

THE BENEFITS OF TACTICAL FIXED INCOME INVESTING - The BTS Way

by Vilis Pasts, Founder, Chairman of the Board, Director of Research



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Q&A with Vilis Pasts, Founder and Director of Research:

"Why Tactical Fixed Income the BTS Way?"



Vilis Pasts founded BTS Asset Management in 1979. In this Q&A, he reflects on:

- The BTS core philosophy
- Why a tactical fixed income strategy?
- Ways the BTS Tactical Fixed Income Fund may fit into investors' portfolios
- Why focus on Downside Capture Ratio?

About the BTS Tactical Fixed Income Fund

Investment Approach: Flexible approach designed to move 100% of assets between three uncorrelated asset classes:

- High Yield when risk is on, thus seeking to capture equity exposure
- Treasuries when risk is off, taking advantage of the flight to quality
- Cash if there is not a risk-on/risk-off opportunity, in an effort to preserve capital

Portfolio Management Team: Vilis Pasts, Matthew Pasts, Isaac Braley, Co-Portfolio Managers



About BTS

Founded in 1979, BTS Asset Management is one of the oldest nontraditional risk managers, managing traditional assets with a nontraditional approach. BTS seeks to:

- Provide defensive capital preservation and total return.

Q: What inspired the inception of the BTS Tactical Fixed Income Fund in 2000?

Two major things. First, not all bonds are created equal. Second, the fact that a tactical strategy can truly seek to offer conservative investors with meaningful downside risk management.

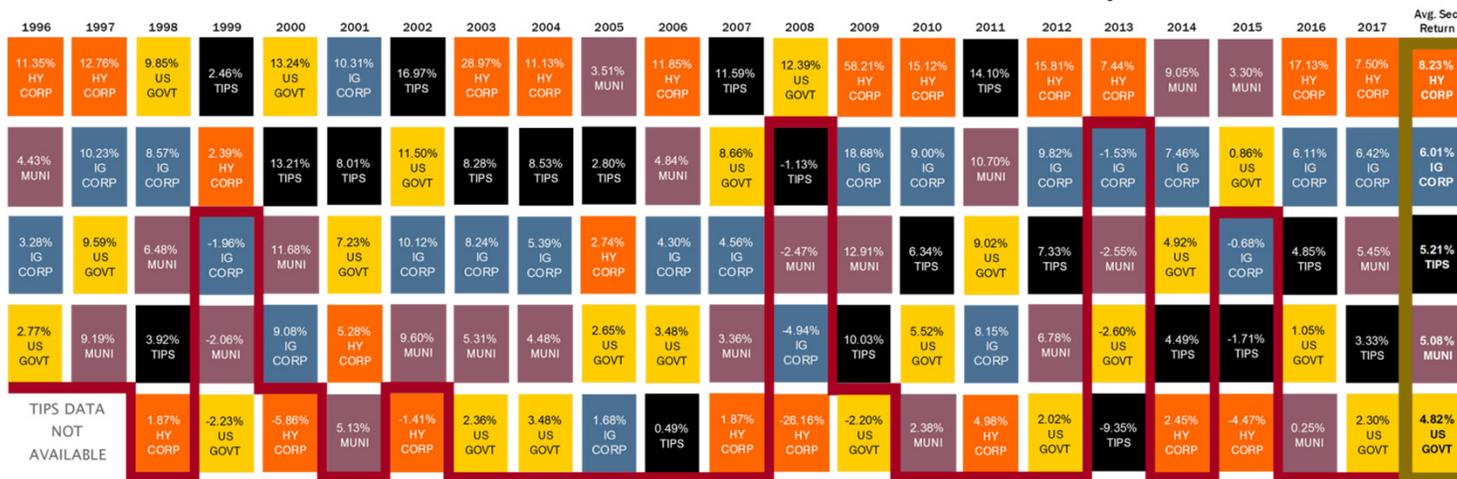
I'll speak to the variation among bonds first. Fixed income sectors tend to get mistakenly lumped into one bond category. No matter what the general direction of the market is, many bond sectors perform differently from each other, exposing potential opportunities.

For example, in the chart below, High Yield (Orange) and U.S. Government (Yellow) are often on the top or the bottom of

the performance chart. We believe there is a need for tactical management to take advantage of market anomalies and attempt to be in the "right bond at the right time."

We apply technical modeling that seeks to identify opportunities in the High Yield or U.S. Government bond markets. This "right bond at the right time" approach is supported by the illustrated low or sometimes negative correlation between High Yield bonds and U.S. Government bonds.

Rank-Ordered Annual Performance for Domestic Bond Asset Classes, by Year 1996-2017



LEGEND

- HY Corp Bloomberg Barclays US Corporate High Yield TR USD
- IG Corp Bloomberg Barclays US Corp Investment Grade TR USD
- MUNI Bloomberg Barclays Municipal TR USD
- TIPS ICE BofAML US Treasury Inflation Linked TR USD
- US Gov't Bloomberg Barclays US Government TR USD
- Demarcation between positive and negative returns

Source: Morningstar Direct

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS

Q: As you evaluate “the right bond at the right time,” what high-level relationships do you believe set bond asset classes apart?

We believe tactical management requires close attention to the correlations among various bond asset classes and their various risk characteristics.

The sometimes-negative correlation between High Yield bonds and Treasury bonds, for example, supports our “right bond at the right time” strategy, in our view. We designed the strategy to try and take advantage of these relationships, by investing 100% in a chosen asset class rather than hugging a benchmark.

It’s also critical to keep in mind the key risk characteristics of various bond asset classes—not just the volatility of each. Interest rate risk and default risk are two vital characteristics that vary widely across bond asset classes.

These correlation and risk characteristics potentially support the idea that regardless of the general direction of the market, many bond sectors perform differently from each other—possibly exposing opportunities.

10-Year Correlations as of 6/30/18

Benchmark	High Yield ¹	Treasury ²	S&P 500 ³
High Yield ¹	1.00	-0.19	0.72
Treasury ²		1.00	-0.28
S&P 500 ³			1.00

¹ICE BofAML US HY Master II TR USD ²10 Yr USD– Citi Treasury Benchmark ³S&P 500 TR USD

Different Bonds Have Different Risk Characteristics

Bond Sector	Interest Rate Risk	Default Risk
10 Year U.S. Treasury	High	None
Municipal	High	Low
Investment Grade Corporate	High	Low
High Yield	Low	High

The Fund invests in fixed income securities, derivatives on fixed income securities or Underlying Funds that invest in fixed income securities. The value of the Fund will fluctuate with changes in interest rates. Defaults by fixed income issuers in which the Fund invests could also harm performance. Lower-quality bonds known as “high yield” or “junk” bonds, present greater risk than bonds of higher quality, including an increased risk of default. An economic downturn or period of rising interest rates could adversely affect the market for these bonds and reduce the Fund’s ability to sell its bonds. The lack of a liquid market for these bonds could decrease the Fund’s share price. The use of leverage by the Fund or an Underlying Fund will indirectly cause the Fund to incur additional expenses and magnify the Fund’s gains or losses.

