

May 2019

The **ACM Dynamic Opportunity Fund (ADOIX)** returned -3.28% in May versus -2.01% for the HFRX Equity Hedge Index and -3.75% for the Morningstar Long/Short Category. The broader stock market (S&P 500) was down -6.58% in May, as trade tensions escalated and tariffs on China were ratcheted higher.

(The Fund returned +4.52% as of 3/31/19, and returned +5.06% since inception which was 1/20/2015)

Long stock positions returned -7.78% last month, while short hedge positions added +9.61%. Leading stocks included internet cloud stocks and fintechs. Laggards came from a mix of healthcare, semiconductors, and services.

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, 2019, 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** started the month of May on a high note, exiting the previous month at the 95% target exposure level. But as the major indexes declined and began to take out key technical support levels, the hedge model moved lower throughout the month. By the last day of May, target exposure from the hedge model stood at just 10%.



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.

Similar to prior corrections we have experienced in recent years, that were less than 10% (from the highs), the Fund endured roughly half of the downside relative to the basket of major indexes we follow. By the end of May, the Fund was pretty fully hedged against further downside exposure.

Looking at the current economic and fundamental backdrop for the market, it does not appear there is the same degree of downside risk that we saw in the fourth quarter of 2018. At that time, the Fed was insistent that further rate hikes were in the cards (read: tighter monetary policy). Also, forward earnings estimates were being reduced rather quickly. The combination of those created considerable headwinds for stocks, and the rest was history.

At the current juncture, we have a Federal Reserve that has done a complete 180 and is now more open to future rate cuts than hikes. The fed funds futures market is pricing in two rate *cuts* by the end of 2019. And earnings estimate revisions to the downside have subsided and at least stabilized for the time being. In that light, those headwinds are likely to act more like tailwinds for the market in the intermediate-term.

Given how many portfolio managers are still defensively positioned, and that fund flows have not favored equities to any extent in recent months, there remains the strong possibility that the market makes new highs at some point. Stubbornly low interest rates and downward pressures on inflation support current valuations. And although we are getting late in the cycle, we have not seen very many red flags when it comes to economic growth, consumer spending, and investor confidence.

We will continue to monitor our indicators for any changes that are noteworthy and keep our investors apprised.

Thank you for your continued support.

Sincerely,

*Jordan L. Kahn, CFA
Chief Investment Officer*

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

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/dynamic-fund-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.