RIVERPARK FUNDS

RiverPark Floating Rate CMBS Fund
(RCRIX/RCRFX)

Second Quarter 2020 Commentary and Outlook – Recovery & Growth

What a difference a quarter makes. After price declines in March not seen in a decade, the CMBS market improved significantly this quarter, and we have already recovered approximately two-thirds of our lost value (the Fund returned +15% during the quarter). New capital, sensing the opportunity to take advantage of historically dislocated CMBS prices, has chosen to invest with the Fund and we have grown assets under management to over $300 million.

This quarter we opportunistically acquired $149 million of new assets, diversifying our portfolio, which now consists of 31 investments in 52 securities. We funded these acquisitions with inflows and the proceeds from asset sales. All of our investments are current on their payments. As the country begins its process of reopening and finding a cure for the virus, we expect to see additional recovery across the portfolio.

We own a high-quality portfolio of CMBS that are secured by large and iconic commercial real estate assets and portfolios, owned by some of the most highly capitalized real estate investors in the world, such as Blackstone, Brookfield and Vornado. Based upon the quality of our assets and where we invest in the capital structure, with multiple levels of debt and equity credit support, we currently project no credit losses for any asset in the portfolio. We believe that most of these assets are likely to return to par over the next 12 months as the bond market and the world recover from the virus. Further, given the safety nets built into the secured CMBS structure, we believe that we will continue to receive all of our monthly interest payments in the meantime. Already, the new issue CMBS market has reopened with several new transactions (in which we have opportunistically participated). Further, we see hotels across the country reopening and tenants beginning the process of going back to work. These are all healthy signs for the Fund.

Our assets are now priced at approximately 91 cents on the dollar, yet we still see a dislocated market that is still in recovery and that offers a multitude of opportunities, as discussed below.

Portfolio Composition and Characteristics

The greatest strength of our portfolio is our asset and sponsor quality. 85% of the portfolio is comprised of office buildings, industrial/warehouse distribution assets, post-COVID, new-issue diversified CMBS, newly acquired senior hotel assets (rated AAA – A), and one apartment portfolio. The other 15% of the portfolio is comprised of six hotel investments (rated BBB – B) sponsored by Blackstone, Brookfield, Colony Capital and Thor Equities.

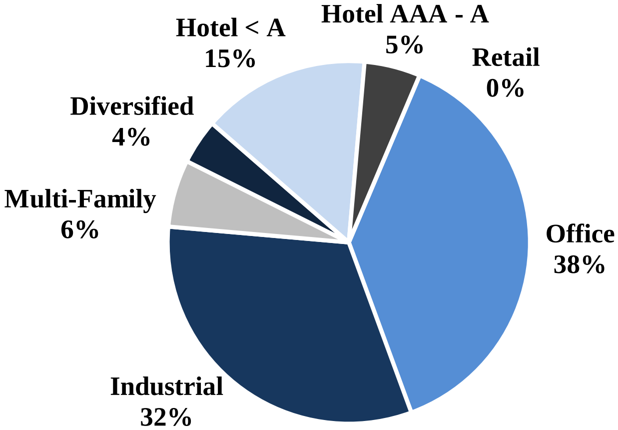
In each of these transactions, regardless of property type, we are protected by the sponsor's equity and subordinate classes of debt, typically a mezzanine loan and one or more CMBS tranches. Based upon appraisals at the time of the transactions, our debt investments (plus all debt senior or equal to us) represent approximately 54% of the appraised value of the underlying properties, with an even lower 41% for our hotel investments.

To illustrate what this means, let's take the debt we own on Brookfield Properties' Hotel Diplomat in Hollywood, Florida. When they refinanced the property last year, Brookfield had sponsor equity of $290 million. Additionally, $100 million was invested in a mezzanine loan, further protecting our investment. Within the CMBS trust, there is a $22 million tranche immediately beneath us and a $23 million first loss bond owned by a major hotel owner and operator. In all, for our investment to lose any principal, Brookfield, the mezzanine debt investors and two classes of junior bondholders together must lose a total of $435 million – more than half the appraised value of the property just last year.

