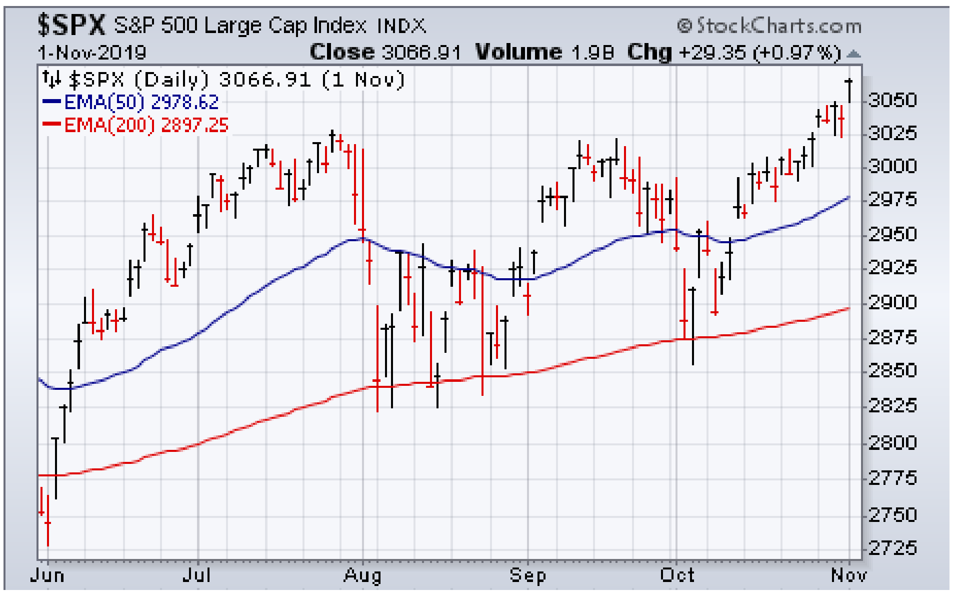
# ACM Tactical Income Fund

## Monthly Commentary

**OCTOBER 2019**

The month of October started with the nearly year-long downtrend in bond yields (10-yr UST) showing signs of exhaustion.  The chart below shows how bond yields completed a double-bottom in early October and quickly moved higher from there.  From their lows, 10-year yields bounced nearly 35 basis points into month-end.

The move coincided with a marked decrease in fears about an upcoming recession. Economic data began to show a bit of strength (manufacturing surveys, housing, consumer spending), and inflation data seemed to firm a bit as well.  Additionally, bond yields started to lift across the globe, so it wasn't just the U.S. moving higher in a vacuum.



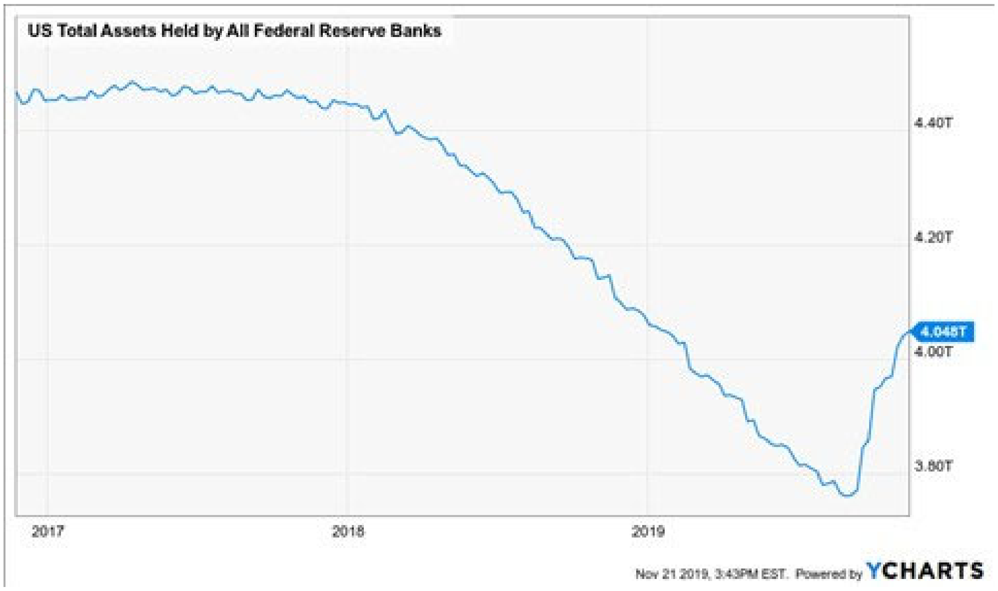

Past performance does not guarantee future results.
The blue line above represents the 50-day moving average of the S&P 500 Index.
The red line above represents the 200-day moving average of the S&P 500 Index.