Q: As you reflect back on the firm’s evolution, how would you characterize your core philosophy and what has evolved over time?

Our original model started in 1979 and tactically moved between High Yield and Cash and strived to deliver equity-like returns with bond-like risk over the long term. In 1996 BTS evolved its High Yield and Cash model and launched Bond Asset Allocation, a tactical risk on/risk off approach moving 100% of assets between 3 uncorrelated asset classes (High Yields, Treasuries, and Cash). This has served as our flagship strategy and is the investment approach of the Tactical Fixed Income Fund since its inception in 2000.

BTS’ core investment philosophy is preservation of capital, while providing the opportunity for growth. BTS believes there is a time to be in the market, and a time to be out of the market. BTS has a strong “sell” discipline, which is central to

the preservation of capital philosophy.

Our trading is technically based where buy and sell signals are generated from the investment models based on the indicators that are used in the investment models. The strategy deploys a trailing and expanding stop-loss from the most recent high depending on the gains from the last allocation.

BTS models are continuously monitored by the Investment Committee on a daily basis to monitor their effectiveness. BTS believes it manages through a fluid model process. We are reviewing potential strengths and weaknesses and looking for ways to improve the entry and exit points.

Q: How would you characterize the conservative nature of the BTS approach?

Conservative investment approaches may be important to risk averse investors seeking caution and prudence. Advisors may benefit by talking more to clients about what it means to take a conservative investment approach and about strategies that attempt to reduce risk. Understanding measures like Upside/Downside Capture Ratios may provide meaningful information about whether a fund is a conservative choice.

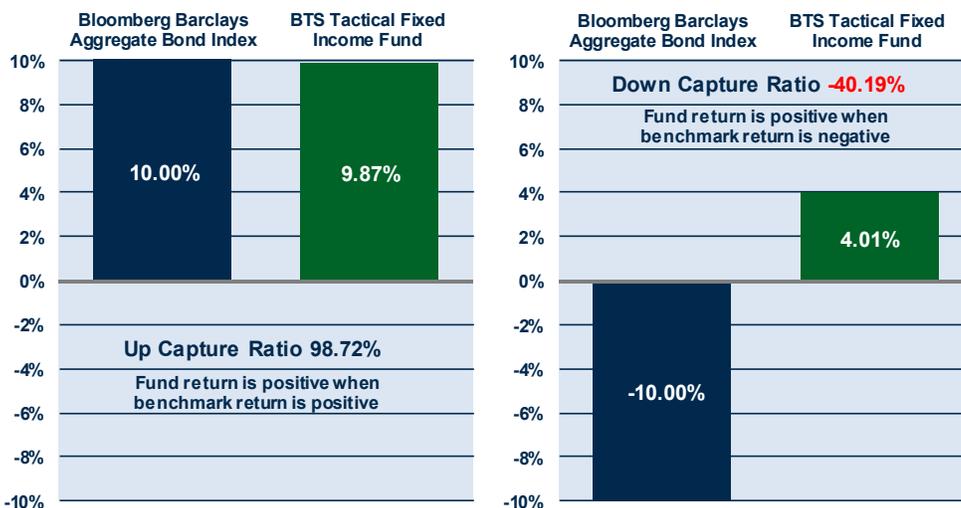
Upside/Downside Capture Ratios measure the degree to which a given fund under or outperformed a broad market benchmark based on monthly returns during periods of market strength and periods of market weakness.

If a fund goes up the same amount as the benchmark, the Upside Capture is 100%. A higher or lower ratio indicates the fund captured either more or less of the benchmark’s positive returns. Downside Capture compares a fund’s return to the negative returns of the benchmark. Downside Capture may be a particularly useful metric to conservative investors seeking capital preservation.

A fund may post negative returns during periods when the benchmark is up, or positive returns during periods when the benchmark is down. In these cases, the Upside and Downside Capture Ratios will be negative. In essence, these funds may zig when the market zags.

Hypothetical Up/Down Capture Ratio Converted to Total Return

Class A (NAV), Since Inception 1/1/00 through 6/30/18 vs. Bloomberg Barclays Aggregate Bond Index



Up/Down Capture Ratio Converted to Total Return: If the fund’s total return is the same amount as the benchmark, the upside capture ratio is 100%. If the fund’s return is 8% when the benchmark is up 10%, the Upside Capture Ratio is 80%. If the fund’s return is 8% when the benchmark return is negative 10%, the Down Capture Ratio is negative -80%.

Q: How has the “right bond at the right time” strategy performed historically in the context of a broader fixed-income portfolio?

Adding BTS Tactical Fixed Income Fund to a Bond portfolio may improve risk-adjusted returns, based on Downside Deviation and Sortino Ratio.

Downside Deviation is a measure of downside risk that focuses on returns that fall below zero. It is used in the calculation of a risk measure known as the Sortino Ratio. The Sortino Ratio measures the risk-adjusted return of an investment strategy.

Therefore, a potentially useful way to analyze the historical performance of the Fund is in conjunction with a Bond portfolio.

For example, the following chart shows hypothetical examples of how the BTS Tactical Fixed Income Fund Class A (NAV) might have been combined with a Core Bond portfolio, as represented by the Bloomberg Barclays Aggregate Bond Index.

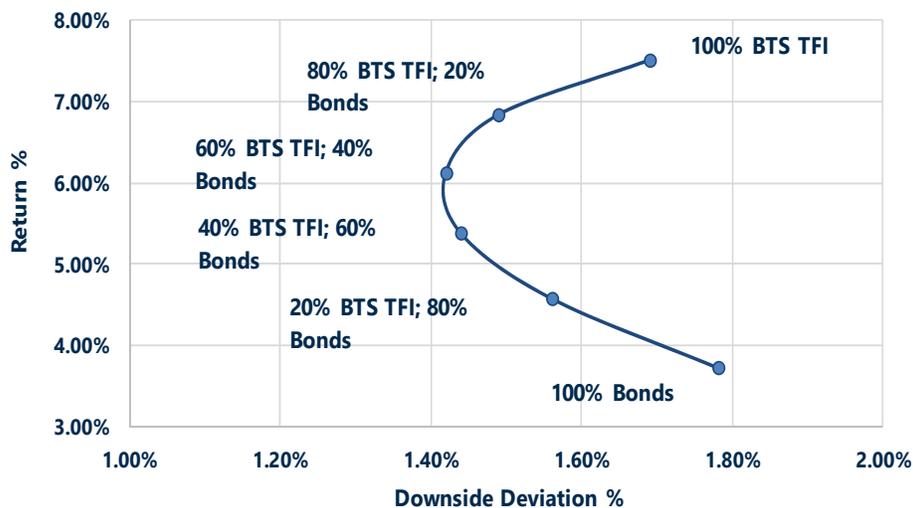
The chart shows various weights of a two-part portfolio, ranging from 100% BTS TFI/ 0% Bonds to 0% BTS TFI/100% Bonds.

The plotted values for the composite portfolios are annualized return over 10 years (vertical axis) and downside deviation (horizontal axis). The accompanying table shows the data points as well as the Sortino Ratio for each hypothetical portfolio.

