



March 2018

The **ACM Dynamic Opportunity Fund (ADOIX)** returned -0.93% in March versus -0.69% for the HFRX Equity Hedge Index, and -1.08% for the Morningstar Long/Short Equity category. The Fund performed well in a down environment as hedges were maintained in order to minimize downside exposure. As a result, the Fund was down roughly 35% as much as the broad market last month, with the S&P 500 Index (SPX) declining -2.69% in March.

Leading stocks were a mixed bag as far as sector exposure goes, although a few stocks from the consumer discretionary sector made the leaderboard for the first time in many months. Lagging stocks were mostly from the tech and financial sectors. Our derivate hedge positions also had a positive impact on performance and helped our overall defensive posture.

Our **dynamic hedge model** entered the month of March at 70% net long, but once again began targeting a more defensive posture as the correction in the stock market deepened. The hedge model's target exposure made a low at 30% before finishing the month at 40% net long. Once again, our dynamic hedge model did a good job of keeping the Fund in a defensive posture and significantly limiting the downside exposure during the month.



Past performance does not guarantee future results. The blue line above represents the 50-day moving average of the S&P 500 Index. The red line above represents the 200-day moving average of the S&P 500 Index.

Last month we wrote that often, after an initial stock market correction, the market will experience another decline – or a “retest” – of the initial lows. If said retest is successful it usually helps form a solid trading bottom from which the market can bounce. When we monitor the retest process, we are looking for positive divergences in order to increase the likelihood of a successful retest.

One of the things we want to see is a decrease in the number of stocks making new lows. On Feb. 6th, there were 479 new lows on the NYSE. During the retest on Apr. 2nd, there were only 117 stocks on the NYSE making new lows. We also like to see a lower high in the volatility index (VIX). The chart below shows that the VIX did not come close to reaching the levels seen during the February correction.



Past performance does not guarantee future results. The blue line represents the 50-day moving average of the Volatility Index. The red line above represents the 200-day moving average of the Volatility Index.

These are just a couple of the factors that stand out and lend themselves to the notion that at this juncture the stock market looks to be attempting a successful retest of the lows. Of course, one of the things that is clouding the picture more than usual these days is the policy wildcards that keep coming out of the White House. This ‘noise’ is adding to the uncertainty among investors, but we still believe will be resolved to the upside.

We are on the cusp of first quarter earnings season, which should show strong results for corporate profit growth. Investors should also receive more clarity from managements about the impact of the recent tax cuts, as well as any plans for money that will be repatriated back to the U.S. As such, there is a good chance that earnings season will return investors’ focus to the positive fundamental picture and lessen the focus on the theatrics emanating from Washington.

Thank you for your continued support.

Sincerely,

*Jordan L. Kahn, CFA
 Chief Investment Officer*

Sources: Standard & Poor’s, Morningstar, HFR

Defined Terms: S&P 500 Index- The S&P 500 index is an unmanaged composite of large capitalization companies. This index is widely used by professional investors as a performance benchmark for large-cap stocks. HFRX Equity Hedge Index– tracks strategies that maintain positions both long and short in primarily equity and equity driven securities. Morningstar Long/Short Equity Category- A composite of returns produced by Morningstar which can be used to compare the returns of other mutual funds in the same category. VIX Index – The CBOE Volatility Index, known by its ticker symbol VIX, is a popular measure of the stock market expectation of volatility implied by S&P 500 index options, calculated and published by the Chicago Board Options Exchange. (CBOE) It is colloquially referred to as the fear index or the fear gauge. Long– the holder of the position owns the security and will profit if the price of the security goes up. Short- Short selling is the sale of a security that is not owned by the seller, or that the seller has borrowed. Short selling is motivated by the belief that a security’s price will decline, enabling it to be bought back at a lower price to make a profit. Derivative hedge – transaction that limits investment risk with the use of derivatives such as option contracts. Reflation Trade- A fiscal or monetary policy designed to expand a country’s output and curb the effects of deflation.

Investors are not able to invest directly in the indices referenced and unmanaged index returns do not reflect any fees, expenses or sales charges.

For current performance information, please visit our performance page <http://acm-funds.com/performance/>

There is no guarantee that any investment strategy will achieve its objectives, generate profits or avoid losses.

ETF’s are subject to specific risks, depending on the nature of the underlying strategy of the fund. These risks could include liquidity risk, sector risk, as well as risks associated with fixed income securities, real estate investments, and commodities, to name a few. Investments in foreign securities could subject the Fund to greater risks including, currency fluctuation, economic conditions, and different governmental and accounting standards.

Investors should carefully consider the investment objectives, risks, charges and expenses of the ACM Dynamic Opportunity Fund. This and other important information about the Fund is contained in the prospectus, which can be obtained by calling 1-844-798-3833. The prospectus should be read carefully before investing. The ACM Dynamic Opportunity Fund is distributed by Northern Lights Distributors, LLC, member.”<http://www.finra.org/>” FINRA. “<http://www.sipc.org/>” SIPC. Northern Lights Distributors, LLC and Ascendant Capital Management, LLC are not affiliated.