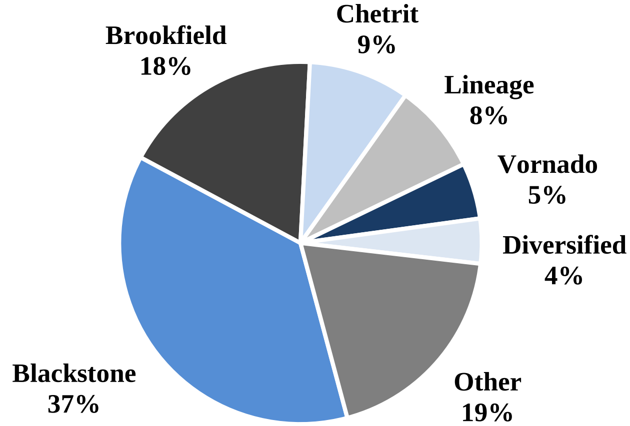
Despite the turmoil, and the hotel being temporarily closed, our debt payments through June have been made on time and in full. We expect these payments to continue to be made by the property's sponsor, Brookfield, to protect its investment until the asset is once again cash flow positive. If this payment is not made on time, the mezzanine lender would be entitled to seize control of the property and would likely make payments owing to the CMBS structure to protect its investment. If both the equity owner and the mezzanine lender fail to step up, the servicer of the CMBS transaction, on behalf of the bondholders, would then likely make payments. In this particular transaction, the "HRR" (Horizontal Risk Retention) bond, representing the junior-most 5% of the CMBS trust is held by a large and highly capitalized private equity hotel investor keen to add this asset to their portfolio should the opportunity arise.

Because we carefully invest in transactions with these kinds of protective layers, even in the event of prolonged hotel closures, we expect to see a full recovery of our hotel investments and to receive full interest payments along the way. For example, a special servicer has been appointed to assist in the workout of the Palmer House Hilton loan and modest servicer advances for interest have been made for it as well as for the InnKeepers and the Portland Hotel portfolios. The CMBS structures are working as expected to insulate bondholders from the temporary problems experienced by the operators of the underlying assets.

Property Composition



Sponsor Distribution



Market Opportunity

While bonds that were trading in the 60s - 80s in March are now trading in the 70s - 90s, there are still exciting investment opportunities, as these bonds have historically traded at par. In addition to “add-on” investments to existing positions, we have been focused on two trades in particular. First, acquiring high-end, AAA-rated hotel CMBS in the 80s (we largely monetized this trade by selling these assets in the 90s), and second, investing in fixed-rate, new-issue diversified CMBS at the BBB level. We are attracted to these fixed-rate transactions (now representing 4% of the portfolio) for a variety of reasons, including: comparatively small pools with a limited number of larger, higher-quality assets, no hotel assets, de minimus retail (primarily related to grocery), low loan-to-values typically in the 50% range, and prices approximately twice as wide as pre-COVID levels. We expect the spreads of these higher-quality transactions to tighten smartly and are already seeing gains. Despite the recovery thus far, now is still an excellent time to deploy capital in our space.

Frequently Asked Questions

How do you see the CMBS recovery from here?

Having seen the bottom in mid-March, our portfolio, largely reflective of the market generally, is now trading at 91% of face value. While industrial, office and multi-family assets have led the recovery, hotel CMBS, especially higher-quality hotels, have also improved. Since new issuance was substantially curtailed (although now reopened), CMBS demand is exceeding supply. We believe that the final improvement back to par will largely be tied to the U.S. economy reopening, which we see as a gradual process over the next 12 months. While there will be fits and starts, we are encouraged by ever increasing hotel occupancy rates and the gradual reopening of office buildings throughout the country.

How are the Fund's assets secured and what happens if the borrower defaults?

The Fund's collateral is a first mortgage lien against the property, held in a bankruptcy remote trust and administered by a trustee. In the event of a default, a designated special servicer leads the workout on behalf of the CMBS bondholders. The special servicer is required to be rated and is typically a large institution, such as Key Bank, Bank of America, Midland Loan Services or Wells Fargo. The special servicer is obligated to pay interest rate shortfalls in the event of a disruption in cash flow, assuming such advances are deemed recoverable.

Your new issue diversified CMBS are fixed rate. How does that fit with the portfolio?

Given the abnormally large discounts in these clean, post-COVID transactions and given the prospects of rates being low for quite some time, we are excited about this buying opportunity and could see it being as large as 10% - 20% of the portfolio. The increased duration (interest rate sensitivity) of the portfolio from these assets is minor and is expected to be more than offset in the current investing climate by their wide spreads and attractive underlying asset quality.

We read of a top-tier sponsor "handing in the keys" on an asset. How would such an event affect the Fund's investments?

We seek to invest in transactions with highly capitalized sponsors who can weather any storm. That said, even the largest private equity firms do not have bottomless balance sheets and will have to make choices between the "winners" and the "losers" in their portfolios. Where sponsors have refinanced out substantially all of their equity and/or the asset was not performing well pre-COVID, we expect to see less willingness to support those assets during the recovery phase, which could lead to a change in ownership. However, given the substantial value embedded in our assets (as expressed by loan-to-value) and the number of investors subordinate to us, we do not foresee any losses to our CMBS classes, even if a new owner were to take over and recapitalize the property, replacing the prior borrower.