As shown, mixing the BTS Tactical Fixed Income Fund with a Bond portfolio hypothetically led to higher returns with lower downside deviation. The highest Sortino Ratio is observed at 80% BTS TFI/20% Bonds.

This enhancement of Bond portfolio returns with lower downside deviation is a historical relationship we’re especially proud of.

Hypothetical Return % - Downside Deviation %
*Bonds¹ & BTS Tactical Fixed Income Fund Class A (NAV),
 10 years from 7/1/08 through 6/30/18*



Portfolio Allocation	Return (Annualized)	Downside Deviation	Sortino Ratio
100% Bonds	3.73%	1.78%	2.06
20% BTS TFI; 80% Bonds	4.58%	1.56%	2.87
40% BTS TFI; 60% Bonds	5.38%	1.44%	3.64
60% BTS TFI; 40% Bonds	6.13%	1.42%	4.21
80% BTS TFI; 20% Bonds	6.84%	1.49%	4.44
100% BTS TFI	7.51%	1.69%	4.30

¹Bonds are represented by the Bloomberg Barclays Aggregate Bond Index. This does not represent the performance of an actual portfolio. It is not possible to invest directly in an index.

The performance data quoted here represents past performance. Current performance may be lower or higher than the performance data quoted above. Investment return and principal value will fluctuate, so that shares, when redeemed, may be worth more or less than their original cost. Past performance is no guarantee of future results. For performance information current to the most recent month-end, please call toll-free 1-877-287-9820.

Q: What about historical performance in combination with equities?

Although the Fund’s formal benchmark is the Bloomberg Barclays Aggregate Bond Index, we have always considered it important to also consider performance of the Fund in the context of equity portfolios.

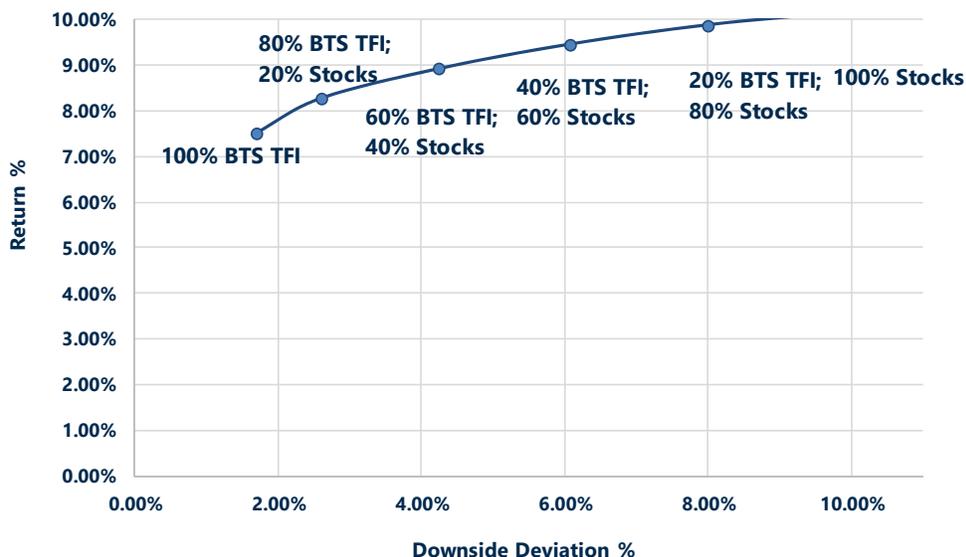
There are two main reasons for this. First, one of our objectives for the Fund is to generate equity-like returns while limiting downside risk.

Second, we believe many of the Fund’s investors use the BTS Tactical Fixed Income Fund as a risk management tool in a broader portfolio that does include equities.

The chart and table at right illustrate various combinations of equities and the Fund in a hypothetical portfolio over 10 years. The equities portion of the hypothetical combined portfolios is represented by the S&P 500 Index.

As illustrated, adding the BTS Tactical Fixed Income Fund to a Stocks portfolio would have hypothetically resulted in increased performance with lower downside deviation than a Stocks portfolio alone.

Hypothetical Return % - Downside Deviation %
*Stocks¹ & BTS Tactical Fixed Income Fund Class A (NAV),
 10 years from 7/1/08 through 6/30/18*



Portfolio Allocation	Return (Annualized)	Downside Deviation	Sortino Ratio
100% Stocks	10.17%	9.94%	0.98
20% BTS TFI; 80% Stocks	9.88%	7.98%	1.19
40% BTS TFI; 60% Stocks	9.46%	6.07%	1.50
60% BTS TFI; 40% Stocks	8.92%	4.23%	2.03
80% BTS TFI; 20% Stocks	8.27%	2.59%	3.08
100% BTS TFI	7.51%	1.69%	4.30

¹Stocks are represented by the S&P 500 Index. This does not represent the performance of an actual portfolio. It is not possible to invest directly in an index.

Q: For a traditional 60/40 portfolio, what has been the effect of replacing a portion of the bond side of the portfolio with the BTS Tactical Fixed Income Fund?

Previously, we looked at various proportions of the Bloomberg Barclays Aggregate Bond Index and the BTS Tactical Fixed Income Fund in the context of a bond-only portfolio. Comparing the results, the analysis showed the most attractive risk-adjusted returns, as measured by the Sortino Ratio, were obtained with a mix of 80% BTS Tactical Fixed Income and 20% Bloomberg Barclays Aggregate Bond Index.

Since many investors hold equities as well as bonds, a logical direction for further analysis is to review the impact on an equities plus bonds portfolio. The table and chart here show the historical impact on a traditional 60/40 portfolio when the bond portion of the portfolio is changed from 40% Bloomberg Barclays Aggregate Bond Index to 32% BTS Tactical Fixed Income and 8% Bloomberg Barclays Aggregate Bond Index, which would represent 80% BTS Tactical Fixed Income Fund and 20% Bonds within the 40% Bonds portion of the 60/40 portfolio.

When doing so, here's how the resulting percentages break down:

Reference Portfolio:

- 60% Stocks
- 40% Bonds

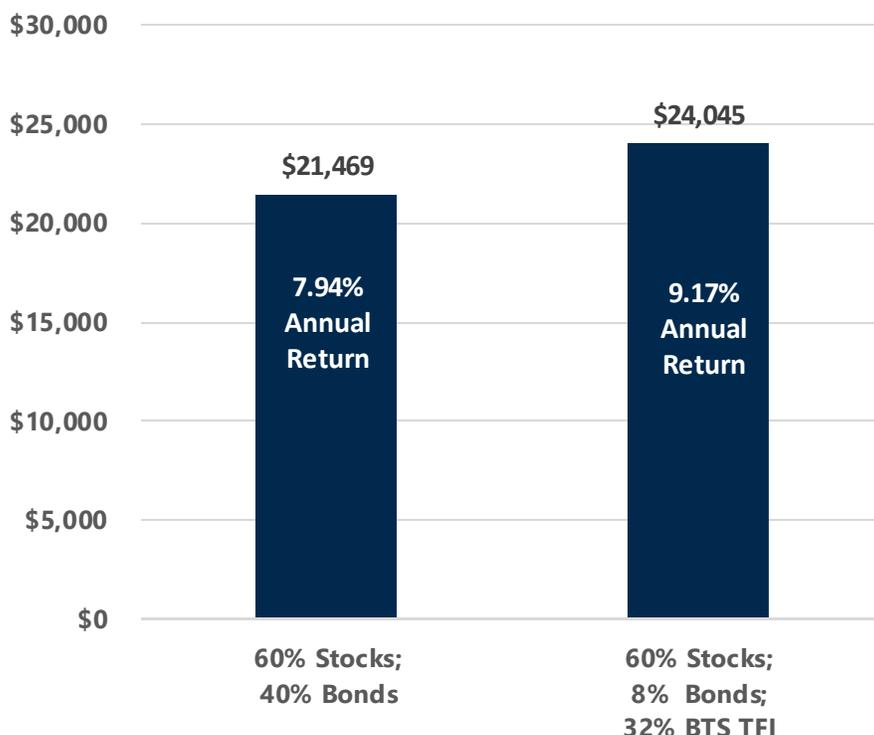
Adjusted Portfolio:

