

October 1, 2024

Floating Rate Loans

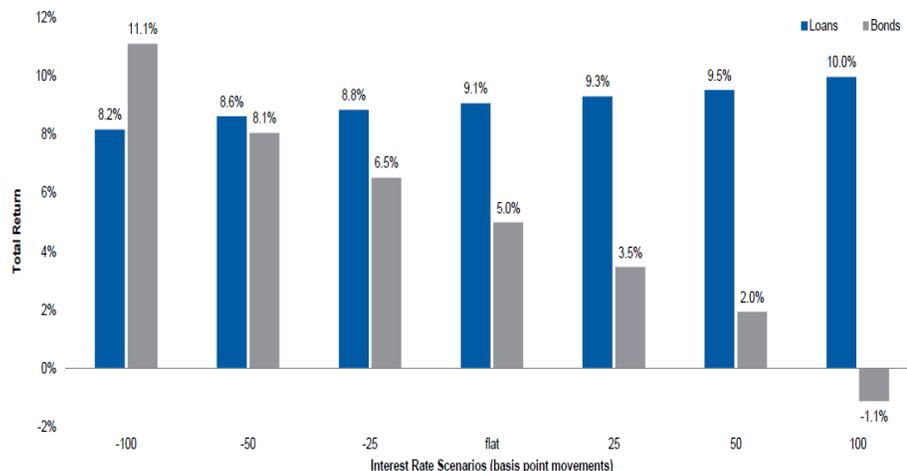
TODAY'S CREDIT ENVIRONMENT

The last few years have presented many challenges to fixed income investors. In an effort to fight inflation the Federal Reserve has raised interest rates by 525 basis points. This has unnerved many fixed income investors as most fixed income asset classes have experienced meaningful downside volatility often in the double-digit downside range from peak to trough*. Generally speaking, the higher the quality and the longer the duration of the fixed income instrument the greater the downside volatility. Even the high yield bond asset class has experienced significant volatility. As I write this commentary, most of the fixed income asset classes are offering positive returns year to date with the Federal Reserve officially kicking off their accommodative policy stance by cutting rates by 50 - basis points at their last meeting. We believe the bank loan asset class, otherwise known as floating rates, can provide a better solution in the current environment. However, we also believe they need to be managed for potential downside risk. (*source: Morningstar Direct. As of 5/1/2024).

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 perform relative to bonds in varying interest rate scenarios.

Past performance is not a reliable indicator of future results.

Hypothetical Returns in Various Rate Scenarios



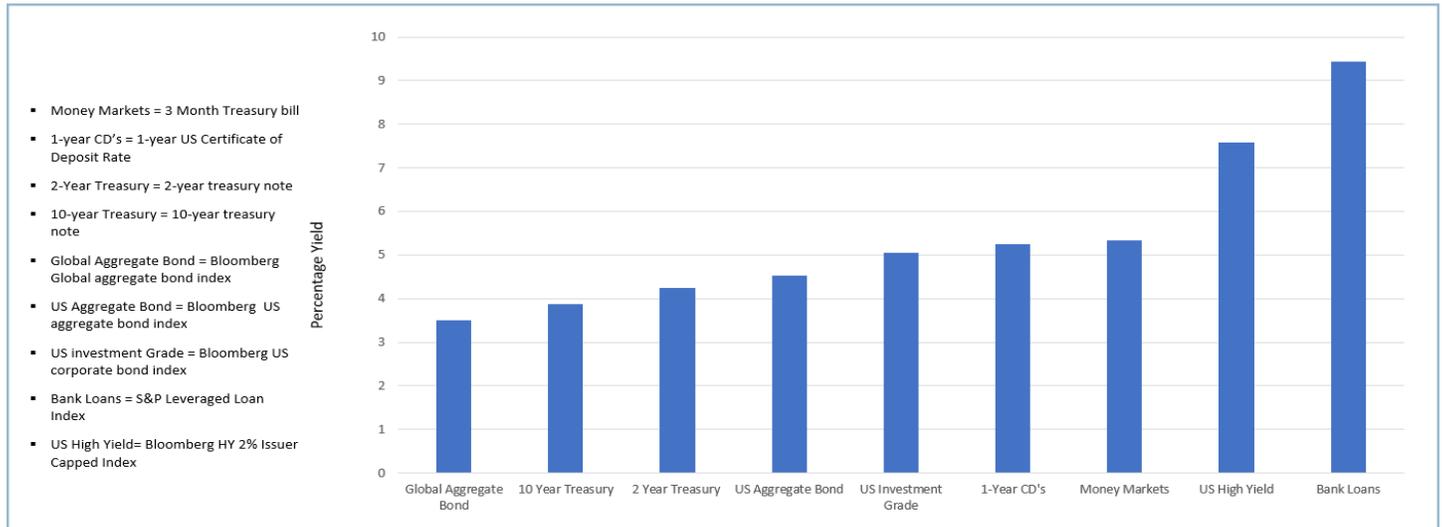
Sources: Eaton Vance, Data Bloomberg, Commentary Leveraged (LCD), August 31, 2024. Bonds are represented by the Bloomberg US Aggregate Index, with a yield of 4.5% and a duration of 6.2 years. For loans, we use the Morningstar LSTA US Leveraged Loan Index, with a net yield of 9.4%, based on a market yield 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 could help solve the “60/40 conundrum” for investors. For investors particularly if we face another bout in inflation.

