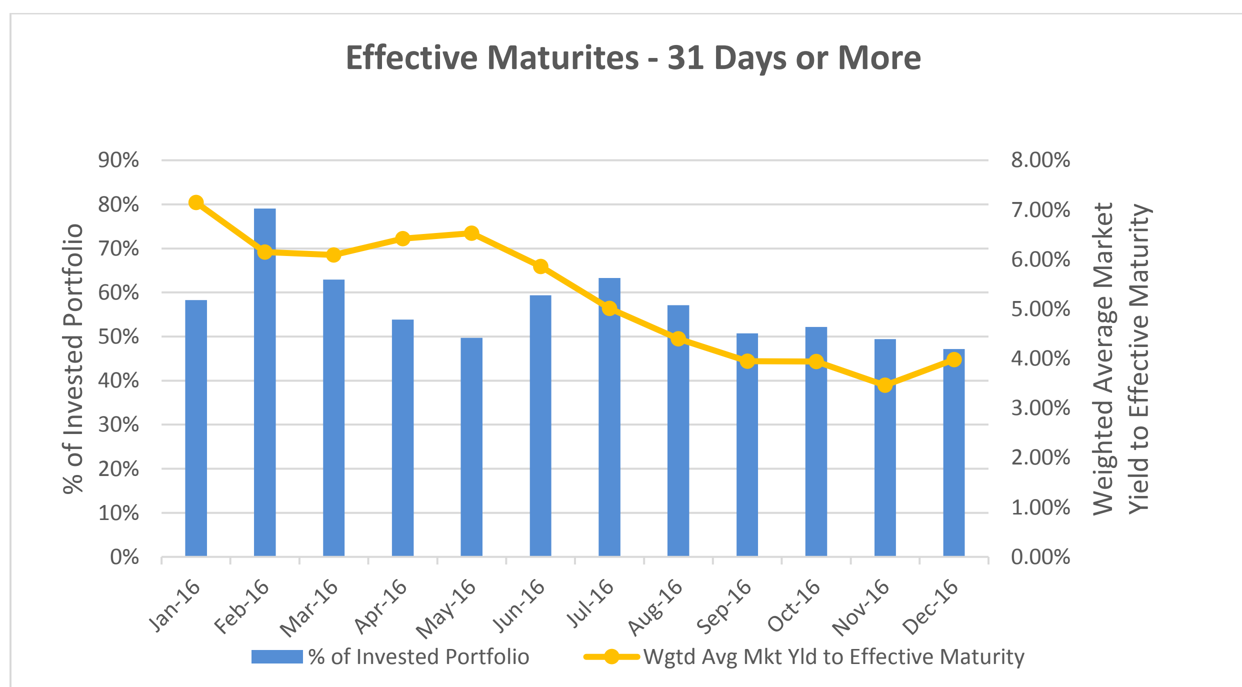
Source: Bloomberg Professional Analytics

At quarter-end, the invested portfolio had a weighted average Expected Effective Maturity of 5/24/17, and 52.8% was comprised of securities with an Expected Effective Maturity of 30 days or less. Below is a more specific breakdown of the portfolio's holdings by credit strategy:

% Of Invested Portfolio As of 12/31/16

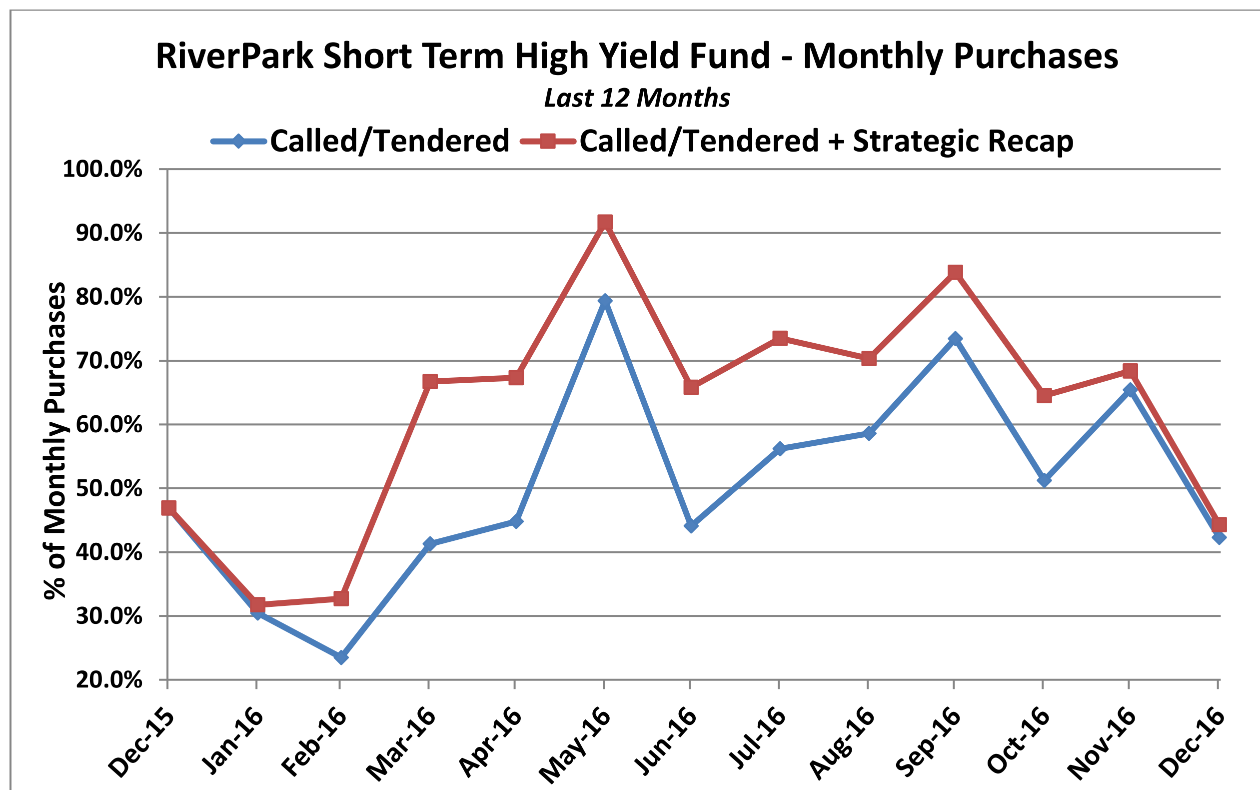
Expected Effective Maturity	Redeemed Debt	Event-Driven	Strategic Recap	Cushion Bonds	Short Term Maturities	
0-30 days	25.5%				27.3%	**52.8%**
31-60 days		2.0%	0.8%	4.2%	2.3%	**9.3%**
61-90 days					4.3%	**4.3%**
91-180 days		2.7%			0.4%	**3.1%**
181-270 days		2.4%	0.3%	1.6%	8.6%	**12.9%**
271-365 days		2.7%		1.0%		**3.7%**
1-2 years				0.3%	10.6%	**10.9%**
2-3 years					2.9%	**2.9%**
	25.5%	**9.8%**	**1.1%**	**7.1%**	**56.4%**	**05/24/17**

As of December 31, 2016 the Weighted Average Market Yield to Effective Maturity was 3.98% for Effective Maturities of 31 days or more. That comprised 47% of the invested Portfolio.



New purchases made by the Fund during the quarter consisted of 53.3% Called/Tendered, 5.3% Event-Driven, 6.0% Strategic Recap, 1.9% Cushion Bonds, and 33.4% Short Term Maturities. Called and Tendered securities continue to be a significant component of our purchases. The supply of these bonds remained ample during most of the period.

When combining Called/Tendered purchases with Strategic Recap (which represent securities that are in the process of being refinanced but have not yet been officially redeemed), the figure reached 59.4% of our purchases during the quarter. We will continue to try focusing a large portion of the Fund in redeemed or soon-to-be redeemed securities, especially in times of market weakness, both to keep the Fund's duration short, and also to ensure that adequate pools of near-term cash are available to take advantage of attractive new purchases.



RIVERPARK STRATEGIC INCOME FUND
DECEMBER 31, 2016

	RiverPark Strategic Income Fund Performance		Barclay's Aggregate Bond Index[1]	Morningstar High Yield Bond Category[2]	Morningstar Multisector Bond Category[3]
	RSIIX	RSIVX			
4Q16	1.93%	1.76%	(2.98%)	1.69%	(0.57%)
YTD 2016	10.23%	9.85%	2.65%	13.18%	7.09%
One Year	10.23%	9.85%	2.65%	13.18%	7.09%
Since Inception*	3.88%	3.57%	2.75%	3.91%	3.16%

** Total Returns presented for periods less than 1 year are cumulative, returns for periods one year and greater are annualized. Inception Date: September 30, 2013*

The performance quoted herein 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, and current performance may be higher or lower than the performance.

As of the most recent prospectus, dated 1/28/2016, gross expense ratio was 0.90%. Gross Expense Ratio does not reflect the ability of the adviser to recover all or a portion of prior waivers, which would result in higher expenses for the investor. This option is available contractually to the advisor until January 31, 2016. Please reference the prospectus for additional information.

[1] The Barclays U.S. Aggregate Bond Index is a broad-based unmanaged index of investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS.

