



Friday, January 5, 2024

Dear Clients and Friends,

VELA is now in our fourth year, and I am pleased with the since inception returns we've provided to date. Over my investment career, I've found value in the framework we've employed at VELA; a **V**aluation-centric investment philosophy implemented by **E**xperienced investors with a **L**ong term temperament and an **A**lignment with our clients, and I am confident this combination will remain a strong formula over the next five years (and beyond).

VELA Fund Returns (as of December 31, 2023)

	Inception Date	1 Year	3 Year (Ann.)	Since Inception (Ann.)
VELA Small Cap Fund (CI I)	9.30.20	11.21	11.40	19.24
Russell 2000 Total Return Index		16.93	2.22	10.98
VELA Large Cap Plus Fund (CI I)	9.30.20	15.80	11.17	15.24
Russell 1000 Total Return Index		26.53	8.97	12.60
VELA International Fund (CI I)	9.30.20	15.89	5.02	9.60
MSCI World Ex US Index		17.94	4.42	8.88
VELA Income Opportunities Fund (CI I)	3.31.22	4.56	-	-1.65
Russell 3000 Total Return Index		25.96	-	4.17
50% Russell 3000/50% Bloomberg US Agg		15.45	-	1.63

Mutual fund performance data quoted 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. Current performance may be lower or higher than the performance data quoted. Investors may obtain mutual fund performance data current to the most recent month-end by calling 833-399-1001.

The total expense ratio for the VELA Funds Class I is: Small Cap VESMX 1.16%; Large Cap Plus VELIX 1.79%; International VEITX 1.16%; Income Opportunities VIOIX 0.90%.

During a year in graduate school at OSU (1985-1986), I taught Business Finance 620. At the beginning of the first class, I would write a simple definition:

The value of any asset is a summation of the size, timing, and risk of all related cash flows. All three variables contribute to the interest rate used to discount those cash flows to the present.

For a common stock, the current stock price represents an estimate of these cash flows, which can be returned to shareholders via dividends or share repurchases. Ultimately the price of the stock in the future will be related to the same economic variables impacting cash flows¹.

While much has changed over the decades, that definition will always remain, just as $1 + 1 = 2$. Since my start in 1977, financial information has increased considerably, which can be helpful for market efficiency. However, in some instances, the vast amount of information can become "noise", an impediment to proper investing. For some, investing around financial news cycles can become a form of entertainment, not unlike gambling. In aggregate, decisions made on emotions rather than economics help explain short term volatility in asset prices. At VELA, we remain focused on the long-term economics of the business and estimate the value of businesses according to the definition above.

The New Year begins with solid economic activity in the US, and a Federal Reserve signaling the likelihood of easing monetary policy, which is leading to declines in various interest rates². The S&P 500 currently is valued at about 20x trailing EPS, which is high by historic norms³. Over the next five years, I believe that interest rates will continue

the recent downward trend, EPS growth will be modest for the overall market, and valuations will approach historic norms. As always, challenges such as geopolitical risks exist. Nevertheless, VELA endeavors to successfully navigate the course of events over the long term through focusing on fundamentals and cash flow while seeking attractive valuations. As always, we are grateful for your partnership, and for the trust you've placed in us.

Sincerely,



Ric Dillon
CEO & CIO

Investors should carefully consider the investment objectives, risks, and charges and expenses of the fund before investing. The prospectus contains this and other information about the fund, and it should be read carefully before investing. Investors may obtain a copy of the prospectus by calling 833-399-1001.

Important Information:

The Russell 2000 Index is a small-cap stock market index of the smallest 2000 stocks in the Russell 3000 Index.

The Russell 1000 Index is an unmanaged market capitalization-weighted index comprised of the largest 1,000 companies by market capitalization in the Russell 3000 Index, which is comprised of the 3,000 largest U.S. companies by total market capitalization.

The MSCI World ex US Index captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries excluding the United States.

The Russell 3000 Index is a market-capitalization-weighted equity index. The index tracks the performance of the 3,000 largest U.S.-traded stocks, which collectively account for roughly 97% of all U.S.-incorporated equities. The secondary index for the fund is a blend of the Russell 3000 TR (50%) and The Bloomberg Aggregate Bond Index (50%). The Bloomberg Aggregate Bond Index broadly tracks the performance of the U.S. investment-grade bond market. The index is composed of investment-grade government and corporate bonds.

You cannot invest directly in an index.

The VELA Funds are distributed by Ultimus Fund Distributors, LLC. (Member [FINRA](#)). VELA Investment Management and Ultimus Fund Distributors are not affiliated.

VELA Investment Management, LLC is a registered investment adviser. Information presented is for educational purposes only and does not intend to make an offer or solicitation for the sale or purchase of any specific securities, investments, or investment strategies. Investments involve risk and unless otherwise stated, are not guaranteed. Be sure to first consult with a qualified financial adviser and/or tax professional before implementing any strategy discussed herein. Past performance is not indicative of future performance.

The views expressed are those of VELA Investment Management, LLC as of 01/04/2023 and are subject to change. These opinions are not intended to be a forecast of future events, a guarantee of future results, or investment advice. Third-party information in this report has been obtained from sources believed to be accurate; however, VELA makes no guarantee as to the accuracy or completeness of the information.

The VELA International Fund invests in a diversified portfolio of non-U. S. equities from a broad market capitalization spectrum. The fund may invest in non-U.S. securities and U.S. securities of companies domiciled in non-U.S. countries that may experience more rapid and extreme changes in value than a fund that invests exclusively in securities of U.S. companies. These companies may be subject to additional risks, including political and economic risks, civil conflicts and greater volatility, expropriation and nationalization risks, currency fluctuations, regulatory risk, higher transaction costs, delayed settlement, possible non-U. S. controls on investments, and less stringent investor protection and disclosure standards of U.S. market.

The Income Opportunities Fund is newly organized and has little or no operating history. While the Adviser has experience in investment-related activities, the Adviser has limited experience managing registered investment companies.

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Footnotes:

¹In investing, the definition above is represented by the Discounted Cash Flow formula ($DCF = \frac{CF_1}{(1+r)} + \frac{CF_2}{(1+r)^2} + \frac{CF_N}{(1+r)^N}$). To estimate the value of a given stock, we take the sum of each expected cash flow (including both dividends and the expected sale price of the stock at the end of the investor's holding period) reduced by the discount rate, "r". More about the DCF model: <https://www.investopedia.com/terms/d/DCF.asp>

²<https://www.theguardian.com/business/2023/dec/13/federal-interest-rates-us-inflation>

³https://advantage.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_121523.pdf