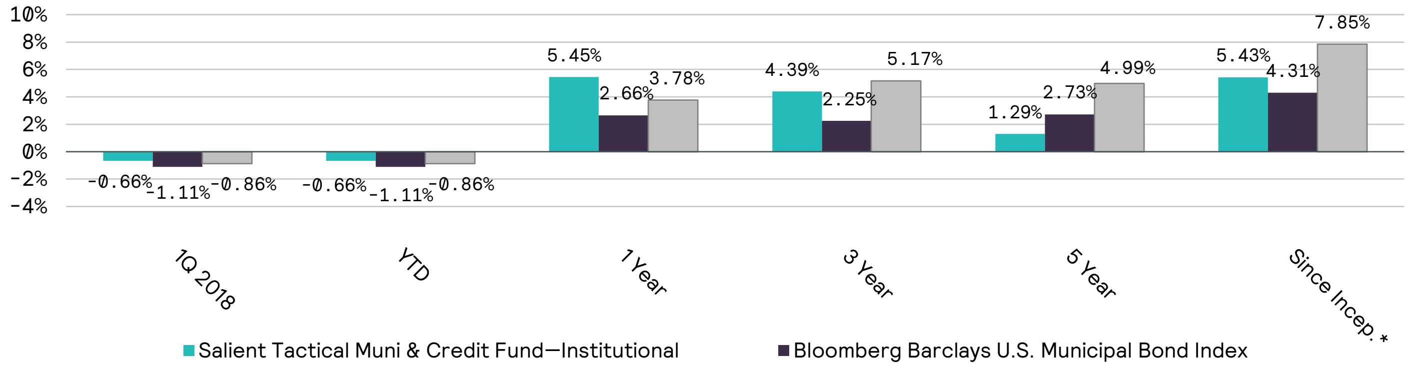
2018 First Quarter Portfolio Review

Fund Overview

Salient Tactical Muni & Credit Fund is a flexible, active strategy seeking to maximize total return and minimize investment risk using a credit-based, relative value investment process. The fund employs an absolute return-oriented and tax-efficient strategy that aims to identify attractive long and short investment opportunities in the municipal and credit markets.



Gross/Net Expenses: **1.46%** / 1.20%

Performance as of 03/31/18. Returns for periods greater than one year are annualized.

* 05/01/08

Under an expense limitation agreement, the investment advisor has contractually agreed to waive its management fee and/or reimburse or pay operating expenses of the fund to the extent necessary to maintain the fund's total operating expenses at 1.79% for Investor Class, 1.44% for Institutional Class, 1.94% for Class A and 2.39% for Class C shares, excluding certain expenses, such as taxes, brokerage commissions, interest, short dividend expense, any acquired fund fees and expenses, litigation and extraordinary expenses. This expense limitation agreement expires on April 30, 2018, and may only be modified or terminated by a majority vote of the independent trustees. The advisor is permitted to recover waived expenses for a period of up to three years.

The performance quoted represents past performance, does not guarantee future results and current performance may be lower or higher than the data quoted. The investment return and principal value of an investment will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Performance data current to the most recent month-end may be obtained at www.salientfunds.com. Investment performance may reflect fee waivers in effect. In the absence of fee waivers, total return would be lower. Total return is based on NAV, assuming reinvestment of all distributions. Performance does not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

Market Overview

Volatility came back with a vengeance in the first quarter of 2018, but despite the increase in noise, the result was basically flat performance. Global stocks, as measured by the MSCI ACWI, declined by -1.03% during the quarter led by weak performance in the U.S. and Europe with the S&P 500 Index declining -0.76% and the MSCI Europe Index declining -1.98%. The weakness in Europe was masked by the robust performance of the euro as the market declined by -4.61% in local currency. Japan was also buoyed by its currency as the MSCI Japan Index fell -4.80% in yen terms but gained 0.13% in U.S. dollar terms. The MSCI Emerging Markets Index increased by 1.28% with little help from the changes in local currencies. Asset classes with a sensitivity to interest rates represented some of the hardest hit segments of the U.S. market. The Dow Jones U.S. Real Estate Index fell -5.91% and the S&P 500 Utilities Index fell -3.30%.

