

## Floating Rate Loans

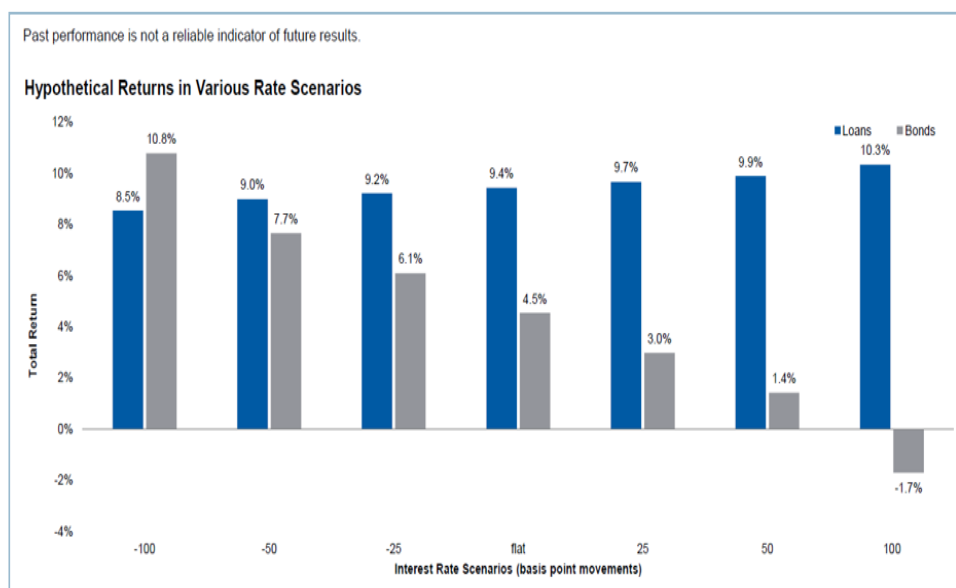
### TODAY'S CREDIT ENVIRONMENT

In order to fight inflation and provide balance to the overall economy the Federal Reserve led by Jerome Powell aggressively tightened monetary policy. The Federal Reserve raised its key federal funds rate to more than 5% – a 16 year high.

Since then, inflation has come off the boil and the Fed has pivoted. Higher probabilities of a “soft landing” enamored market participants late last year, with global equity and fixed income asset classes pulling the good news forward in dramatic fashion.

What can investors expect now, and how can they optimize their allocations going forward?

The appeal of floating-rate loans usually peaks when interest rates are rising. But they may help diversify your portfolio in any environment – and this potential benefit can be overlooked. Most of the return in floating-rate loans comes from their exposure to credit risk (exposure to corporations) while the Bloomberg U.S. Aggregate Bond Index gets most of its return from duration risk (interest-rate sensitivity). So, historically they have had low correlation to each other and behaved differently in different market environments. The following chart illustrates how bank loans can perfectly perform relative to bonds in varying interest rate scenarios.



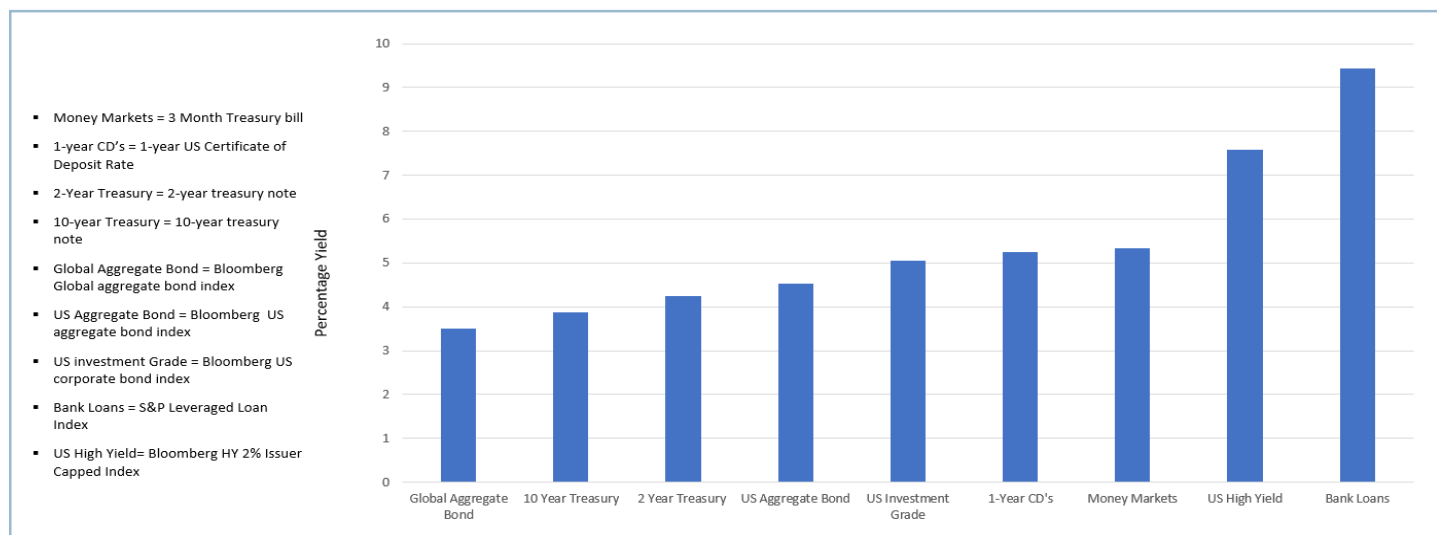
Sources: Eaton Vance, Bloomberg, Leveraged Commentary Data (LCD), December 31, 2023. Bonds are represented by the Bloomberg US Aggregate Index, with a yield of 4.5% and a duration of 6.2 years. For loans, we use the Morningstar LSTA US Leveraged Loan Index, with a net yield of 9.4%, based on a market yield of 10.1%, reduced by 0.7% to account for expected defaults and recoveries – the average level observed by Eaton Vance over approximately 30 years. Duration is 0.1 years. Calculations are based on standard duration formula, assuming instantaneous rises in interest rates and adjustments of benchmark yields on loans. Chart represents projections based on various interest rate scenarios but is not intended to predict any particular scenario. The information is based, in part, on assumptions and the experience of Eaton Vance. Certain of the assumptions are unlikely to be realized. Changes in the assumptions and scenarios may have a material impact on the information shown. Data provided is for informational use only. It is not possible to invest directly in an index.