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:

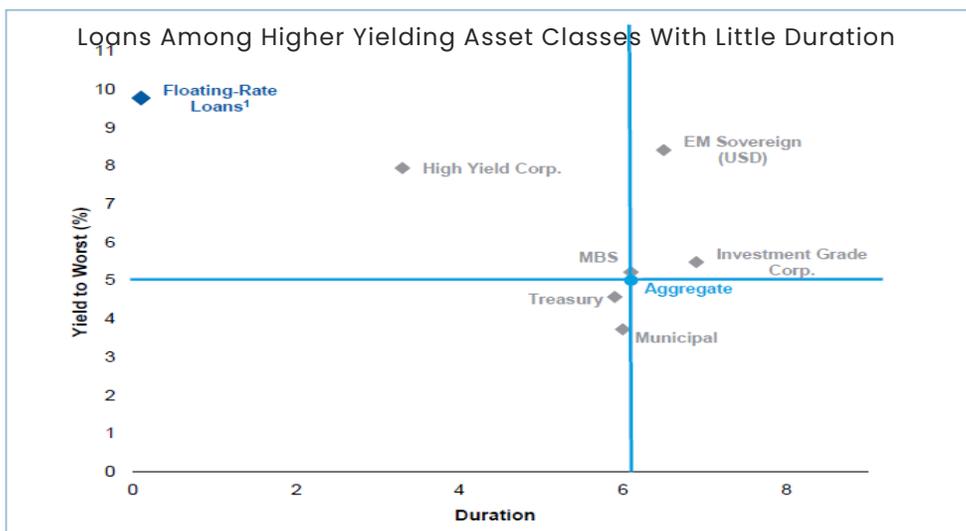


Source: Bloomberg; As of 12/31/2023; Past performance does not guarantee future results.; Represents Yield to Worst; Index performance is not illustrative of Fund performance. One cannot invest directly in an index.