- 60% Stocks
- 8% Bonds
- 32% BTS Tactical Fixed Income

As reflected in the chart and table at right, the Adjusted Portfolio achieved not only a higher annualized return over the 10-year period but also a higher Sortino Ratio.

(Note: As discussed elsewhere in this document, the Sortino Ratio allows investors to isolate the measurement for just risk in down markets. In our view, Downside Deviation and Sortino Ratio are, therefore, particularly useful statistics for conservative investors as they consider risk-adjusted return.)

Hypothetical Growth of \$10,000 - Annualized Return %
Stocks¹, Bonds² & BTS Tactical Fixed Income Fund Class A (NAV), 10 years from 7/1/08 through 6/30/18



Hypothetical Return % - Downside Deviation % - Sortino Ratio
Stocks¹, Bonds² & BTS Tactical Fixed Income Fund Class A (NAV), 10 years from 7/1/08 through 6/30/18

Portfolio Allocation	Return % (Annualized)	Downside Deviation %	Sortino Ratio
60% Stocks; 40% Bonds	7.94%	5.89%	1.30
60% Stocks; 8% Bonds; 32% BTS TFI	9.17%	6.02%	1.46

¹Stocks are represented by the S&P 500 Index. ²Bonds are represented by the Bloomberg Barclays Aggregate Bond Index. This does not represent the performance of an actual portfolio. It is not possible to invest directly in an index.

Q: What about investors with a 50/40/10 portfolio that includes international stock?

On the previous page, we presented data relating to the substitution of the BTS Tactical Fixed Income Fund for a portion of the bond side of an overall 60/40 portfolio.

For many investors, however, a basic portfolio model is better reflected by "50/40/10" than by "60/40." In the case of 50/40/10, a portion of the Stocks position is shifted to International represented by MSCI EAFE, representing Europe, Australasia and the Far East.

Here, as on the previous page, we examine the historical impact over the past 10 years when substituting the BTS Tactical Fixed Income Fund for 32% of the bond portion of the overall portfolio.

Here's how the allocations break down in this case:

Reference Portfolio:

- 50% Stocks
- 40% Bonds
- 10% International

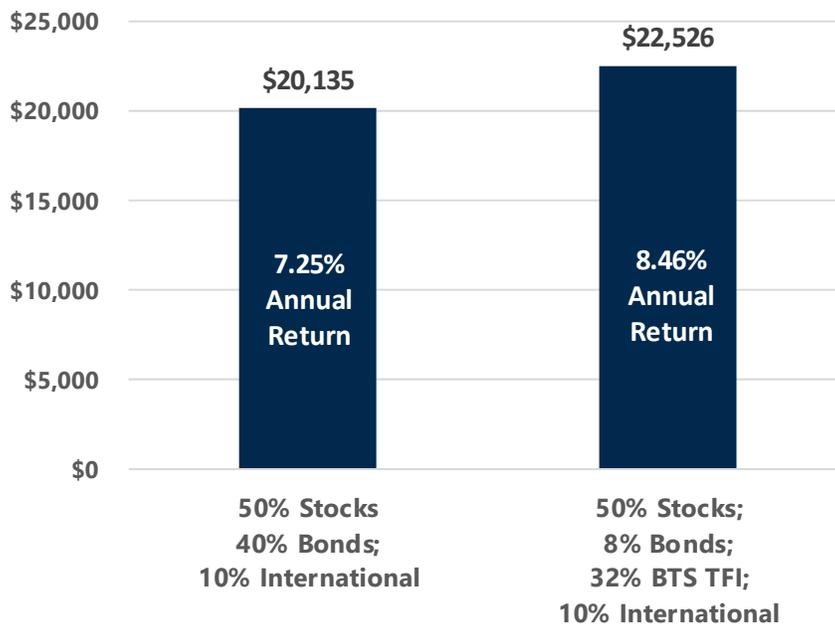
Adjusted Portfolio:

- 50% Stocks
- 8% Bonds
- 32% BTS Tactical Fixed Income
- 10% International

Here again, as reflected in the chart and table at right, the Adjusted Portfolio achieved both a higher annualized return and a higher Sortino Ratio over the 10-year period.

In our view, the takeaway point here is how the risk-aware approach to the BTS Tactical Fixed Income Fund can benefit an overall portfolio on a risk-adjusted basis.

Hypothetical Growth of \$10,000 - Annualized Return %
Stocks¹, Bonds², International³ & BTS Tactical Fixed Income Fund Class A (NAV), 10 years from 7/1/08 through 6/30/18



Hypothetical Return % - Downside Deviation % - Sortino Ratio
Stocks¹, Bonds², International³ & BTS Tactical Fixed Income Fund Class A (NAV), 10 years from 7/1/08 through 6/30/18

Portfolio Allocation	Return % (Annualized)	Downside Deviation %	Sortino Ratio
50% Stocks; 40% Bonds; 10% International	7.25%	6.11%	1.15
50% Stocks; 8% Bonds; 32% BTS TFI; 10 Core International	8.46%	6.23%	1.31

¹Stocks are represented by the S&P 500 Index. ²Bonds are represented by the Bloomberg Barclays Aggregate Bond Index. ³International is represented by MSCI EAFE. This does not represent the performance of an actual portfolio. It is not possible to invest directly in an index.

Q: You’ve presented Downside Deviation as particularly relevant for conservative investors, in your view. Are there other risk-related factors you’ve seen as important to investors who choose the BTS Tactical Fixed Income Fund?

Yes, in our experience, many conservative investors care about—and need to understand the implications of—sequence of returns risk.

This type of risk is one reason we have always been focused on downside risk management when managing the strategy.

The basic idea is a mathematical one: A steady positive sequence of returns may be more important than a higher more volatile sequence of returns.

Growth comes from the absence of loss. On the surface, that seems like an obvious statement, but you would be surprised how many investors ignore its importance and implications.

The table of hypothetical returns at the right illustrates the possible impact to a portfolio of even one down year. In our view, this simple example clearly illustrates support for a goal of slow and steady growth over the long term.

