

Dear Clients and Friends,

“Investment is most intelligent when it is most businesslike,” Benjamin Graham wrote in chapter 20 of *The Intelligent Investor*¹, to which Warren Buffett said these are “the nine most important words ever written about investing².” In chapter one of the same book, Graham delineates the difference between investing and speculating, writing “An investment operation is one which, upon thorough analysis promises safety of principal and an adequate return. Operations not meeting these requirements are speculative³.”

During times of exuberance, the above insights are worth remembering. Investing is different than speculating (or gambling). Investing in bonds begins with estimating the likelihood of repayment by the maturity date. Investing in stocks begins with estimating a company’s normalized annual cash flow, along with potential growth in future cash flows, and placing a value on these cash flows to estimate a company’s value on a per share basis. Graham called this a stock’s “intrinsic value.”

Seasonal effects (rolling 12 months) are generally predictable, although big surprises can create acute volatility. Cyclical factors (13-60 months) relate to macroeconomic inputs that, while generally known, vary in terms of timing and magnitude. Secular forces (5 years and beyond) are explained by competitive position and innovation and tend to persist until/unless a disruptive force intervenes.

The future is unknown, and surprises are inevitable. The 2020 COVID pandemic was reminiscent of the Great Influenza one hundred years prior. More frequent events, such as armed conflicts, are now occurring in Ukraine and the Middle East (and elsewhere). We are indeed fortunate that the US economy is the largest and most stable, providing less hardship during such trying times.

Challenges for the U.S. over the next five years include a very large federal debt burden, which will require both innovation and sacrifice to successfully address. All of this may impact returns from the financial markets, but almost certainly current valuations will have as much or more of an impact on such returns over the next five years (and beyond).

VELA Fund Returns (% , as of March 31, 2024)

	Inception Date	1 Year	3 Year (Ann.)	Since Inception (Ann.)
VELA Small Cap Fund (CI I)	9.30.20	20.93	6.93	20.49
Russell 2000 Total Return Index		19.71	-0.10	11.77
VELA Large Cap Plus Fund (CI I)	9.30.20	21.73	9.27	16.37
Russell 1000 Total Return Index		29.87	10.45	14.84
VELA International Fund (CI I)	9.30.20	10.21	3.89	9.73
MSCI World Ex US Index		15.29	4.93	9.93
VELA Income Opportunities Fund (CI I)	3.31.22	12.53	-	1.11
Russell 3000 Total Return Index		29.29	-	8.72
50% Russell 3000/50% Bloomberg US Agg		14.88	-	3.71
VELA Short Duration Fund (CI I) ⁴	12.15.23	-	-	1.27
Bloomberg 1-3 Yr Gov/Credit TR Index		-	-	0.88

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 1.38%; International VEITX 1.15%; Income Opportunities VIOIX 0.90%, Short Duration VESDX 0.69%.

Inflation-adjusted economic activity over the long term is the most important explanatory variable to stock returns. Over the short term, human emotions, such as exuberance or fear, result in stock volatility around estimates of intrinsic value. VELA uses an investment philosophy that is Valuation centric, meaning always estimating the intrinsic value of a company and then using the current valuation as the starting point for our investment position. Decades of Experience help us to make such estimates, mindful of the importance of Long-term thinking. Finally, our rare company policy of Alignment of interests keeps us focused on our client portfolios, which contain the same investment strategies as our own⁵.

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.

The Bloomberg 1-3 Year Government/Credit Bond Index is an unmanaged index that includes all medium and larger issues of U.S. government, investment grade corporate, and investment-grade international dollar-denominated bonds that have maturities of between 1 and 3 years and are publicly issued.

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 04/01/2024 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 Short Duration 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:

¹Source: Graham, B., 'The Intelligent Investor'

²Source: Flaherty, F., 'For Mr. Buffett's Stocks, The Business Is The Key' (Published in The New York Times: <https://www.nytimes.com/1995/02/18/business/investing-for-mr-buffett-s-stocks-the-business-is-the-key.html>)

³Source: Graham, B., 'The Intelligent Investor'

⁴The VELA Short Duration Fund was incepted 12.15.23 and has less than one year of returns. Managed by Nick Rinker, it is a Fixed Income fund designed to seek current income for investors. For more information on the Fund, please visit our Mutual Fund website (<https://velafunds.com/short-duration.html>).

⁵Upon joining VELA, we require of all employees that from their start date onward, they invest only in VELA strategies for all asset classes in which VELA participates (as of time of writing, this includes Equity and Fixed Income). We believe that investing alongside our clients best allows us to align our interests with theirs.