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



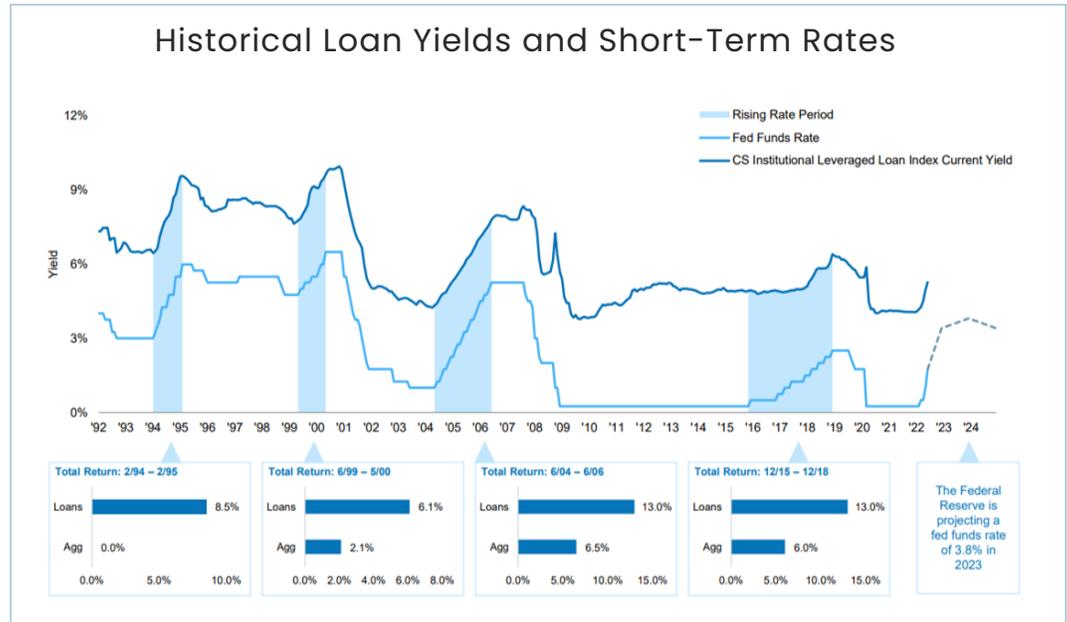
Sources: Eaton Vance, Bloomberg, JPMorgan, ICE Data Indices, LLC, and LCD, an offering of S&P Global Market Intelligence, August 31, 2024. Past performance is not a reliable indicator of future results. Data provided is for informational use only. It is not possible to invest directly in an Index. Yield 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.

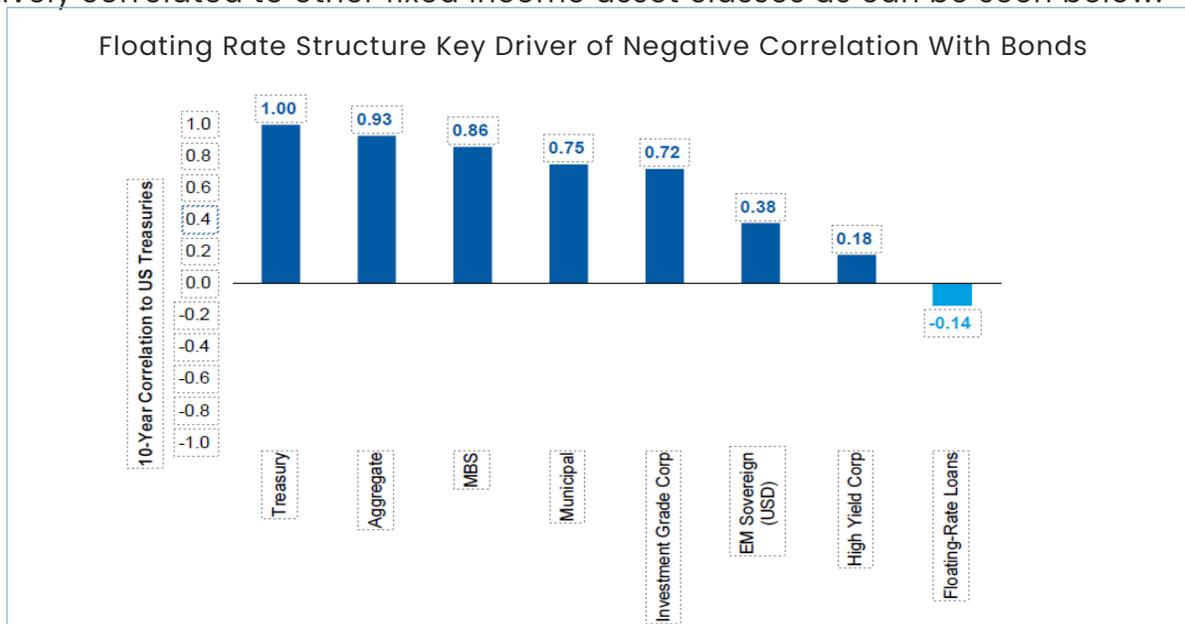
The asset class typically offers compelling yields to compensate for the credit risk and are reset frequently (typically less than 90 days) off of a base rate which has been historically referred to as LIBOR, and more recently SOFR. This reset functionality tends to make the asset class less interest 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.