From a mathematical standpoint, higher declines are more difficult to overcome. To use extreme numbers to illustrate the point, a portfolio that declines 50% needs to gain 100% return to get back to whole, while a portfolio that declines 20% needs a gain of 25% to get back to the original value of the portfolio.

The BTS Tactical Fixed Income Fund has historically produced positive returns during various volatile and unfavorable markets. Whether it was downturns like the Tech Bubble Collapse of the early 2000s or the Great Recession of 2008.

Even bonds, which have enjoyed a remarkable 30-year bull market, now carry a riskier label because the outlook on interest rates has them rising over the long term. With this in mind it is important to choose a Tactical Fixed Income manager that has navigated rising rate periods.

Hypothetical Example: 4 Year Returns*, Initial Investment of \$10,000.

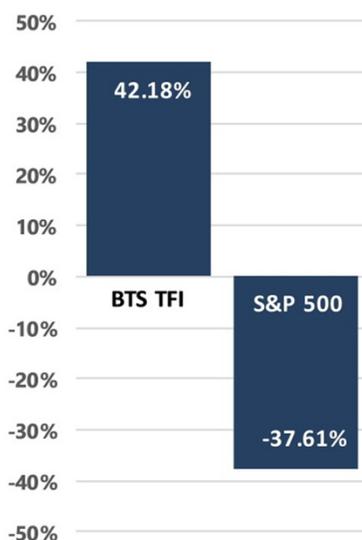
	INVESTOR A	INVESTOR B
Year 1	+10%	+5%
Year 2	+10%	+5%
Year 3	(-10%)	+5%
Year 4	+10%	+5%
	\$11,979.00	\$12,155.06

**This table is intended for illustrative purposes and is not intended to indicate that BTS Asset Management returns 5% a year, nor imply that BTS can't lose money.*

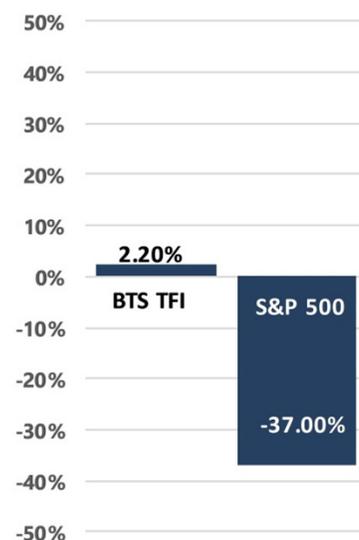
The Importance of Avoiding Large Losses

Percentage Lost	Gain Required to Recoup
20%	25%
30%	43%
40%	66%
50%	100%
60%	150%

**Tech Bubble Collapse
Cumulative Return
Class A (NAV)
1/1/2000 - 12/31/2002**



**Great Recession of 2008
Annual Return
Class A (NAV)
1/1/2008 - 12/31/2008**

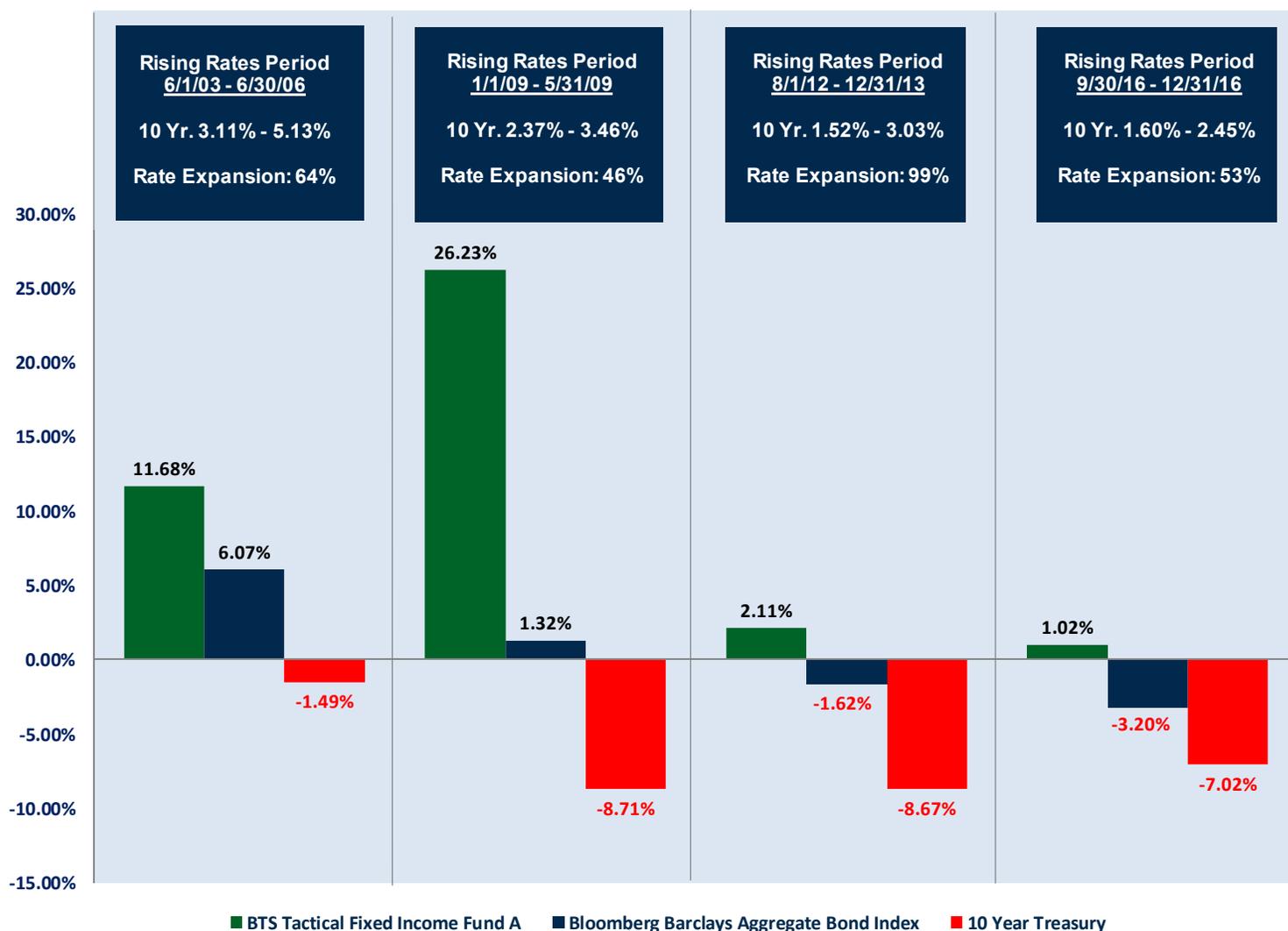


Q: What’s your view of bonds in the context of today’s low interest rates?

Bonds have enjoyed a remarkable 30-year bull market. We believe, however, that they now must be considered generally riskier due to what we expect to be likely increasing interest rates over the long term.

With that outlook in mind, it may be important to choose a tactical fixed income manager who has previously navigated rising rate periods.

