



June 2018

The **ACM Dynamic Opportunity Fund (ADOIX)** returned -0.88% in June versus -0.66% for the HFRX Equity Hedge Index and -0.44% for the Morningstar Long/Short Category. YTD the Fund has returned +1.63% versus +0.24% for the HFRX Index and -0.67% for the Morningstar Long/Short Category.

Our **dynamic hedge model** again targeted materially net long exposure for most of the month. The hedge model entered the month of June at 90% net long. It remained near 100% target exposure for the first half of the month, before the market began showing some deterioration. Towards the end of June, the hedge model began to flash caution, with an end of month target exposure of 60%.



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.

Looking at the chart above of the S&P 500 Index, we see that stocks rallied mid-month to bring the index close to the 2800 level – a level that acted as a ceiling back in March. Once again, the market was turned away at those levels and pulled back from there. By month end, the index was struggling to stay above its 50-day moving average.

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*The performance data quoted here represents past performance. Current performance may be lower or higher than the performance data quoted above. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that investor's shares, when redeemed, may be worth more or less than their original cost. The Fund's investment adviser has contractually agreed to reduce its fees and/or absorb expenses of the Fund, at least until April 30, 2018, to ensure that the net annual fund operating expenses will not exceed 2.40% for Class A shares and 2.15% for Class I shares, subject to possible recoupment from the Fund in future years. Maximum sales charge for Class A shares is 5.75%. Please review the fund's prospectus for more information regarding the fund's fees and expenses. For performance information current to the most recent month-end, please call toll-free 844-798-3833.*

Beneath the surface, there were more interesting dynamics at play. We know that growth stocks have been leading value stocks for the last few years. But from time to time, portfolio managers question this thesis and rush to sell (or take profits in) growth stocks and rotate into lagging value stocks. This strategy is predicated on the notion that value stocks will play catch up and thus outperform growth stocks going forward. While this phenomenon has worked over short timeframes, eventually growth stocks with superior fundamentals have returned to the forefront and gone on to lead the market (in recent years).

In late June, we saw this rotation trade surface once again. Big YTD winners in the growth space were sold off fairly hard as portfolio managers rotated into more value-oriented names. The chart below shows this relationship: a rising line shows growth leading value, while a declining line shows periods when value takes over the leadership. As you can see (circled areas), in late June there was a sharp downturn in this relationship. The question is – how long does it last?



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As we enter Q2 earnings season, we would expect the earnings reports for many of leading growth stocks to once again shine a light on their superior fundamentals – which have been the underlying driver for their outsized stock gains. It’s not that we have any predisposition towards growth stocks. Rather, we are always looking for leadership in the market, and this is simply where we have been finding it for the last several years.

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.**