As the month progressed, futures markets increasingly signaled expectations of an additional interest rate cut. This cut came to fruition at the end of the month, pushing the fed funds target range to 1.50-1.75%. At the news conference following the meeting, the Fed Chair indicated that the Fed was unlikely to cut rates again soon, but equally unlikely to pursue rate hikes until we see a more pronounced firming in inflation data.

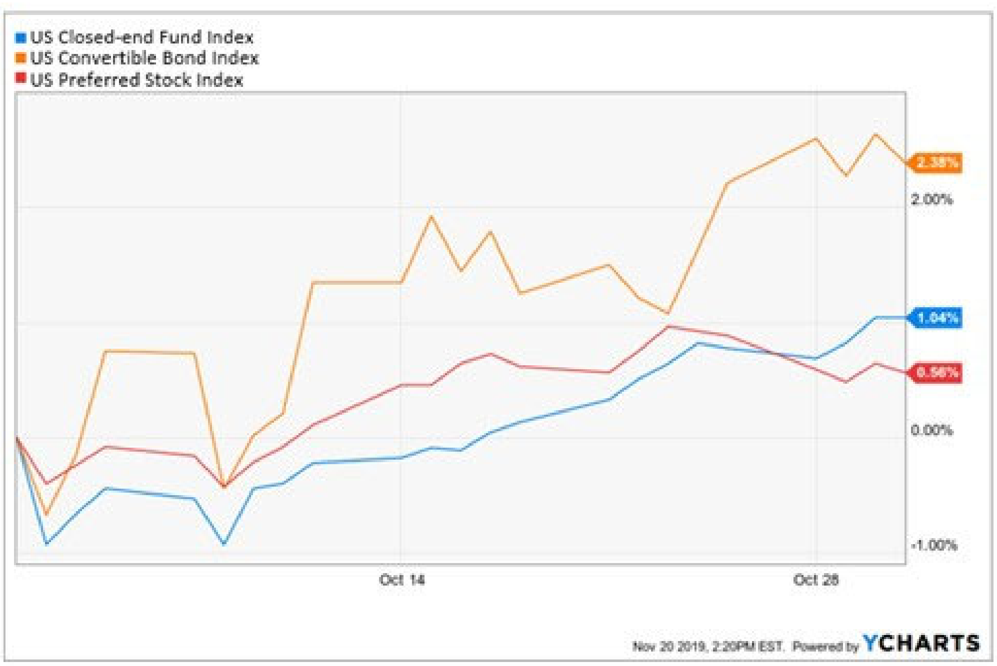
Prior to the normal FOMC meeting, the Fed convened to discuss the odd spike in overnight repo rates we discussed in our commentary last month. The Fed is intent on maintaining liquidity in the funding markets and made the decision to engage in limited open market operations to inject liquidity into the banking system by repurchasing a limited amount of securities, approximately $75m.

This is an important event because it essentially marks the conclusion of the Fed's balance sheet reduction – at least in the near-term. As can be seen below, the runoff in assets on the Fed's balance sheet bottomed just below $3 trillion.  What can be seen since that time is that the Fed is once again growing the size of their balance sheet.

So while the Fed was quick to not label this as another round of QE (quantitative easing), that is essentially what they are doing.




Shifting to Europe, the ECB left rates unchanged at their October meeting, which marked Chairman Mario Draghi's last meeting as figure head. Christine Lagarde, the former head of the IMF, will succeed Mr. Draghi on November 1. The ECB's second round of QE begins November 1st at a rate of approximately $22bn a month, which is far lower than the first round. This round also has an open-ended mandate to continue until the central bank sees progress on its economic stimulus goals.

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Lastly, **The ACM Tactical Income Fund** (TINIX) underperformed its benchmark in the month of October. The persistent move higher in yields for most of the month acted as a headwind to fixed income asset classes. Our largest detractors to performance were BDC Income funds, taxable munis, and int'l bonds. Leading contributors to performance were Closed-end income funds, convertibles, and emerging market bonds.

*Sincerely,*

*The Management Team at ACM Funds*

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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 Tactical Income 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 Tactical Income 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.**