We believe the current environment dictates allocations to floating rate and credit instruments. We also believe longer-term, allocations to floating rate and credit will help solve the “60/40 conundrum” for investors.

# WHY FLOATING RATE LOANS?

## 1 Seek Attractive Yields

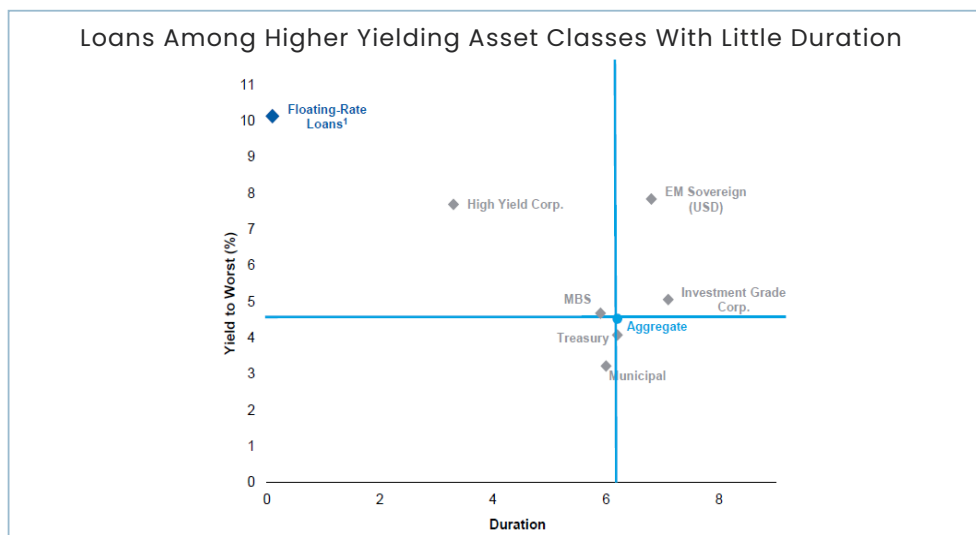
Floating Rate Loans (or Bank or Leveraged Loans) have historically paid attractive yields relative to other asset classes in the fixed income space. The loans are below investment grade which means they do carry more credit risk than investment grade bonds. However, utilized properly in a portfolio they can be a strategic allocation. As is depicted in the following chart, floating rates often are one of the highest yielding asset classes in the global fixed income universe:



Source: Bloomberg; As of 12/31/2023; Past performance does not guarantee future results.; Represents Yield to Worst; Index performance is not illustrative of Fund performance. One cannot invest directly in an index.

## 2 Help Manage Against Interest Rate Risk

Rising rates increase principal risk for bond investors. Essentially, rate risk is typically tied to the duration and quality of a fixed income asset class. The longer the duration and generally the higher the quality the more susceptible bonds are to interest rate risk. Floating Rate Loans generally offer significantly less interest rate risk due to their low duration (typically less than 90 days). The chart below illustrates the attractive trade-off