While the Fed has begun a more accommodative policy stance, we believe rates could be higher for longer and secularly it could be a harbinger for more inflation down the road.

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.



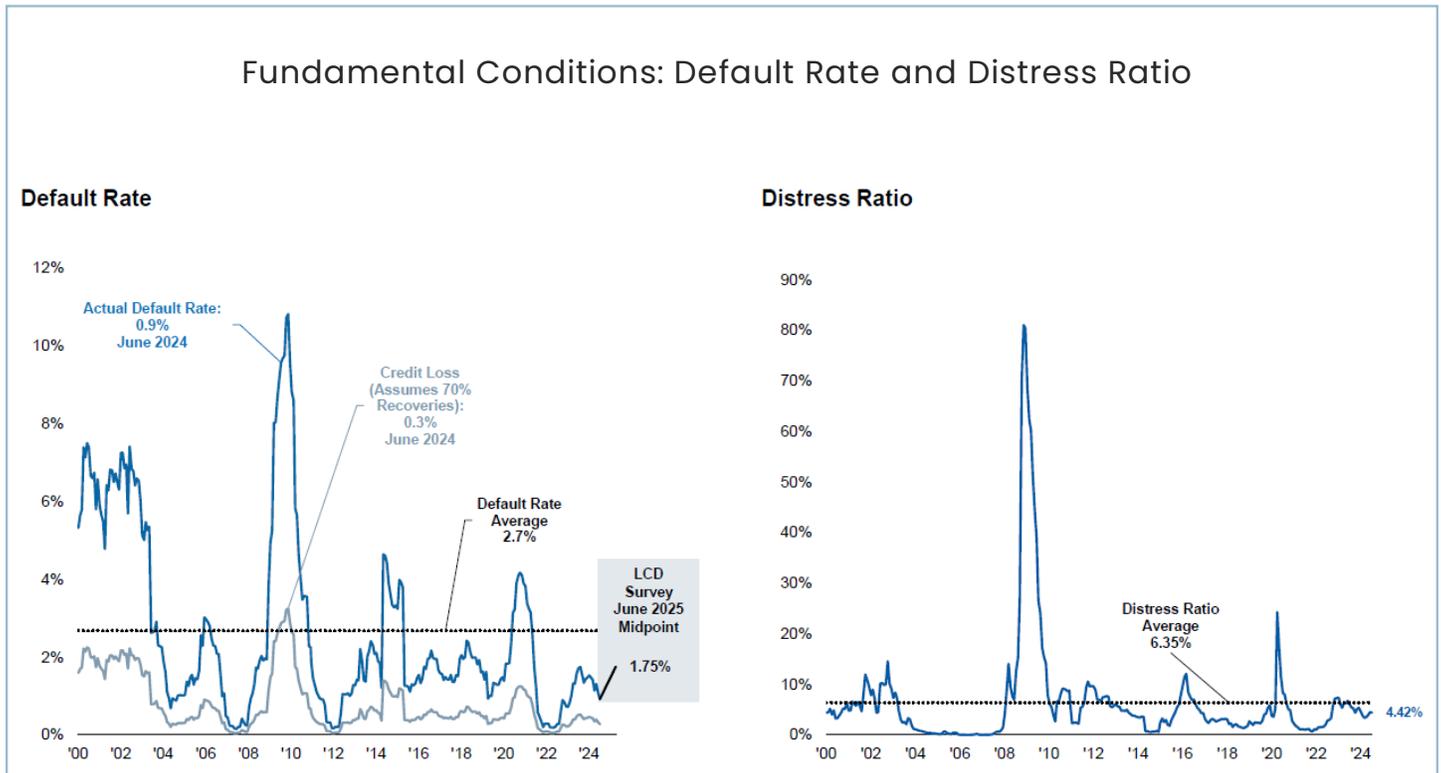
The combination of offering a higher yield, the lower credit quality of Floating Rate Loans and the rate resetting mechanism helps to allow the asset class to be less or negatively correlated to other fixed income asset classes as can be seen below:



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

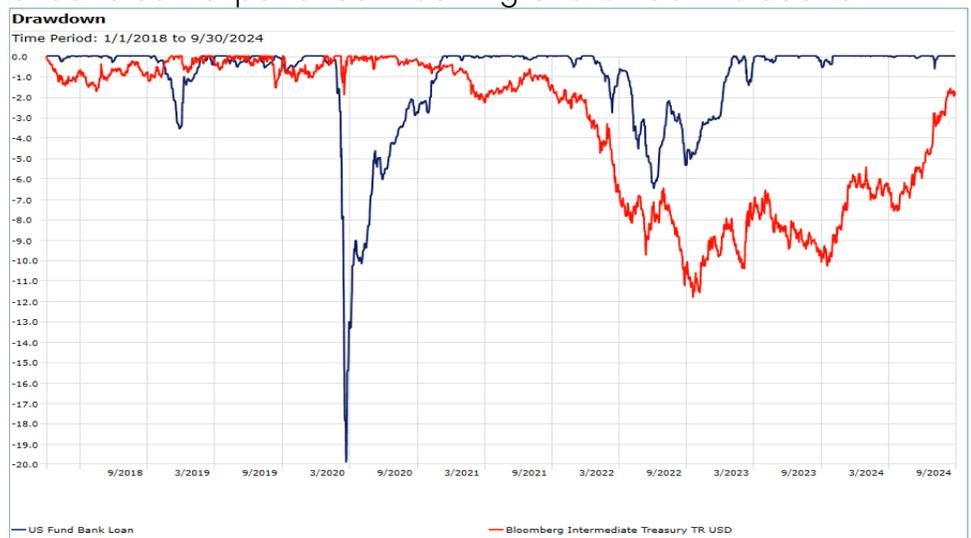
Floating Rate Loans are often referred to as “Senior Secured Loans”. The reason being is they sit higher up in the corporate capital structure, typically above high yield bonds as well as equity. In addition, the loans are secured by assets of the corporation in the event of a default. However, clearly 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:



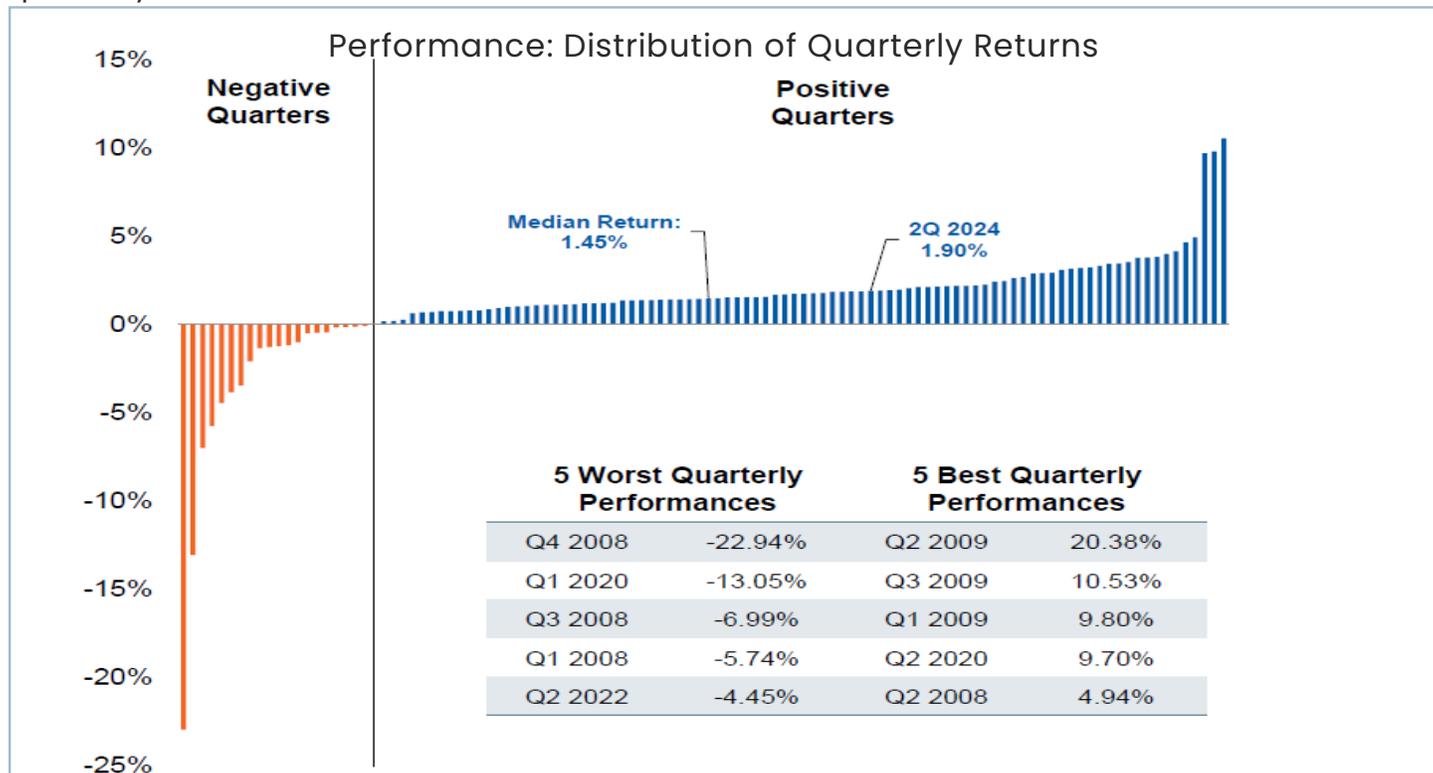
Source: LCD, an offering of S&P Global Market Intelligence, August 31, 2024. Past performance is not a reliable indicator of future results. All data reflects the Morningstar LSTA US Leveraged Loan 100 TR USD. Data provided is for informational use only. It is not possible to invest directly in an Index. 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

Fundamental Conditions: Default Rate and Distress Ratio 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, August 31, 2024. 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)

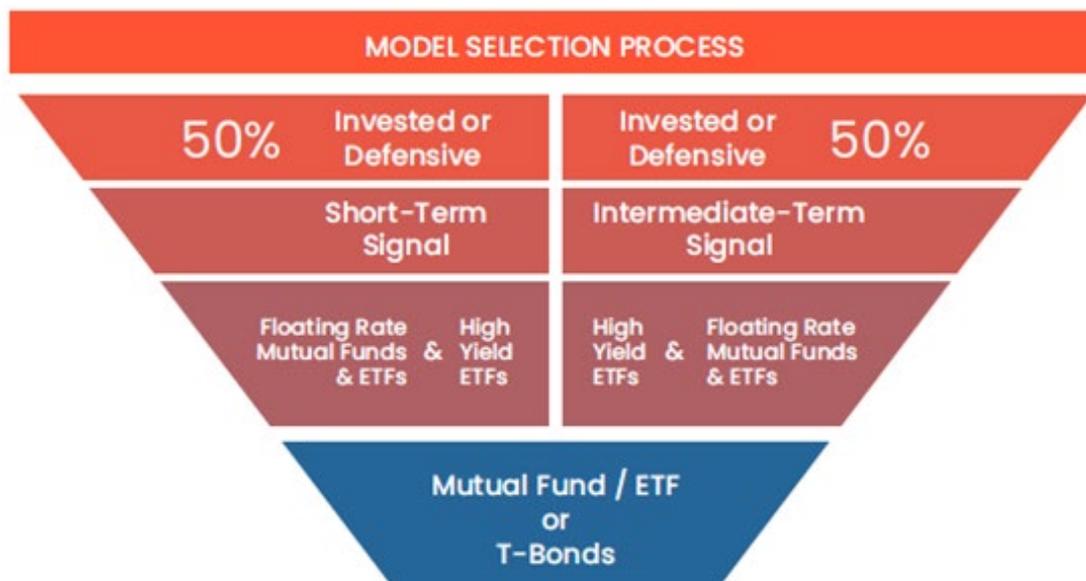
In order to capture the positive attributions that the Floating Rate Loan category can offer, we introduced the Donoghue Forlines Risk Managed Income Fund in December 2017, a risk managed strategy to attempt to provide downside risk management.