BTS Tactical Fixed Income Fund Returns During Four Rising Interest Rate Periods vs. Bloomberg Barclays Aggregate Bond Index and 10 Year Treasury



Q: You have discussed risk/return analysis relative to the Bloomberg Barclays Aggregate Bond Index. How about relative to other benchmarks that might be represented in an investor's diversified portfolio?

Comparing the Upside/Downside Capture Ratios can be a very valuable tool when analyzing a fund to a benchmark, along with using other statistical analysis such as Sortino Ratio and Downside Deviation.

The tactical approach gives the fund characteristics in common with fully "alternative" asset classes such as low correlation and low average drawdown.

However, further analysis such as correlation, average drawdown, and return relative to other investment categories and indexes can be helpful.

**BTS Tactical Fixed Income Fund Class A (NAV) Compared to Various Benchmarks:
Average Annual Return, Average Drawdown, and Correlation**
10 years from 7/1/08 through 6/30/18

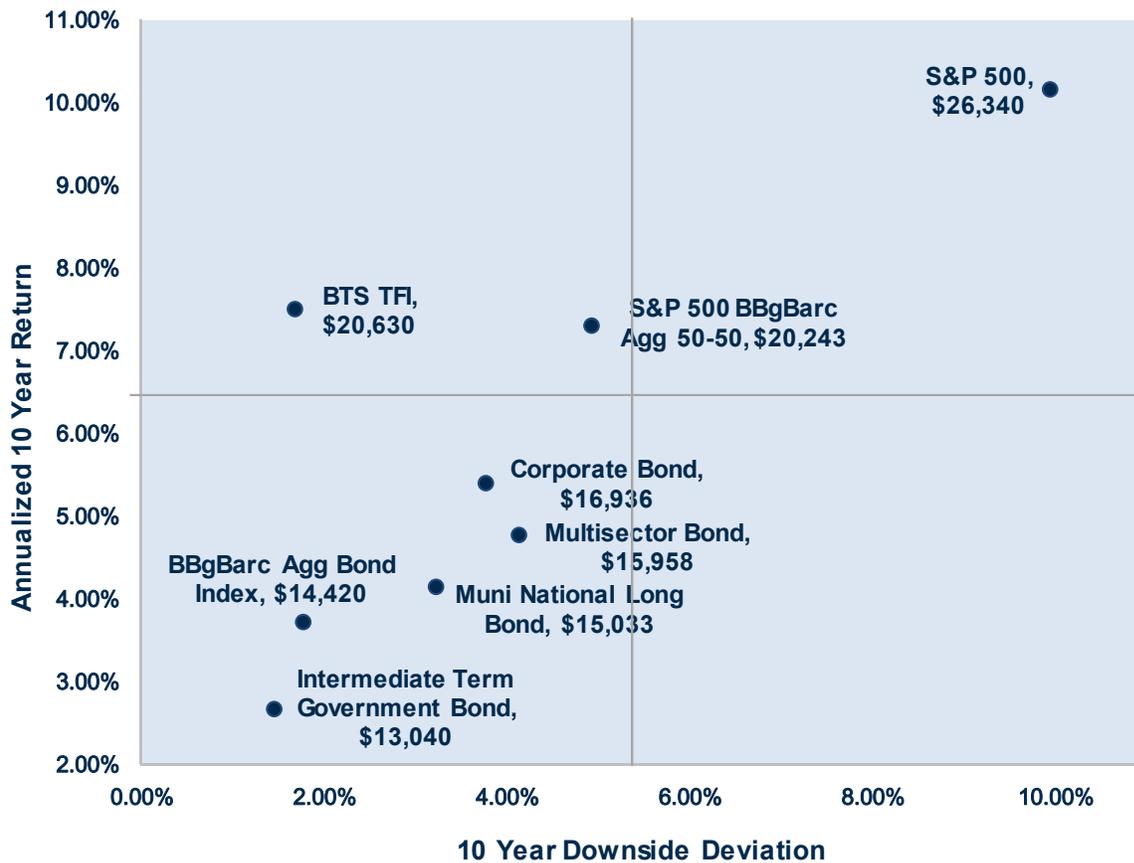
	10 Year Annual Return	Average Drawdown	Correlation
BTS Tactical Fixed Income Fund Class A	7.51%	-1.85	1.00
ICE BofAML US HY Index	8.03%	-6.00	0.51
Citi Treasury Benchmark 10 Yr Index	3.64%	-5.23	-0.07
Long Government Bond	5.83%	-9.08	-0.05
BBgBarc Agg Bond Index	3.72%	-2.00	0.22
S&P 500 Index	10.17%	-9.79	0.30
Nontraditional Bond	2.48%	-2.65	0.49
Bank Loan Bond	3.95%	-4.39	0.40
Inflation Protected Bond	2.24%	-3.73	0.19
Emerging Markets Bond	3.89%	-7.79	0.41
Muni National Long Bond	4.16%	-3.59	0.22

In addition to correlation and average drawdown, return relative to downside deviation can be useful when comparing the fund to other investment categories and indexes.

Hypothetical Return % - Downside Deviation % - Ending Value of \$10,000 Hypothetical Investment

BTS Tactical Fixed Income Fund Class A (NAV), BBgBarc Agg, Muni National Long, Multisector, Corporate, S&P BBgBarc Agg 50-50, Intermediate Term Government, S&P 500

10 years from 7/1/08 through 6/30/18



Does not represent performance of actual portfolio. It is not possible to invest directly in an index.

Q: With the investment approach being flexible and designed to move 100% of assets between High Yield, Treasuries and Cash, what is the yield?

Dividends are paid quarterly if earned. However, the yield can be higher or lower depending on the fund’s allocation.

Remember, yield is a mathematical formula, and the result goes up when share value goes down. Another way to ask the yield question could be: “What income can be withdrawn from the fund?”

The table below illustrates a \$10,000 hypothetical investment into the BTS Tactical Fixed Income Fund Class A (NAV), Bonds represented by the Bloomberg Barclays Aggregate Bond

Index, Stocks & Bonds represented by the S&P 500 - Bloomberg Barclays Aggregate Bond Index 50-50, and Stocks represented by the S&P 500 Index, with a \$500 annual withdrawal inflated by 3% each year. All four investments withdrew the same amount, \$11,705. However, the BTS Tactical Fixed Income Fund’s initial investment of \$10,000 grew to \$24,909 while the Bonds and Stocks & Bonds 50-50 both are below their initial investment with an ending value of \$8,390 and \$5,624 respectively. The Stocks initial investment came to a loss at zero.

\$10,000 Hypothetical Investment Comparison with of \$500 Annual Withdrawal, Inflated by 3% Each Year
2000-2017

Year	Withdrawal Amount	BTS Tactical Fixed Income Class A (NAV)	Bonds	Stocks & Bonds 50-50	Stocks
Initial Investment		\$10,000	\$10,000	\$10,000	\$10,000
2000	\$500				
2001	\$515				
2002	\$530				
2003	\$546				
2004	\$563				
2005	\$580				
2006	\$597				
2007	\$615				
2008	\$633				
2009	\$652				
2010	\$672				
2011	\$692				
2012	\$713				
2013	\$734				
2014	\$756				
2015	\$779				
2016	\$802				
2017	\$826	\$24,909	\$8,390	\$5,624	\$0*
Total Withdrawal	\$11,705				<i>*As of 12/31/17</i>



Does not represent performance of actual portfolio. It is not possible to invest directly in an index.