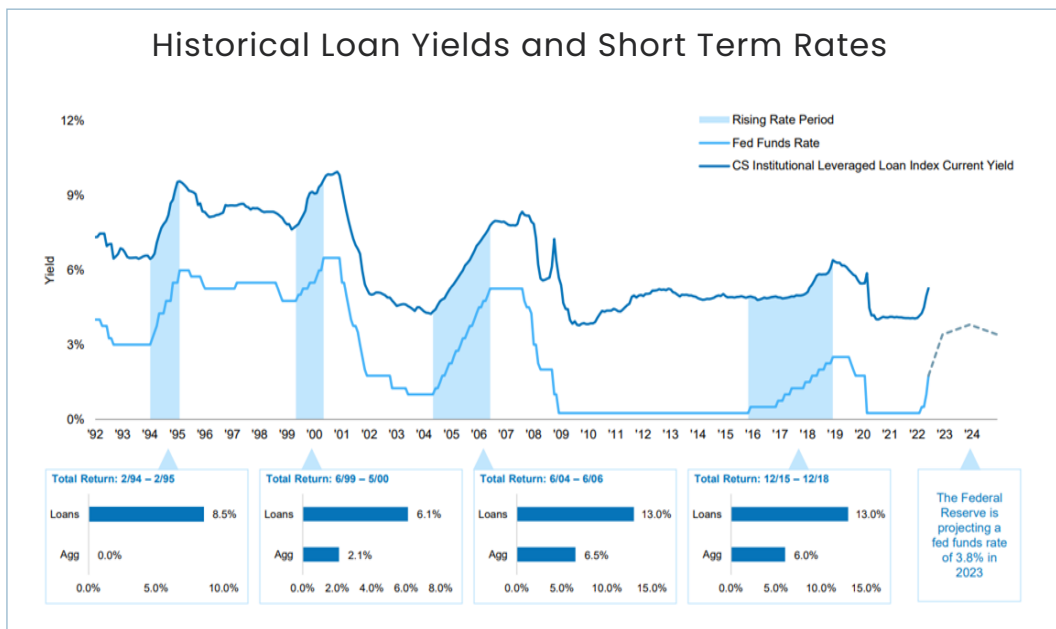
between yield and duration of the Floating Rate Loan category relative to other global fixed income asset classes

Sources: Eaton Vance, Bloomberg, JPMorgan, ICE Data Indices, LLC, and LCD, an offering of S&P Global Market Intelligence, December 31, 2023. Past performance is not a reliable indicator of future results. Data provided is for informational use only. It is not possible to invest directly in an Index. Yield to worst is the lowest potential yield that can be received on a bond without an issuer actually defaulting. Duration is a measure of the sensitivity of a bond's price to a change in interest rates. Treasury represented by Bloomberg U.S. Treasury Index. Agency represented by Bloomberg

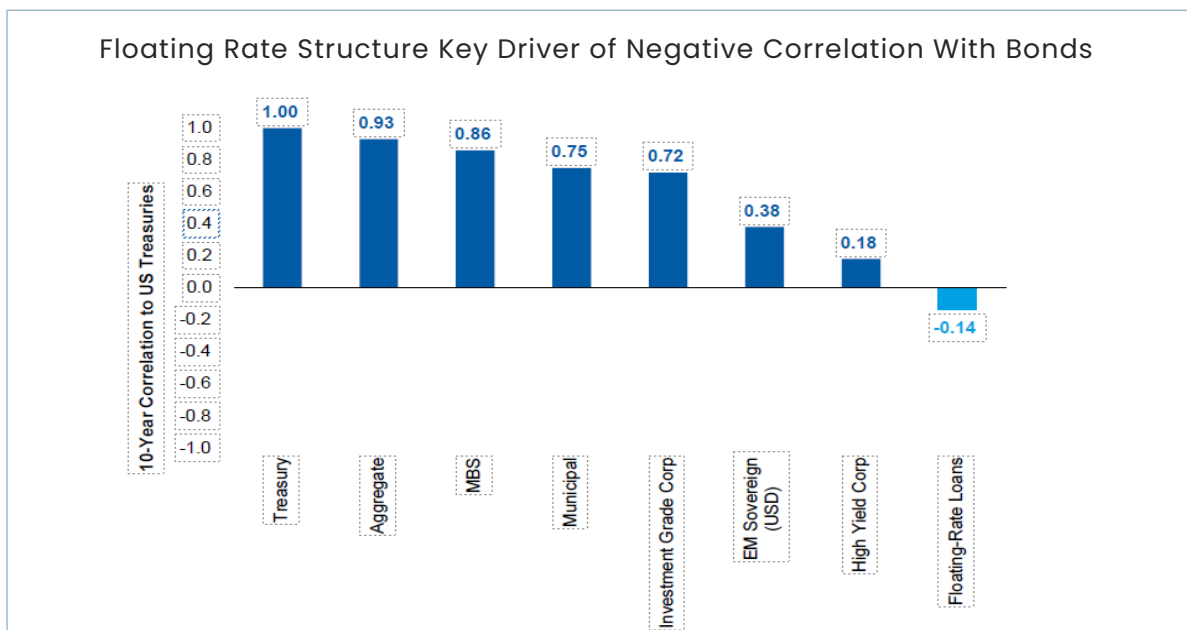
U.S. Agency Index. Aggregate represented by Bloomberg U.S. Aggregate Index. MBS represented by Bloomberg U.S. Mortgage Backed Securities (MBS) Index. Investment-Grade Corp. represented by Bloomberg U.S. Corporate Index. Municipal represented by Bloomberg Municipal Bond Index. (Continued) EM Sovereign (USD) represented by J.P. Morgan EM Bond Index (EMBI) Global Diversified Index. High-Yield Corp. represented by Bloomberg U.S. Corporate High Yield Index. Floating-Rate Loans represented by Morningstar LSTA US Leveraged Loan 100 TR UD Yield to maturity is shown for loans.