The change in U.S. interest rates was the biggest news during the quarter. The Bloomberg Barclays Global Aggregate Index declined -1.46% with investment-grade credit, as measured by the Bloomberg Barclays U.S. Credit Bond Index, leading the decline at -2.32%. Bonds with a higher coupon fared better than core Treasurys and corporate bonds. The Bloomberg Barclays U.S. Corporate High-Yield Bond Index declined -0.86% while the Bloomberg Barclays U.S. Municipal High Yield Index increased 0.58%. Emerging market (EM) corporate bonds were also able to avoid the worst of the rate-driven drawdowns, with the Credit Suisse Emerging Market Corporate Bond Index declining by -0.52% in the quarter.

High-yield and investment-grade municipals continued to be among the top performing sectors on a tax-equivalent basis. Municipals posted negative returns in the first quarter as U.S. interest rates rose, but demand remained strong with $6.5 billion in net inflows. Supply totaled a tepid $63 billion in the first quarter, down approximately 30% year-over-year. This low supply was expected as tax reform uncertainty led to the largest historical monthly issuance level in December. Investment-grade and high-yield municipal valuations remained attractive on an after-tax basis. High-yield municipal spreads continue to tighten following a post-election sell-off, but remain wide relative to historical levels. The spread differential between high-yield corporates and high-yield municipals continues to be compelling versus historical levels. Despite isolated high-profile downgrades, municipal fundamentals have improved and default rates remained low versus comparably rated corporates.

Portfolio Overview

Salient Tactical Muni and Credit Fund's Institutional shares returned -0.66% for the first quarter of 2018, outperforming the Bloomberg Barclays Municipal Bond Index, which returned -1.11%. An underweight to duration contributed to performance as municipal yields rose during the quarter. An overweight to the tobacco and hospital revenue-backed sectors contributed to returns. Security selection within government obligation bonds was negative for performance. An underweight to the housing sector also detracted from returns.

Investment Outlook

PIMCO expects world gross domestic product growth to remain above trend at 3.0%–3.5% in 2018 in a "Goldilocks" environment of synchronized global growth and low but gently rising inflation. Municipals have outperformed during previous U.S. Federal Reserve (Fed) interest rate hiking cycles and we would expect this cycle to be similar. However, given the structural illiquidity of the muni market and with rates rising, we anticipate heightened bouts of price volatility in the coming months. At higher absolute yields, the value of the muni tax exemption increases. For example, a 50 basis point increase in tax-free municipal yields, from 3.0% to 3.5%, would require a 77 basis point increase in taxable corporate yields, from 4.61% to 5.38%, to achieve the same after-tax yield. As the Fed continues its hiking cycle and seasonal effects impact the front end of the muni curve around tax time, short-term muni yields are approaching levels not seen since the 2008 credit crisis. The SIFMA Municipal Swap Index, which measures the average rate setting of the high-quality weekly variable rate demand obligation (VRDO) universe, reset to 1.58% in the last week of March, revisiting levels last seen at the end of 2017. As tax season unfolds, technicals for weekly muni floaters are likely to deteriorate further as individuals liquidate tax-exempt money market fund holdings to pay their tax bills. That, coupled with the current Fed hiking cycle, will likely push the SIFMA rate higher for the foreseeable future.

We believe primary supply in 2018 will likely decrease by about 40%. The tax bill will eliminate issuers' ability to advance refund their debt in the tax-exempt market. In these instances the IRS has historically allowed essentially twice the debt against the same single purpose. The elimination of this financing mechanism, compounded by issuance "pulled forward" into 2017, will lead to a decrease in the municipal debt stock, which will likely be supportive of valuations over the long-term.

We expect tax policy to be positive for tax-exempt valuations, but it may result in increased volatility. Despite a decrease in the headline marginal tax rates, the cap on State and Local Tax (SALT) deductions will serve to increase the effective tax rate for many investors, particularly in California, New York and other high-tax states. However, a reduction in the corporate tax rate for commercial banks and property and casualty (P&C) insurers should likely reduce demand from that segment of the market. While banks and insurance companies are historically known to be marginal liquidity providers, corporate tax reform will change the price at which these institutional investors backstop the market. State and local unfunded pension liabilities have increased since the recession as returns remain lower than expected and budget pressures at state and local levels have led to reduced contributions into retirement systems.