As of June 30, 2020, the Fund's assets under management were $308 million.

Performance

Performance: Net Returns as June 30, 2020

	Current Quarter	Year to Date	One Year	Three Year	Five Year	Ten Year	Since Inception
RCRIX	15.42%	-9.54%	-8.15%	-0.47%	0.95%	4.56%	4.63%
RCRFX	15.37%	-9.67%	-8.49%	-0.76%	0.74%	4.46%	4.52%
Bloomberg Barclays U.S. Investment-Grade CMBS Index	3.82%	4.30%	5.94%	4.90%	4.14%	4.98%	5.14%
Bloomberg Barclays U.S. Aggregate Bond Index	2.90%	6.14%	8.74%	5.32%	4.30%	3.82%	3.95%

Annualized performance since inception of the Fund (9/30/16) was 0.66% for RCRIX and 0.38% for RCRFX.

The performance quoted herein is net of all fees and expenses and represents past performance. Past performance does not guarantee future results. Performance shown for periods of one year or greater are annualized. 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 quoted. For performance data current to the most recent month end, please call 888.564.4517.

The performance data quoted for periods prior to September 30, 2016 is that of the predecessor fund. The inception date of the Predecessor Fund was May 31, 2010. The performance of the Predecessor Fund includes the deduction of actual fees and expenses, which were higher than the fees and expenses charged to the Fund. Although the Fund is managed in a materially equivalent manner to its predecessor, the Predecessor Fund was not a registered mutual fund and was not subject to the same investment and tax restrictions as the Fund.

Expense Ratio: Institutional: 0.88% gross and 0.85% net, Retail: 1.20% gross and 1.20% net as of the most recent prospectus, dated January 28, 2020.

The Adviser has agreed to waive fees and reimburse expenses until at least January 31, 2021 to the extent necessary to assure that expenses will not exceed certain pre-agreed limits. The Adviser has the ability, subject to annual approval by the Board of Trustees, to recapture all or a portion of such waivers. The Gross Expense Ratio reflects actual expenses and the Net Expense Ratio reflects the impact of such waivers or recaptures, if any.

Index returns are for illustrative purposes only and do not represent fund performance. Index performance returns do not reflect any management fees, transaction costs, or expenses. Indexes are unmanaged and one cannot invest directly in an Index.

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Fund Investments

Below are the Fund's investments as of quarter-end.