The asset class typically offers compelling yields to compensate for the credit risk and are reset frequently (typically less than 90 days) off of a base rate which has been historically referred to as LIBOR, and more recently SOFR. This reset functionality tends to make the asset class less interest rate sensitive. Therefore, as is depicted in the chart below, when the Federal Reserve is raising short-term interest rates floating rates often outperform other bond assets such as high yield bonds or the Bloomberg US Aggregate Bond Index.

Sources: Eaton Vance, Credit Suisse, Federal Reserve Bank of St. Louis, Economic Data (FRED), and Morningstar, December 31, 2023. Past performance is not a reliable indicator of future results. Data provided is for informational use only. Performance is cumulative and rising rates are defined as any period where the fed funds rate increased at least 1%. Loan performance is represented by Credit Suisse Institutional Leveraged Loan Index (which has a longer history than the Morningstar LSTA US Leveraged Loan 100 TR USD). Agg performance is represented by Bloomberg Barclays U.S. Aggregate Index. HY Bond performance is represented by ICE BofA US High Yield Index.



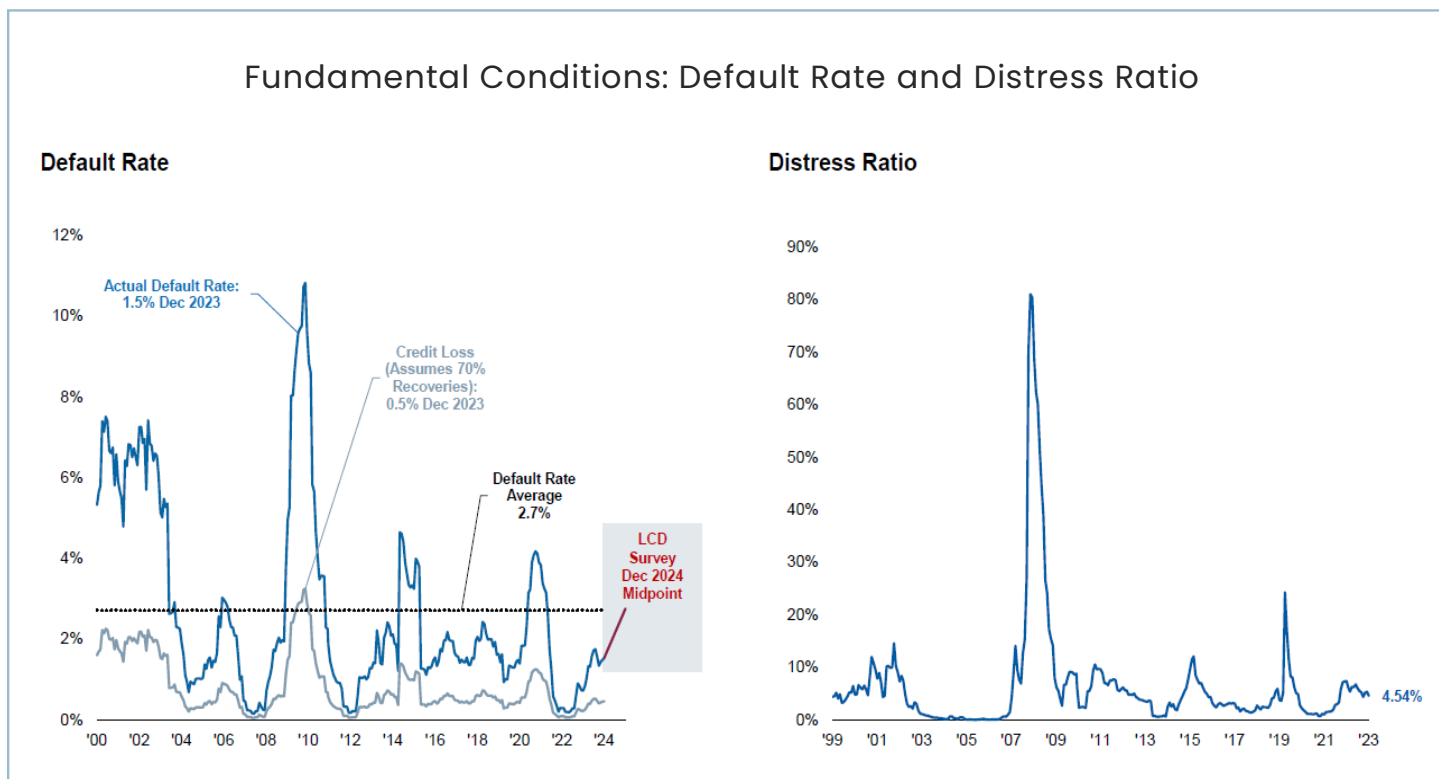
The combination of offering a higher yield, the lower credit quality of Floating Rate Loans and the rate resetting mechanism helps to allow the asset class to be less or negatively correlated to other fixed income asset classes as can be seen below:



Source: Morningstar, December 31, 2023. Past performance is not a reliable indicator of future results. Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures. Correlation is a statistical measure of how two securities perform in relation to each other. Treasury represented by Bloomberg U.S. Treasury Index. Aggregate represented by Bloomberg U.S. Aggregate Index. MBS represented by Bloomberg U.S. Mortgage Backed Securities (MBS) Index. Investment-Grade Corp. represented by Bloomberg U.S. Corporate Index. Municipal represented by Bloomberg Municipal Bond Index. EM Sovereign (USD) represented by J.P. Morgan EM Bond Index (EMBI) Global Diversified Index. High-Yield Corp. represented by Bloomberg U.S. Corporate High Yield Index. Floating- Rate Loans represented by Morningstar LSTA US Leverage Loan 100 TR USD.

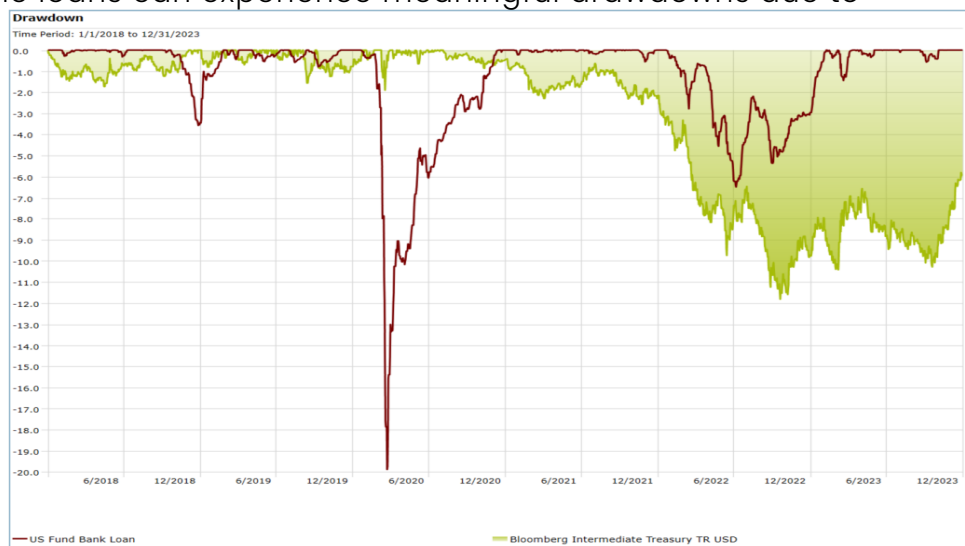
### 3 Floating Rate Loans Risk

Floating Rate Loans are often referred to as “Senior Secured Loans”. The reason being is they sit higher up in the corporate capital structure, typically above high yield bonds as well as equity. In addition, the loans are secured by assets of the corporation in the event of a default. However, clearly there is still credit risk with floating rates as they are lower quality debt instruments. The following chart represents default rates and distressed loan environments:

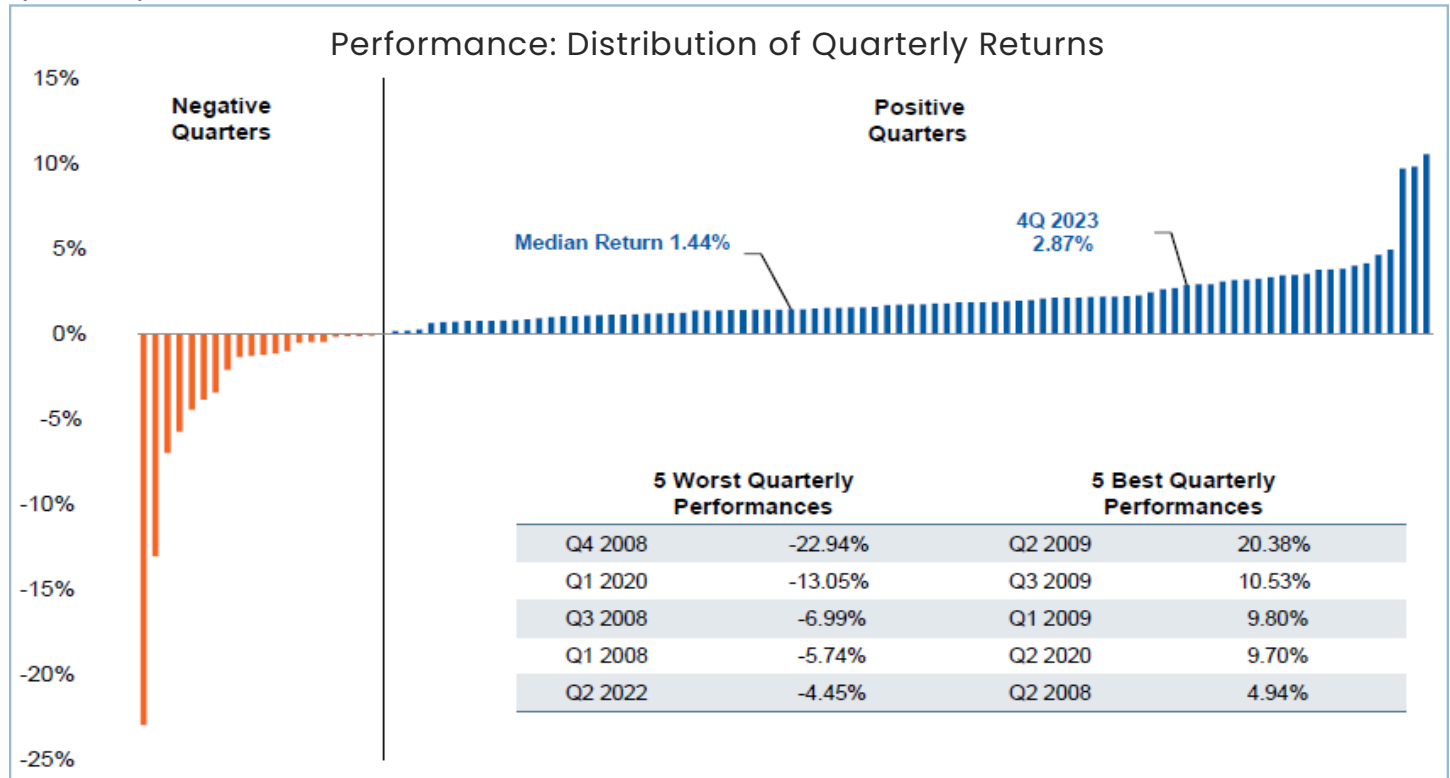


Source: LCD, an offering of S&P Global Market Intelligence, December 31, 2023. Past performance is not a reliable indicator of future results. All data reflects the Morningstar LSTA US Leveraged Loan 100 TR USD. Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures.

As is illustrated above, there have been environments since the turn of the millennium where floating rate loans have had challenges and defaults have risen to as much as 11%. That being said, the price of the loans can experience meaningful drawdowns due to credit risk. Two of the deepest drawdown periods that were in excess of 20% were in 2008 during the financial crisis and in 2020 during the beginning of the Covid-19 pandemic. The following chart depicts the downside floating rates can experience:



Generally speaking, the Floating Rate Loan category offers relatively low volatility or standard deviation relative to other fixed income categories. However, as previously expressed there can be environments where the asset class experiences deep drawdowns. However, coming out of distressed or negative credit markets can create meaningful upside opportunities. The following chart illustrates the distribution of quarterly performance returns for the asset class as well as the worst and best quarterly returns:



Source: LCD, an offering of S&P Global Market Intelligence, December 31, 2023. Past performance is not a reliable indicator of future results. Performance measures all quarterly returns of the Morningstar LSTA Leveraged Loan Index back to its inception in January 1997 and sorts them from lowest to highest. Data provided is for informational use only. Indexes are unmanaged, do not reflect the deduction of fees and expenses, and are not available for direct investment.

## Donoghue Forlines Risk Managed Income Fund (FLOTX)

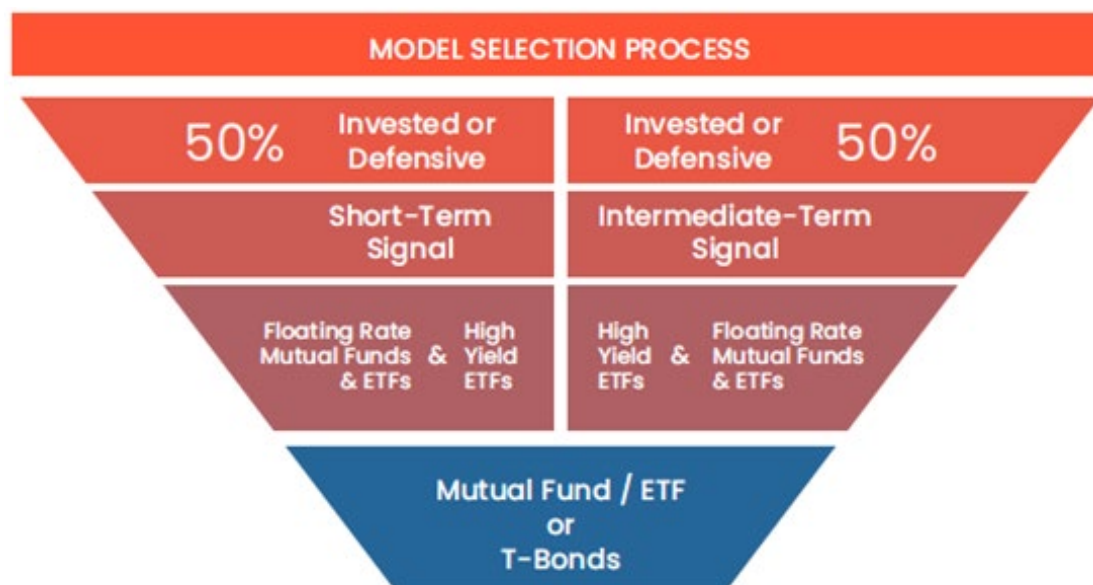
In order to capture the positive attributions that the Floating Rate Loan category can offer, we introduced the Donoghue Forlines Risk Managed Allocation Fund in December 2017, a risk managed strategy to attempt to provide downside protection.