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 9/30/2024)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2018	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
2019	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
2020	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
2021	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
2022	(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)
2023	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
2024	0.42	0.72	0.77	0.10	0.72	0.20	0.83	0.83	0.65				5.69

Source: Morningstar Direct; Total, Monthly Return Series as of 9/30/2024 *Net of Fees. Composition Performance returns are annualized for the period January 1, 2018 through September 30, 2024. 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 September 30, 2024.



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

12/27/2017 - 9/30/2024 (Inception)				
	Donoghue Forlines Risk Managed Income I	Morningstar LSTA US LL100 TR USD	US Fund Bank Loan	US Fund Nontraditional Bond
Return	3.25	5.07	4.07	2.33
Std Dev	2.18	6.45	4.62	3.01
Max Drawdown	-4.40	-22.76	-19.88	-10.83
Alpha	0.82	2.70	1.67	-0.07
Beta	0.98	0.91	0.90	0.91
Up Capture Ratio	109.72	205.95	186.89	127.51
Down Capture Ratio	-406.52	196.79	624.39	811.09
Sharpe Ratio	0.50	0.59	0.52	-0.02
Sortino Ratio	0.53	0.66	0.53	-0.02
Best Month	2.46	3.56	3.62	2.41
Worst Month	-1.82	-8.30	-11.39	-7.23
Best Quarter	3.88	6.60	8.00	5.56
Worst Quarter	-3.11	-9.88	-12.45	-7.55

Source: Morningstar Direct; Time period: 12/27/2017 - 9/30/2024; Total, Daily Return, Calculation Benchmark: Mornignstar 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 higher short term interest rates, 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 may be suitable for investors seeking income and or total return.

FLOTX TRAILING RETURNS

Performance as of 9/30/2024 (Inception 12/27/2017)						
Fund Name	3M	YTD Return	1Y	3Y	5Y	Since Inception
Donoghue Forlines Risk Managed Income Fund (A Share)	2.69%	6.31%	9.93%	3.92%	3.68%	3.31%
Donoghue Forlines Risk Managed Income Fund With Load (A Share)	-2.46%	0.98%	4.47%	2.16%	2.62%	2.52%
Donoghue Forlines Risk Managed Income Fund (C Share)	2.10%	4.55%	7.61%	2.29%	2.39%	2.25%
Donoghue Forlines Risk Managed Income Fund (I Share)	2.33%	5.37%	8.70%	3.34%	3.42%	3.25%
Bloomberg U.S. Aggregate Bond Index	5.20%	4.45%	11.57%	-1.39%	0.33%	1.48%
US Fund Bank Loan	2.02%	6.12%	9.23%	5.15%	4.35%	4.04%

The maximum sales charge on the fund is 5.00% (Class A). 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,

Jeffrey R. Thompson

Chief Executive Officer

Portfolio Manager

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.

IMPORTANT RISK INFORMATION

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. Banking risks are defined as the possibility of loss that can arise due to various uncertainties. Interest rate risk is defined by the danger that the value of a bond or other fixed-income investment will suffer as a result of a change in interest rates. Junk Bond or High-Yield Bonds carry higher risk of default than other bonds, but pay higher returns.

