December 2017

The **ACM Dynamic Opportunity Fund** (ADOIX) returned +0.96% in December versus +1.03% for the HFRX Equity Hedge Index, and +0.88% for the Morningstar Long/Short Equity category. The Fund performed in-line with the broader market, as the underlying action in the market was characterized more by sector rotation as managers looked for stocks that could play “catch-up” to the market.

Leading stocks came mostly from energy, materials, and business service sectors. Laggards came mostly from technology stocks despite being the year’s big winners.

For the full year (2017) the Fund returned +17.86%, handily outperforming its benchmark HFRX Equity Hedge Index (+9.98% ytd) by 788 basis points, and outperforming the Morningstar Long/Short category (+10.74% ytd) by 712 basis points.

Our **dynamic hedge model** entered the month of December targeting 100% net long market exposure. Despite a very brief dip to the 85% level early in the month, the average for the entire month was 98% net long target exposure. Once again the market witnessed very little volatility.

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

For the full year, the average target net market exposure was 91% - the highest since the inception of the Fund. As the chart above shows, the market exhibited a near perfect “stair-step” pattern higher in 2017. The largest pullback during the year was only -3%. The last time investors witnessed such little volatility was 1995. What’s interesting about that year was that it was the first year of an exceptionally strong, multi-year rally for the stock market. Although we are not looking for history to repeat itself in the same fashion this time around.

Towards the end of the year, we experienced a bit of déjà vu as the "Trump trade" resurfaced, with money flowing out of many of the year's leading stocks and flowing into lagging stocks. This time around it is being called the *reflation trade*, but it is essentially the same stocks/sectors participating.

Our investment philosophy doesn't necessitate making any sort of 'style box' calls or predictions. Rather, we review our stock screens on a daily basis searching for emerging leadership in the market, from wherever it might be coming. Then we look for leading stocks (both fundamentally and technically) from those areas for potential investments in the Fund. As such, we are confident that if new areas of market leadership surface, our process will attempt to uncover the stocks to take potential advantage of it.

We are encouraged that the market is off to a strong start in 2018, despite some weakness in the final trading days last year. Fans of the *Stock Trader's Almanac* know that a strong January portends positive results for the remainder of the year. Additionally, you have many economic indicators strengthening to decade highs. And the recent corporate tax cuts are just beginning to get factored into analyst's earnings estimates.

Combined, the above factors should provide a strong backdrop for the market in 2018. The market is certainly overdue for a pullback greater in magnitude than the -3% variety seen in 2017, but we think that would be a healthy occurrence and not one that spells the end of the bull market.

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. 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.

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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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