### HOW DOES FLOTX WORK?

- The Donoghue Forlines Risk Managed Income Fund (FLOTX) tracks a proprietary rules-based model.
- The strategy will direct investments into a selection of floating rate mutual funds/ ETFs and High Yield Bond ETFs, when in a *bullish position*.
- When in a *defensive position*, the strategy will be invested in short-term Treasuries or Cash Equivalents.



- The strategy employs a short and intermediate term tactical overlay to determine whether to be in a *bullish* or *defensive* posture. Each tactical overlay will trigger 50% of the strategy into a defensive position, should market conditions warrant.
- When in a bullish posture, the strategy will rebalance holdings quarterly and re-constitute annually.



## WHAT'S BURIED IN THE NUMBERS?

As we all know, you can bury a lot in rolling performance numbers. We believe it is important to understand the ride along the way and to understand the monthly experience. As is evidenced below the FLOTX strategy is not perfect, but overall, the strategy has provided consistency in performance with minimal meaningful drawdown experiences.

Since inception, as is depicted below, the strategy has been successful in mitigating volatility and it has done so with significantly less volatility than the category averages. More importantly the peak to trough drawdown of the strategy relative to the category and benchmark indices has been significantly decreased to less than a third.

## FLOTX MONTHLY RETURNS SERIES (AS OF 12/31/2023)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
<b>2018</b>	0.70	(0.20)	0.03	0.40	0.00	(0.17)	0.81	0.40	0.47	(0.50)	(0.20)	0.75	2.51
<b>2019</b>	0.00	1.21	(0.12)	1.40	(0.79)	0.46	0.60	(0.50)	0.19	(0.61)	0.20	1.44	3.51
<b>2020</b>	0.10	(1.82)	(1.41)	0.10	0.42	(0.62)	2.21	1.03	0.11	0.00	2.46	1.39	3.95
<b>2021</b>	0.60	0.50	0.00	0.20	0.40	0.36	(0.30)	0.10	0.25	0.00	(0.79)	1.12	2.44
<b>2022</b>	(0.40)	(0.70)	(0.37)	(0.71)	(0.20)	0.03	0.00	(0.82)	(1.02)	0.10	0.21	0.22	(3.59)
<b>2023</b>	0.31	0.21	0.26	0.31	(0.42)	2.31	0.93	0.72	0.23	(0.21)	1.36	1.99	8.28

Source: Morningstar Direct; Total, Monthly Return Series as of 12/31/2023 \*Net of Fees. Composition Performance returns are annualized for the period January 1, 2018 through December 31, 2023. Composite returns are calculated by asset-weighting the individual portfolio returns using beginning-of-period values and are calculated monthly in U.S. dollars. Fund performance returns are un-annualized for the period January 1, 2023 through March 31, 2023.

# HIGHER RETURNS WITH SIGNIFICANTLY LOWER STANDARD DEVIATION AND DRAWDOWN RELATIVE TO THE CATEGORY

12/27/2017 - 12/31/2023 (Inception)						
	Donoghue Forlines Risk Managed Income Class I	Morningstar LSTA US LL100 TR USD	US Fund Bank Loan	Morningstar LSTA US LL TR USD	US Fund Nontraditional Bond	
Return	2.77	4.69	3.57	4.88	1.66	
Std Dev	2.21	6.82	4.88	5.05	3.08	
Max Drawdown	-4.40	-22.76	-19.88	-20.73	-10.83	
Alpha	0.74	-0.94	-1.09	0.00	-0.33	
Beta	0.99	1.29	0.94	1.00	0.87	
Up Capture Ratio	104.16	120.84	88.49	100.00	124.56	
Down Capture Ratio	-406.52	132.21	95.40	100.00	811.09	
Sharpe Ratio	0.45	0.57	0.46	0.79	-0.15	
Sortino Ratio	0.47	0.63	0.47	0.79	-0.16	
Best Month	2.46	3.56	3.62	4.50	2.41	
Worst Month	-1.82	-8.30	-11.39	-12.37	-7.23	
Best Quarter	3.88	6.60	8.00	9.70	5.56	
Worst Quarter	-3.11	-9.88	-12.45	-13.05	-7.55	

Source: Morningstar Direct; Time period: 12/27/2017 - 12/31/2023; Total, Daily Return, Calculation Benchmark: Morningstar LSTA US Leveraged Loan 100

## WHY INVEST IN FLOTX?

Our team believes that in the current environment, it is more important than ever to have an allocation to Floating Rate Loans. With the Federal Reserve raising interest rates by 5.25% on short term rates, over the past 22 months, the environment has changed. Yield is back and bank loans are now yielding 8-10%. But with uncertainty still at high levels, we feel tactical management is more important than ever. The Donoghue Forlines Risk Managed Income Fund (FLOTX) is one of the few tactical Floating Rate strategies available to retail investors. Historically, the Fund has managed risk to prevent significant drawdowns and generated risk adjusted returns.