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 Morningstar LSTA US Leveraged Loan Index** is a market-value weighted index designed to measure the performance of the US leveraged loan market. **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. **The Bloomberg U.S. Treasury Index** measures the performance of US Treasury (notes and bonds) which are US Agg eligible, i.e. maturities ≥ 1 year, min amount outstanding 250MM. **The Bloomberg US Mortgage Backed Securities (MBS) Index** is a market value-weighted index that measures the performance of mortgage-backed fixed income securities in the US. it is a component of the Bloomberg U.S. Bond Index and is a well-known benchmark for MBS Markets. **The Bloomberg US Corporate Index** measures the investment grade, fixed-rate, taxable corporate bond market. **The Bloomberg Municipal Index** measures the performance of the Bloomberg U.S. Municipal bond market, which covers the USD-denominated Long-Term tax-exempt bond market with four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. **JP Morgan EM Bond Index** is an unmanaged index that tracks total returns for dollar-denominated Brady Bonds, Eurobonds, traded loans and local market debt instruments issued by sovereign and quasi-sovereign entities of emerging markets countries. **The Bloomberg US Corporate High yield Bond Index** measures the USD-denominated, high-yield, fixed rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P) is Ba1/BB+/BB+ or below. **The Credit Suisse Institutional Leveraged Loan Index** tracks the performance of the US-demoninated leveraged loan market. the index is designed to mirror the investable universe of the market, which includes loans from both US and international borrowers. **The ICE BofA US High Yield Index** is an unmanaged index that tracks the performance of below investment grade corporate debt in the US. **The Bloomberg US Agency Index** measures the performance of the agency sector of the U.S. government bond market. **The Bloomberg Global Aggregate Bond Index** measures the performance of the global investment grade fixed-rate bond market. It includes bonds from governments, corporations, and other entities, such as mortgage-backed securities, asset-backed securities, and commercial mortgage-backed securities. **The S&P Leveraged Loan Index** is a market-value weighted index that tracks the performance of institutional leveraged loans. The index is updated daily and provides insights into market trends and movements.

The **Bloomberg HY 2% Issuer Capped Index** measures the USD-denominated, high-yield, fixed-rate corporate bond market and limits each issuer to 2% of the index

Definitions: **Default Rate:** percentage of loans that are written off by a lender after a borrower fails to make payments. **Distress Ratio:** the percentage of all corporate speculative-grades securities with market yields that are considered distressed. **Standard Deviation:** a statistical measurement that shows how much an investment's returns vary from its average, or mean. **Max Drawdown:** a metric that measures the largest percentage decline in an investment's value from its peak to its trough over a given period of time. **Alpha:** measures how well an investment outperforms a market benchmark or expected return. **Beta:** measures the volatility of an investment relative to the overall market. **Up Capture Ratio:** a statistical measure that evaluates how well an investment performs compared to a benchmark index during a bullish market. **Down Capture Ratio:** a statistical measure that compares an investment's performance to a benchmark index during negative market conditions. **Sharpe Ratio:** a financial metric that measures an investment's risk-adjusted performance. **Sortino Ratio:** measures an investment's risk-adjusted return by comparing its performance to its downside deviation, rather than its overall standard deviation. **Diversification Risk:** the risk that a portfolio is not truly diversified, meaning that all of the holdings in the portfolio rise and fall with the same types of macro events.

The views expressed are current as of the date of publication and are subject to change without notice. There can be no assurance that markets, sectors or regions will perform as expected. These views are not intended as investment, legal or tax advice. Investment advice should be customized to individual investors objectives and circumstances. Legal and tax advice should be sought from qualified attorneys and tax advisers as appropriate. Use of products, materials and services available through Donoghue Forlines may be subject to approval by your home office. All of the products or services described may not be available to you. Additional information on each strategy may be obtained by contacting the Donoghue Forlines team directly or by visiting www.DonoghueForlines.com.