ACM
ASCENDANT CAPITAL
MANAGEMENT

December 2018

The **ACM Dynamic Opportunity Fund** (ADOIX) returned -0.97% in December versus -4.23% for the HFRX Equity Hedge Index and -4.63% for the Morningstar Long/Short Category. For full-year 2018, the Fund outperformed its two closest benchmarks by a wide margin. The Fund returned -0.97% in 2018 versus a much sharper drawdown of -9.42% for the HFRX Equity Hedge Index and -6.73% for the Morningstar Long/Short Category.

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. For performance information current to the most recent month-end, please call toll-free 844-798-3833.

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.

Our **dynamic hedge model** did a very good job of helping the Fund move quickly to a defensive posture early in December. As the market rallied on the first trading day of the month, the hedge model briefly touched 80% target exposure. But it reversed quickly from there and soon moved to just 5% net exposure. The Fund remained in a defensive posture for most of the month. This helped the Fund sidestep a sharp selloff in the overall stock market.

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.

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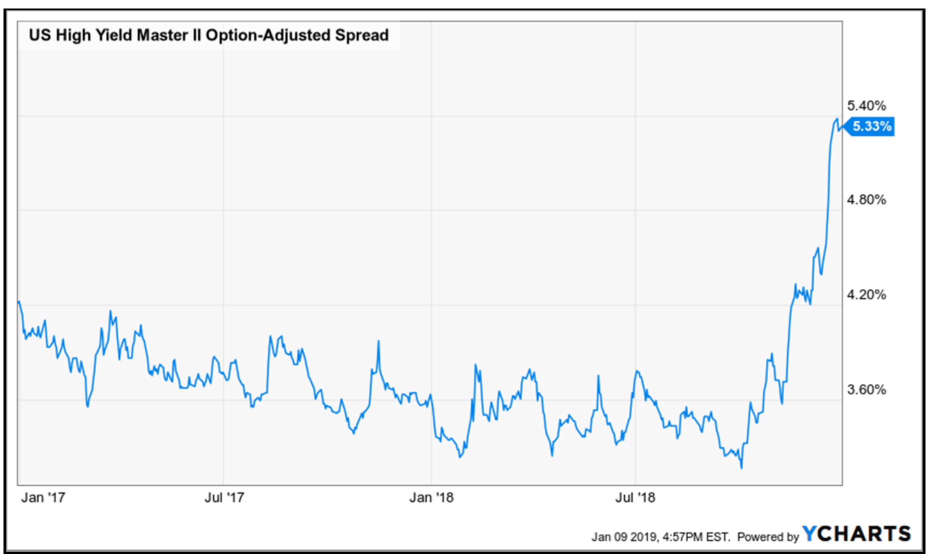
To wit, the S&P 500 Index plunged -9.18% in December, putting the Fund's downside capture for the month at less than 11%. We have continually told investors that the hedge model works incrementally, such that the steeper the market declines the more the hedges kick in and provide downside risk management. That is exactly how things unfolded for the Fund in December, unlike many funds in our space who proport to hedge against downside risk but wound up being down *more* than the market.

The market ended the year deep in oversold territory, and as such it is reasonable to expect a further bounce beyond the snapback post-Christmas rally. But it remains to be seen if the fabled 'Santa Claus rally' portends the same favorable outcomes for 2019 as investors have been led to believe. The market has been trading like a bear market since November, and bear markets usually don't come to an end on the first rally from the lows. Rather, there are often multiple waves down before the final capitulation which helps to cement a more durable, long-term market bottom.

Currently, investors seem micro-focused on the outlook of the Federal Reserve and the temperature of the U.S.-China trade talks. Both of these are important, but we feel they are taking the focus away from the big picture business cycle. Famed investor Howard Marks said, "It is my primary message that we should pay attention to cycles".

Our concern when we look at the incoming data for economic growth, corporate profit growth, as well as inflation figures is that everything is mired in a slowdown. The peaks occurred last fall, and have been trending lower since. With the fiscal stimulus sunsetting, another tailwind for the markets is fading. Big picture, it could be difficult for the market to put in a more durable bottom without signs that this emerging slowdown has run its course and a renewed period of growth acceleration is at hand.



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The pickup in volatility that was seen in 2018 (relative to 2017) could carry into 2019, especially with liquidity being drained from the system via quantitative tightening ("QT") here in the U.S., and the ECB ending its own asset purchases. If worldwide "QE" helped markets on the upside, it is reasonable to expect some upset on the flip side. The above chart shows the recent breakout in high-yield spreads from a relatively calm 2-year period. Such breakouts have often been precursors to higher volatility.

Accordingly, the ability and willingness to mitigate downside risk quickly will be paramount. Our flexibility on this front, along with the demonstrated effectiveness of our dynamic hedging process gives us confidence that we can successfully navigate said environment and be in position to take advantage of any large market dislocations that could surface.

Thank you for your continued support.

Sincerely,

Jordan L. Kahn, CFA
Chief Investment Officer

Sources: *Standard & Poor's, Stockcharts.com, 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. 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.

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.

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