Q: How does the Fund's Annual Return History compare to the Bloomberg Barclays Aggregate Bond Index? How does the Statistical Analysis of the Fund compare to both the Bloomberg Barclays Aggregate Bond Index and the S&P 500 BBgBarc Agg 50-50?

Annual Return History Class A (NAV)

Year	Fund 1-Year	BBgBarc Agg 1-Year
2017	2.86%	3.54%
2016	13.79%	2.65%
2015	-2.31%	0.55%
2014	2.61%	5.97%
2013	0.12%	-2.02%
2012	6.46%	4.23%
2011	1.16%	7.86%
2010	8.60%	6.56%
2009	53.63%	5.93%
2008	2.20%	5.24%
2007	8.11%	6.96%
2006	7.70%	4.33%
2005	0.67%	2.43%
2004	-0.20%	4.34%
2003	29.40%	4.11%
2002	10.50%	10.27%
2001	16.73%	8.42%
2000	10.23%	11.63%

Statistical Analysis vs. Benchmarks Class A (NAV), 10 years from 7/1/08 through 6/30/18

	Cumulative Return	Downside Deviation	Sortino Ratio (0.0%)	Standard Deviation	Correlation	Beta	Alpha
BTS Tactical Fixed Income Fund	106.30%	1.69%	4.30	7.41%	—	—	—
BBgBarc Agg Bond Index	44.20%	1.78%	2.06	3.27%	0.21	0.49	5.86%
S&P 500 BBgBarc Agg 50-50	102.43%	4.94%	1.43	7.56%	0.34	0.33	5.18%

Fund Performance as of 6/30/18

Average Annualized Total Returns	YTD ²	1 Year	3 Years	5 Years	10 Years	Since Inception 1/1/00
Class A ¹ (NAV)	-3.73%	-4.08%	3.12%	2.39%	7.51%	8.43%
Class A (max. 5% load)	-8.51%	-8.85%	1.37%	1.33%	6.96%	8.13%
Class C	-4.10%	-4.82%	2.34%	1.63%	N/A	1.58%
Class I (Inception 5/28/15)	-3.62%	-3.80%	3.40%	N/A	N/A	2.79%
Class R (Inception 5/5/15)	-3.86%	-4.32%	2.88%	N/A	N/A	2.28%
BBgBarc Agg Bond Index	-1.62%	-0.40%	1.72%	2.27%	3.72%	4.88%
Nontraditional Bond	-0.38%	1.06%	2.05%	1.75%	2.48%	3.22%
S&P 500 BBgBarc Agg 50-50	0.51%	6.82%	6.83%	7.82%	7.31%	5.55%

The performance data quoted here represents past performance. Current performance may be lower or higher than the performance data quoted above. Investment return and principal value will fluctuate, so that shares, when redeemed, may be worth more or less than their original cost. Past performance is no guarantee of future results. A Fund's performance, especially for very short periods of time, should not be the sole factor in making your investment decisions. For performance information current to the most recent month-end, please call toll-free 1-877-287-9820.

Total Expense Ratios: Class A: 1.80%; Class C: 2.55%; Class I: 1.55%; Class R: 2.05%

¹The **BTS Tactical Fixed Income Fund** does not have performance as a mutual fund prior to May 31, 2013. Performance prior to May 31, 2013 shown above is for the Fund's predecessor limited liability company (**BTS Tactical Fixed Income Fund LLC**, formerly known as **BTS Asset Allocation/High Yield Fund LLC**). The prior performance is net of management fees and other expenses. The predecessor limited liability company had been managed in the same style and by the same portfolio manager since the predecessor limited liability company's inception on January 1, 2000. The Fund's investment goals, policies, guidelines and restrictions are, in all material respects, equivalent to the predecessor limited liability company's investment goals, policies, guidelines and restrictions. The following information shows the predecessor limited liability company's annual returns and long-term performance reflecting the actual fees and expenses that were charged when the Fund was a limited liability company. From its inception on January 1, 2000 through the date of the prospectus, the predecessor limited liability company was not subject to certain investment restrictions, diversification requirements and other restrictions of the 1940 Act, which if they had been applicable, might have adversely affected its performance. In addition, the predecessor limited liability company was not subject to sales loads that would have adversely affected performance. The predecessor limited liability company's past performance is not necessarily an indication of how the **BTS Tactical Fixed Income Fund** will perform in the future.

²Performance for periods less than one year are not annualized.

There is no assurance that the Fund will achieve its investment objective.

Important Information

BBgBarc Agg Bond Index refers to the Bloomberg Barclays Aggregate Bond Index, which is comprised of government securities, mortgage-backed securities, asset-backed securities and corporate securities with maturities of one year or more to simulate the universe of bonds in the market.

S&P 500 BBgBarc Agg 50-50 is a blended benchmark made up of 50% S&P 500 TR and 50% Barclays Capital Aggregate Bond Index and uses indexes to represent a stock/bond allocation that a conservative or moderate investor might have.

S&P 500 includes 500 leading companies in leading industries of the U.S. economy and is a proxy for the total stock market.

MSCI EAFE Index represents the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada.

Fixed Income Sector Chart Definitions

HY Corp – The U.S. Corporate High-Yield Index measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds.

Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt.

IG Corp - The U.S. Corporate Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by U.S. and non-U.S. industrial, utility, and financial issuers that meet specified maturity, liquidity, and quality requirements.

MUNI - The U.S. Municipal Index covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds.

TIPS - BofA Merrill Lynch US Inflation-Linked Treasury Index is an unmanaged index comprised of U.S. Treasury Inflation Protected Securities with at least \$1 billion in outstanding face value and a remaining term to final maturity of greater than one year.

US Gov't - The U.S. Government Index is comprised of the U.S. Treasury and U.S. Agency Indices. The U.S. Government Index includes Treasuries (public obligations of the U.S. Treasury that have remaining maturities of more than one year) and U.S. agency debentures (publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government). The U.S. Government Index is a component of the U.S. Government/Credit Index and the U.S. Aggregate Index.

(continued)

Important Information (continued)

ICE BofAML US HY Master II tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of \$100 million. In addition, qualifying securities must have risk exposure to countries that are members of the FX-G10, Western Europe or territories of the US and Western Europe. The FX-G10 includes all Euro members, the US, Japan, the UK, Canada, Australia, New Zealand, Switzerland, Norway and Sweden. Citi Treasury Benchmark 10 Yr tracks the 10 Year Treasury. 10 Year Treasury is Citi Treasury Benchmark 10-year USD. Nontraditional Bond category contains funds that pursue strategies divergent in one or more ways from conventional practice in the broader bond-fund universe. Many funds in this group describe themselves as "absolute return" portfolios, which seek to avoid losses and produce returns uncorrelated with the overall bond market; they employ a variety of methods to achieve those aims. Another large subset are self-described "unconstrained" portfolios that have more flexibility to invest tactically across a wide swath of individual sectors, including high-yield and foreign debt, and typically with very large allocations. Funds in the latter group typically have broad freedom to manage interest-rate sensitivity, but attempt to tactically manage those exposures in order to minimize volatility. The category is also home to a subset of portfolios that attempt to minimize volatility by maintaining short or ultra-short duration portfolios, but explicitly court significant credit and foreign bond market risk in order to generate high returns. Funds within this category often will use credit default swaps and other fixed income derivatives to a significant level within their portfolios. Multisector Bond portfolios seek income by diversifying their assets among several fixed income sectors, usually U.S. government obligations, U.S. corporate bonds, foreign bonds, and high-yield U.S. debt securities. These portfolios typically hold 35% to 65% of bond assets in securities that are not rated or are rated by a major agency such as Standard & Poor's or Moody's at the level of BB (considered speculative for taxable bonds) and below.