Salient Tactical Muni & Credit Fund seeks to maximize total return (capital appreciation and income).

RISKS

There are risks involved with investing, including loss of principal. Past performance does not guarantee future results, share prices will fluctuate and you may have a gain or loss when you redeem shares.

Borrowing for investment purposes creates leverage, which can increase the risk and volatility of a fund.

Debt securities are subject to interest rate risk. If interest rates increase, the value of debt securities generally declines. Debt securities with longer durations tend to be more sensitive to changes in interest rates and more volatile than securities with shorter durations.

Derivative instruments involve risks different from those associated with investing directly in securities and may cause, among other things, increased volatility and transaction costs or a fund to lose more than the amount invested.

Foreign securities, especially emerging or frontier markets, will involve additional risks including exchange rate fluctuations, social and political instability, less liquidity, greater volatility and less regulation.

Investing in lower-rated ("high yield") debt securities involves special risks in addition to the risks associated with investments in higher-rated debt securities, including a high degree of credit risk.

Investing in a non-diversified fund involves the risk of greater price fluctuation than a more diversified portfolio.

Short selling involves additional investment risks and transaction costs, and creates leverage, which can increase the risk and volatility of a fund.

Alternative strategies typically are subject to increased risk and loss of principal. Consequently, investments such as mutual funds which focus on alternative strategies are not suitable for all investors.

Definition of Terms

10-year U.S. Treasury is a debt obligation issued by the U.S. Treasury that has a term of more than one year but not more than 10 years.

Basis point (bps) is a unit of measure that is equal to 1/100th of 1% and used to denote a change in the value or rate of a financial instrument.

Bloomberg Barclays Global Aggregate Index represents a broad-based measure of the global investment-grade fixed income markets, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities.

Bloomberg Barclays Emerging Market Bond Index is an unmanaged index that tracks total returns for external-currency-denominated debt instruments of emerging markets located in the Americas, Europe, Middle East, Africa and Asia.

Bloomberg Barclays U.S. Aggregate Bond Index represents securities that are U.S. domestic, taxable and dollar denominated. The index covers the U.S. investment-grade, fixed-rate bond market, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities.

Bloomberg Barclays U.S. Corporate High-Yield Bond Index covers the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below.

Bloomberg Barclays U.S. Credit Index is an index composed of corporate and non-corporate debt issues that are rated investment grade (Baa3/BBB) or higher.

Bloomberg Barclays U.S. Municipal Bond Index covers the USD-denominated, long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and pre-refunded bonds.

Credit Suisse Emerging Market Corporate Bond Index consists of U.S. dollar-denominated fixed-income issues from Latin America, Eastern Europe and Asia.

Dow Jones U.S. Real Estate Index measures the performance of the real estate industry of the U.S. equity market.

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

Investment grade refers to the quality of credit and indicates that a company or bond has a relatively low risk of default.

MSCI ACWI (All Country World Index) is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed and emerging markets.

MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

MSCI Europe Index is a free float-adjusted market capitalization index designed to measure developed market equity performance in Europe.

MSCI Japan Index is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of the developed markets in Japan.

Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index. The Russell 3000 Index represents approximately 98% of the investable U.S. equity market.

S&P 500 Index is an unmanaged index of 500 common stocks chosen to reflect the industries in the U.S. economy.

S&P 500 Utilities Index comprises those companies included in the S&P 500 that are classified as members of the GICS® utilities sector.

SIFMA (Securities Industry and Financial Markets Association) Municipal Swap Index is a seven-day high-grade market index comprised of tax-exempt Variable Rate Demand Obligations (VRDOs) with certain characteristics.

A **variable rate demand obligation (VRDO)** is a municipal security for which the interest rate resets on a periodic basis and holders are able to liquidate their security through a "put" or "tender" feature, at par.

Volatility is a statistical measure of the dispersion of returns for a given security or market index.

Yield is the interest or dividends received from a security and is usually expressed annually as a percentage based on the investment's cost or on the U.S. government's debt obligations.

One cannot invest directly in an index.

Salient Tactical Muni & Credit Fund is distributed by Forward Securities, LLC. PIMCO is the sub-advisor for the Tactical Muni & Credit Fund.

Not FDIC Insured | No Bank Guarantee | May Lose Value

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