February 2018

The **ACM Dynamic Opportunity Fund** (ADOIX) returned -1.61% in February versus -1.49% for the HFRX Equity Hedge Index, and -2.96% for the Morningstar Long/Short Equity category. The Fund performed well in a down environment as hedges were implemented to minimize downside exposure. To wit, the Fund was down less than half as much as the broad market last month, with the S&P 500 Index (SPX) declining -3.89% in February.

Leading stocks came mostly from the services sector as well as financials. Laggards came mostly from technology stocks and basic materials. 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 February at 90% net long, but quickly began targeting a more defensive posture as the month got underway. The hedge model's target exposure got as low as 40% by mid-month, before rebounding to end the month at 70% net long. Once again, our dynamic hedge model did a good job of targeting downside protection, while remaining flexible enough to add back exposure towards the end of the month.

Past performance does not guarantee future results. The blue line above represents the 20-day moving average of the S&P 500 Index. The red line above represents the 50-day moving average of the S&P 500 Index. The green line above represents the 200-day moving average of the S&P 500 Index.

The market selloff in February was pretty severe, as investors experienced the first -10% correction for the S&P 500 in a couple of years. The pullback was deep, with the SPX declining all the way down to test its 200-day moving average. This move was accompanied by a spike in the volatility index (VIX) – aka the "fear index" – which caused huge dislocations and fallout amongst funds that were *short* volatility as part of their investment strategy. Several funds were forced to be liquidated, which exacerbated the pressure on the market in the short-term.

Past performance does not guarantee future results. The blue line above represents the 20-day moving average of the Volatility Index. The red line above represents the 50-day moving average of the Volatility Index. The green line above represents the 200-day moving average of the Volatility Index.

By February 9th, the market made a short-term bottom and stocks staged a relief rally that basically carried into month-end. The question on investors' minds as February came to an end is would there need to be a retest of the lows at some point?

In general, we think that many times in a market correction sequence, that the lows are tested at some point-- but they don't have to be. Given the tumult that was occurring in the volatility index trading in early February, any subsequent market pullback might not make its way back down to those lows.

The underlying fundamentals are still quite strong, with forward earnings estimates continuing to see upward revisions, and the economic data still hitting multi-year highs in a number of areas. As such, it is likely that after a period of digestion investors will return to equities with a bullish bias and the market will work its way back to new highs. It may take a little more time, but we maintain a positive bias especially in light of the way that many of our portfolio holdings have held up and continue to lead the market higher.

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.