Bank Loan Bond portfolios primarily invest in floating-rate bank loans instead of bonds. In exchange for their credit risk, these loans offer high interest payments that typically float above a common short-term benchmark such as the London Interbank Offered Rate, or LIBOR. Inflation Protected Bond portfolios invest primarily in debt securities that adjust their principal values in line with the rate of inflation. These bonds can be issued by any organization, but the U.S. Treasury is currently the largest issuer for these types of securities. Corporate Bond portfolios concentrate on bonds issued by corporations. These tend to have more credit risk than government or agency-backed bonds. These portfolios hold more than 65% of their assets in corporate bonds, hold less than 40% of their assets in foreign bonds, less than 35% in high yield bonds, and have an effective duration of more than 75% of the Morningstar Core Bond Index. Long Government Bond has at least 90% of their bond holdings invested in bonds backed by the U.S. government or by government-linked agencies. This backing minimizes the credit risk of these portfolios, as the U.S. government is unlikely to default on its debt. They are not risk-free, though. Because these portfolios have durations of typically more than 6.0 years, they are more sensitive to interest rates, and thus riskier, than portfolios that have shorter durations. Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Long term is defined as 125% of the three-year average effective duration of the MCBI. Intermediate Term Bond is a fund that focuses on corporate, government, foreign or other issues with an average duration of greater than or equal to 3.5 years but less than or equal to six years, or an average effective maturity of more than four years but less than 10 years. Emerging Markets Bond portfolios invest more than 65% of their assets in foreign bonds from developing countries. The largest portion of the emerging-markets bond market comes from Latin America, followed by Eastern Europe, Africa, the Middle East, and Asia make up the rest. Muni National Long Bond portfolios invest in bonds issued by various state and local governments to fund public projects. The income from these bonds is generally free from federal taxes. To lower risk, these portfolios spread their assets across many states and sectors. These portfolios have durations of more than 7.0 years (or, if duration is unavailable, average maturities of more than 12 years).

Each of these asset classes has its own set of investment characteristics and risks and investors should consider these risks carefully prior to making any investments.

Important Information (continued)

Up Capture Ratio measures the portfolio's compound return when the benchmark was up divided by the benchmark's compound return when the benchmark was up. Down Capture Ratio measures the portfolio's compound return when the benchmark was down divided by the benchmark's compound return when the benchmark was down. Up/Down Capture Ratio Converted to Total Return: If the funds total return is the same amount as the benchmark, the upside capture ratio is 100%. If the funds return is 8% when the benchmark is up 10%, the Upside Capture Ratio is 80%. If the funds return is 8% when the benchmark return is negative 10%, the Down Capture ratio is negative -80%. Cumulative Return is the total gain, expressed as a percentage of the initial value. Standard Deviation measures the degree of variation of returns around the average return; the higher the volatility, the higher the standard deviation. Sharpe Ratio is a risk-adjusted performance measure (the incremental average return over the risk-free rate - represented as 3% - divided by risk), where risk is defined by standard deviation. A higher Sharpe ratio may indicate higher risk-adjusted returns. Sortino Ratio is a risk-adjusted performance measure (the incremental average return over the minimum acceptable return - represented as 0% - divided by risk), where risk is defined by downside deviation. A higher Sortino ratio may indicate higher risk-adjusted returns. Downside Deviation considers returns that fall below the minimum acceptable return. 0% is used for the minimum acceptable return. Correlation measures how two securities move in relation to one another. Alpha measures a manager's value-added return over a benchmark index by comparing its actual return to the return expected based on the risk level. Beta measures sensitivity to market movements relative to a benchmark index. Alpha, Beta, and Correlation show the value for the BTS portfolio versus the listed benchmark. Average Drawdown is the arithmetic average of all drawdowns over a given period of time. Stop-Loss is an order placed to sell a security when it reaches a certain price.

Mutual funds involve risk, including possible loss of principal.

Investors cannot directly invest in an index and unmanaged index returns do not reflect any fees, expenses, or sales charges.

RISK DISCLOSURES

The use of Credit Default Swaps involves investment techniques and risks different from those associated with ordinary portfolio security transactions, such as potentially heightened counterparty, concentration and exposure risks. There is a risk that issuers and counterparties will not make payments on securities and other investments held by the Fund, resulting in losses to the Fund. The Fund may invest in derivatives. Even a small investment in options may give rise to leverage risk, and can have a significant impact on the Fund's performance. Derivatives are subject to credit risk and liquidity risk. The values of foreign investments may be affected by changes in exchange control regulations, application of foreign tax laws changes in governmental administration or economic or monetary policy or changed circumstances in dealings between nations. In addition to the risks generally associated with investing in securities of foreign companies, countries with emerging markets also may have relatively unstable governments, social and legal systems that do not protect shareholders, economies based on only a few industries, and securities markets that trade a small number of issues. The Fund invests in fixed income securities, derivatives on fixed income securities or Underlying Funds that invest in fixed income securities.

The value of the Fund will fluctuate with changes in interest rates. Defaults by fixed income issuers in which the Fund invests could also harm performance. Lower-quality bonds known as "high yield" or "junk" bonds, present greater risk than bonds of higher quality, including an increased risk of default. An economic downturn or period of rising interest rates could adversely affect the market for these bonds and reduce the Fund's ability to sell its bonds. The lack of a liquid market for these bonds could decrease the Fund's share price. The use of leverage by the Fund or an Underlying Fund will indirectly cause the Fund to incur additional expenses and magnify the Fund's gains or losses. The Fund may engage in short selling activities which are significantly different from the investment activities commonly associated with conservative fixed income funds. Underlying Funds are subject to investment advisory and other expenses, which will be indirectly paid by the Fund. As a result, your cost of investing in the Fund will be higher than the cost of investing directly in the Underlying Funds.

Investors should carefully consider the investment objectives, risks, charges, and expenses of the BTS Tactical Fixed Income Fund. This and other information about the Fund is contained in the prospectus and should be read carefully before investing. The prospectus can be obtained on our web site, www.btsfunds.com, by calling toll free 1-877-287-9820 (1-877-BTS-9820), or by calling your financial representative. The BTS Tactical Fixed Income Fund is distributed by Northern Lights Distributors, LLC, Member FINRA/SIPC. BTS Asset Management, Inc. is not affiliated with Northern Lights Distributors, LLC.



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