Portfolio Composition as of June 30, 2020

	Asset Name	Security Identifier	Ratings	Sponsor	Property Type	Percent of Net Assets
1	Lineage Cold Storage Portfolio – Nationwide	CSMC 2019-ICE4 E/F	BBB- / BB	Lineage Logistics	Industrial	8.0%
2	Blackstone Industrial 2020 – Nationwide	BX 2020-BXLP F/G	BB / B-	Blackstone	Industrial	6.5%
3	Blackstone Distribution Portfolio – Nationwide	BX 2019-XL G/J	BB- / B-	Blackstone	Industrial	6.3%
4	Cambridge Life Science – Cambridge, MA	CAMB 2019-LIFE C/F/G	AA / BB- / B-	Brookfield	Office	6.2%
5	Multi-Family Portfolio – Nationwide	JPMCC 2019-MFP D/E	BBB- / BB	Chetrit	Apartment	5.5%
6	Blackstone Industrial 2018 – Nationwide	BX 2018-IND C/G/H	A- / BB / B-	Blackstone	Industrial	5.0%
7	280 Park Avenue – New York, NY	PRK 2017-280P E/F	BB- / B	Vornado	Office	4.9%
8	InnKeeper Portfolio – Nationwide	CLNY 2019-IKPR E	BBB-	Colony Capital	Hotel	4.2%
9	Life Sciences Portfolio – Nationwide	BX 2018-BIOA E/F	BB- / B	Blackstone	Office	4.2%
10	850 Third Avenue – New York, NY	NCMS 2018-850T D/E	BBB- / BB	Chetrit	Office	3.5%
11	New York Times Building – New York, NY	NYT 2019-NYT E	BBB-	Brookfield	Office	3.5%
12	LaQuinta Portfolio – Nationwide	JPMCC 2018-LAQ D/E	A / BBB-	Blackstone	Hotel	3.5%
13	Palmer House Hilton – Chicago, IL	JPMCC 2018-PHH B/C/D/E/F	AA / A- / BBB / BB- / B	Thor Equities	Hotel	3.4%
14	5 Bryant Park – New York, NY	DBGS 2018-5BP D/E	BBB- / BB-	Savanna	Hotel	3.1%
15	Hughes Center – Las Vegas, NV	COMM 2018-HCLV C/E	A- / BB-	Blackstone	Office	3.0%
16	One Soho Square – New York, NY	GSMS 2019-SOHO E	BB-	Stellar Mgmt	Office	2.7%
17	Center for Life Sciences – Boston, MA	MSC 2017-CLS F	B+	Blackstone	Office	2.7%
18	Strategic Storage Trust – Nationwide	CGCMT 2019-SST2 B/F	AA / B-	SmartStop	Industrial	2.5%
19	Portland Hotel Portfolio – Portland, OR	MSC 2019-PLND G	B-	Brookfield	Hotel	2.3%
20	Hotel Diplomat – Hollywood, FL	BFLD 2019-DPLO F	BB-	Brookfield	Hotel	2.3%
21	Four Seasons Hualalai – Hawaii	GSMS 2018-HULA A	AAA	Michael Dell	Hotel	2.1%
22	BX Logistics Portfolio – California	BBCMS 2019-CLP E	BB-	Blackstone	Industrial	2.1%
23	Willis Tower – Chicago, IL	BBCMS 2018-TALL B/C/E	AA / A / BB-	Blackstone	Office	2.0%
24	MetroTech Center – Brooklyn, NY	MTRO 2019-TECH E	BBB-	Brookfield	Office	1.9%
25	Self Storage Portfolio – Nationwide	MSCCG 2018-SELF F	B	Brookfield	Industrial	1.5%
26	The Ritz-Carlton Kapalua – Maui, HI	GSMS 2018-LUAU E	BB-	Blackstone	Hotel	1.4%
27	C7 Diversified CMBS – Nationwide	BBCMS 2020-C7 D	BBB	Diversified	Diversified	1.4%
28	COR7 Diversified CMBS – Nationwide	JPMDB 2020-COR7 D	BBB	Diversified	Diversified	1.2%
29	IG3 Diversified CMBS – Nationwide	BMARK 2020-IG3 D	BBB	Diversified	Diversified	0.8%
30	GC47 Diversified CMBS – Nationwide	GSMS 2020-GC47 D	BBB	Diversified	Diversified	0.6%
31	Motel 6 Portfolio – Nationwide	MOTEL 2017-MTL6 A	AAA	Blackstone	Hotel	0.2%

Holdings are subject to change.

Conclusion

The quarter's results have been encouraging and we take comfort in the quality of the portfolio and our assets' paths to recovery. While we are by no means out of the woods with the Coronavirus, CMBS assets seem to have found a natural floor in March and are steadily climbing back towards par. While we are sure that there will ups and downs along this path, including changes of ownership for certain assets, we are confident in an ultimate full recovery for our portfolio. We have been fortunate to attract new capital following the sell-off and are hard at work deploying it opportunistically and judiciously. We do think that this is a once in a decade investment opportunity and are excited about what it means for the Fund. Wishing best health to you, your family and colleagues during this challenging period.

Please reach out with any questions.

Sincerely,

Edward L. Shugrue III
Portfolio Manager
RiverPark Funds
New York, New York

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To determine if a Fund is an appropriate investment for you, carefully consider the Fund's investment objectives, risk factors, charges and expenses before investing. This and other information may be found in the Fund's summary and full prospectus, which may be obtained by calling 1-888-564-4517 or by visiting the website at www.riverparkfunds.com. Please read the prospectus carefully before investing.

Securities referenced herein are not meant to be an investment recommendation and may or may not be held in the Fund. Any opinion stated herein represents the author's judgment at the time it was made and is subject to change without notice.

Investing involves risk including possible loss of principal. Bonds and bond funds are subject to credit risk, default risk and interest rate risk and may decline in value as interest rates rise. High yield bonds involve greater risks of default or downgrade and are more volatile than investment grade securities, due to the speculative nature of their investments. CMBS are not backed by the full faith and credit of the U.S. government and are subject to risk of default on the underlying mortgages. Securities backed by commercial real estate assets are subject to risks similar to those of direct ownership of commercial real estate loans including, but not limited to, declines in the value of real estate, declines in rental or occupancy rates and risks related to general and local economic conditions. There can be no assurance that the Fund will achieve its stated objectives. The Fund is not diversified. The value of the collateral securing CMBS can decline, be insufficient to meet the obligations of the borrower, or be difficult to liquidate. As a result, CMBS may not be fully collateralized and may decline significantly in value.

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