[2]Source: Morningstar Principia. The Morningstar High Yield Bond Category is used for funds that concentrate on lower-quality bonds, which are riskier than those of higher-quality companies. These portfolios generally offer higher yields than other types of portfolios, but are also more vulnerable to economic and credit risk.

[3]Source: Morningstar Principia. The Morningstar Multisector Bond Category is used for funds that seek income by diversifying their assets among several fixed-income sectors, usually U.S. government obligations, foreign bonds, and high-yield domestic debt securities.

Category	Weight	YTW	YTW Duration	YTM	YTM Duration
RiverPark Short Term High Yield Overlap	22.0%	3.7%	0.38	6.2%	1.83
Buy & Hold "Money Good"	55.7%	5.2%	1.74	6.1%	2.74
Priority Based (Above the Fray)	5.8%	15.1%	2.38	15.2%	2.39
Off The Beaten Path	7.6%	11.8%	2.07	12.2%	2.53
Interest Rate Resets	0.0%	0.0%	-	0.0%	-
ABS	4.9%	6.7%	0.53	7.5%	1.15
Equity	0.1%				
Distressed	0.4%				
Hedges	-1.7%	4.6%	5.52	4.7%	5.86
Invested Portfolio	94.6%	6.1%	1.36	7.2%	2.35
Cash	5.4%				
Total Portfolio	100.0%	5.8%	1.28	6.8%	2.22

The five largest positions totaled 18.03% of the Fund.

Sprint Communications	4.54%
Homefed Corp	3.93%
Dell International LLC	3.54%
Kansas City Southern	3.06%
HC2 Holdings Inc.	2.96%
	18.03%

For the quarter, the five best performing positions' positive contribution outweighed the five worst performing positions (inclusive of interest) on a net basis by 48 basis points. The five best and worst performing positions for the quarter were as follows:

Positive Contribution – 0.68%	Negative Contribution - (0.20%)
Southern States Coop Inc	Coach Inc
Westmoreland Coal Co	SITV LLC
Hardwoods Acquisition Corp	Toll Road Inv Part II
Chester Downs	Waste Italia SPA
HC2 Holdings Inc	Avid Technology Inc

In 4Q16, Southern States traded higher after an asset sale. Westmoreland benefited from a rise in coal prices and a post-election boost based on the potential for benefits to the sector as a result of a change in the administration. Hardwoods 3Q earnings reflected a trough in revenues and showed a positive outlook for Chinese sales and the possibility of a new softwoods agreement with Canada. Chester Downs benefited from a renovation and news that their parent company is moving closer to exiting bankruptcy which could result in potential refinancing. HC2 moved up after positive earnings, potential benefits of incoming administration policies and positive corporate actions at their subsidiaries.

Coach and Toll Roads both traded lower along with the move in Treasuries. SITV moved lower despite positive 3Q earnings. Waste Italia drifted lower as holders await progress in their bankruptcy case. Avid Technology convertible bonds moved lower with the equity as the company reported lower than expected 3Q earnings.

	RiverPark Strategic Income Fund (RSIIX, RSIVX)[1]	Barclays U.S. Aggregate Bond Index*	Markit iBoxx USD Liquid High Yield Index*
YTW	5.75%	2.96%	5.69%
Effective Maturity	6/28/2018	4/30/2025	7/5/2021
YTM	6.85%	2.97%	6.02%
Stated Maturity	8/7/2019	5/15/2025	12/13/2022
SEC 30 Day Yield	5.82%	2.16%	5.46%

1. Numbers represent a weighted average for RSIIX and RSIVX

This material must be preceded or accompanied by a current prospectus. Investors should read it carefully before investing.

***These index characteristics are calculated by Bloomberg Professional Analytics and are based on the iShares ETFs which are passive ETFs comprised of the underlying securities of these indices.**

RiverPark Strategic Income has a slightly higher Yield-to-Worst and Yield-to-Maturity than the indices even though its effective maturity is much shorter and extension risk is lower. We believe the portfolio is well positioned and defensive relative to the indices.

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Mutual fund investing involves risk including possible loss of principal. In addition to the normal risks associated with investing, international investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from social, economic or political instability in other nations. Bonds and bond funds are subject to interest rate risk and will decline in value as interest rates rise. High yield bonds and non-investment grade securities involve greater risks of default or downgrade and are more volatile than investment grade securities, due to the speculative nature of their investments. The RiverPark Strategic Income Fund may invest in securities of companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although such investments may result in significant returns to the Fund, they involve a substantial degree of risk. There can be no assurance that the Fund will achieve its stated objectives.

The RiverPark Strategic Income Fund and RiverPark Short Term High Yield Fund are distributed by SEI Investments Distribution Co., One Freedom Valley Drive, Oaks, PA 19456 which is not affiliated with RiverPark Advisors, LLC, Cohanzick Management, LLC, or their affiliates.