## WHERE DOES FLOTX FIT IN YOUR PORTFOLIO?

The Donoghue Forlines Risk Managed Income Fund can be used as a sleeve within the fixed income portion of an overall asset allocation portfolio and is suitable for investors seeking income and or total return.

## FLOTX TRAILING RETURNS

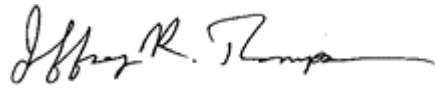
Performance as of (12/31/2023)						
	3M	YTD	1Y	3Y	5Y	Since Inception
Risk Managed Income Fund Class A	3.41%	9.22%	9.22%	2.48%	2.87%	2.68%
Risk Managed Income Fund Class A With Load	-1.73%	3.75%	3.75%	0.74%	1.82%	1.80%
Risk Managed Income Fund Class C	2.93%	7.19%	7.19%	1.25%	1.84%	1.77%
Risk Managed Income Fund Class I	3.16%	8.28%	8.28%	2.26%	2.85%	2.77%
Morningstar LSTA U.S. LL 100 Index	3.23%	13.20%	13.20%	5.19%	5.78%	4.69%

The maximum sales charge on the fund is 5.00% (Class C). The Fund's total annual operating expenses are 1.63% for Class A shares, 2.38% for Class C shares, and 1.38% for Class I shares. Please review the fund's prospectus for more information regarding the fund's fees and expenses.

**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 877-779-7462.**



Regards,

A handwritten signature in black ink, appearing to read "Jeffrey R. Thompson".

**Jeffrey R. Thompson**

Chief Executive Officer

Portfolio Manager

## IMPORTANT RISK INFORMATION

**Investors should carefully consider the investment objectives, risks, charges, and expenses of the Donoghue Forlines Risk Managed 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 by calling toll free 1-877- 779-7462. The Donoghue Forlines Risk Managed Income Fund is distributed by Northern Lights Distributors, LLC. Member FINRA/ SIPC. Donoghue Forlines LLC is not affiliated with Northern Lights Distributors, LLC.**

As with all mutual funds, there is the risk that you could lose money through your investment in the Fund. The net asset value of the Fund will fluctuate based on changes in the value of the equity securities in which it invests. Hedging strategies may not perform as anticipated by the adviser and the Fund could suffer losses by hedging with underlying money market funds if stock prices do not decline. If money market funds are utilized, such 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 Underlying Funds and may be higher than other mutual funds that do not invest in Underlying Funds.

Donoghue Forlines Risk Managed Income Fund tracks a proprietary rules based model. No representation is being made that any client will or is likely to achieve results similar to those presented herein. The fund performance includes the reinvestments of all dividends and distributions. Past performance is no guarantee of future results or returns. The inclusion of the all indices are for comparison purposes only.

Morningstar LSTA U.S. Leveraged Loan 100 Index was the first index to track the investable senior loan market. This rules-based index consists of the 100 largest loan facilities in the benchmark Morningstar LSTA Leveraged Loan Index. It is included for comparison purposes only. The historical performance results of the Index are unmanaged; do not reflect the deduction of transaction and custodial charges, or the deduction of a management fee, the incurrence of which would have the effect of decreasing indicated historical performance results and cannot be invested in directly. Economic factors, market conditions and investment strategies will affect the performance of any portfolio, and therefore are not assurances that it will match or outperform any particular benchmark. The Bloomberg Aggregate Bond Index broadly tracks the performance of the U.S. investment-grade bond market. The index is composed of investment-grade government and corporate bonds. The London Interbank Offered Rate (LIBOR) is an interest rate benchmark where major global banks in the international inter bank market lent to one another for short-term loans. LIBOR was the key interest rate benchmark that indicated benchmark costs between banks. The Secured Overnight Financing Rate (SOFR) replaced LIBOR in June 2023, allowing less opportunities for market and interest rate manipulations as it no longer has forward-looking interest rates and terms. SOFR is an overnight interest rate used for US Dollar-denominated loans and derivatives in overnight markets. It gives an indication of how much a bank will have to pay to borrow cash from another financial institution. These loans are essential for trading derivatives, as they allow speculation on interest rate and borrowing costs. The rate is underpinned by US Treasury securities which a bank will offer as collateral to secure their overnight cash loans.

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