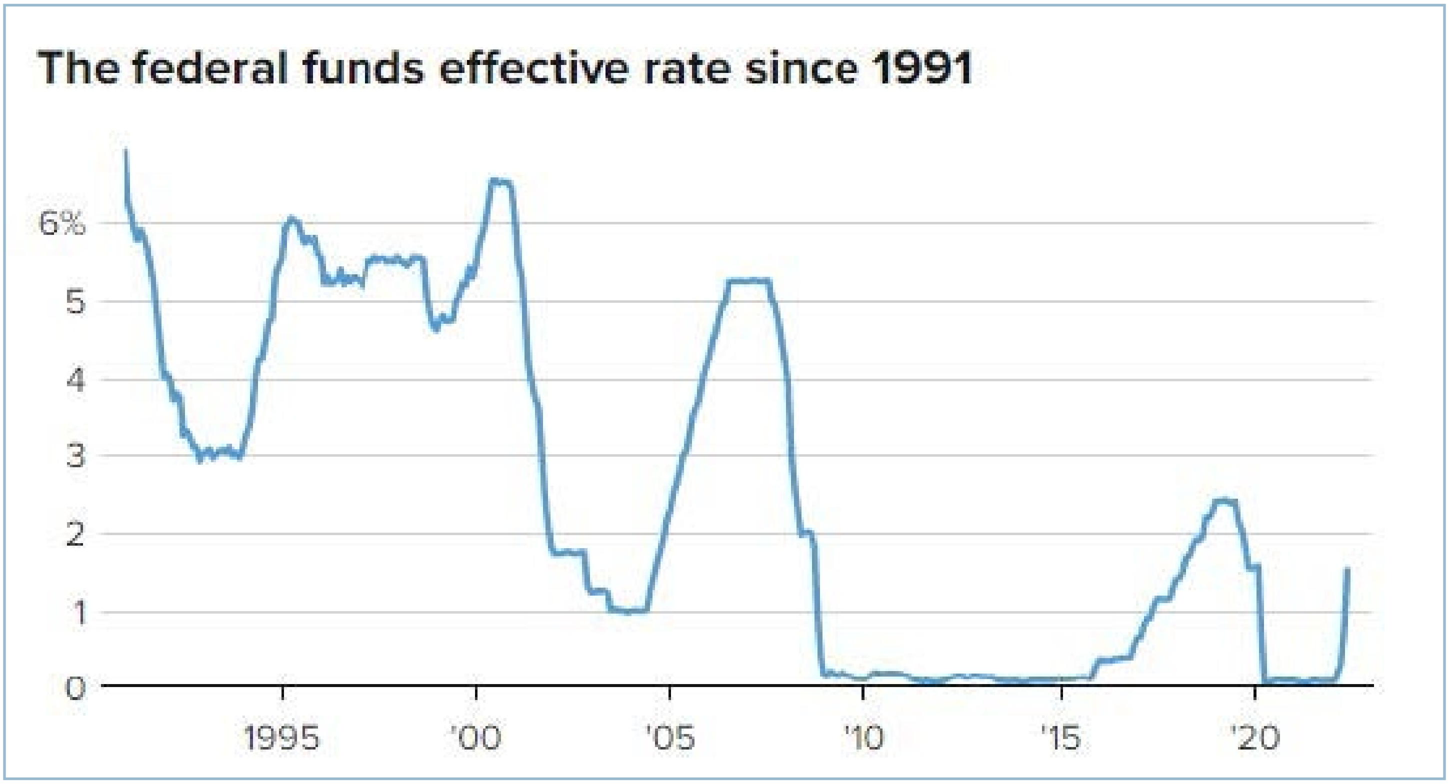
A Strategy for Today's Inflationary and Rising Rate Environment

Floating Rate Loans

TODAY'S INFLATIONARY AND RISING RATE ENVIRONMENT

It should come as no surprise to anyone that we are in an environment where inflation is a hot topic. One merely needs to go to the gas pump, pay heating bills or go to the grocery store to see evidence of price increases. The pandemic has brought on additional challenges such as supply chain constraints which are impacting the overall price of goods and services. In order to fight inflation and provide balance to the overall economy the Federal Reserve led by Jerome Powell is aggressively tightening monetary policy. The Federal Reserve just hiked short term rates by 75bps and signaled additional hikes ahead.



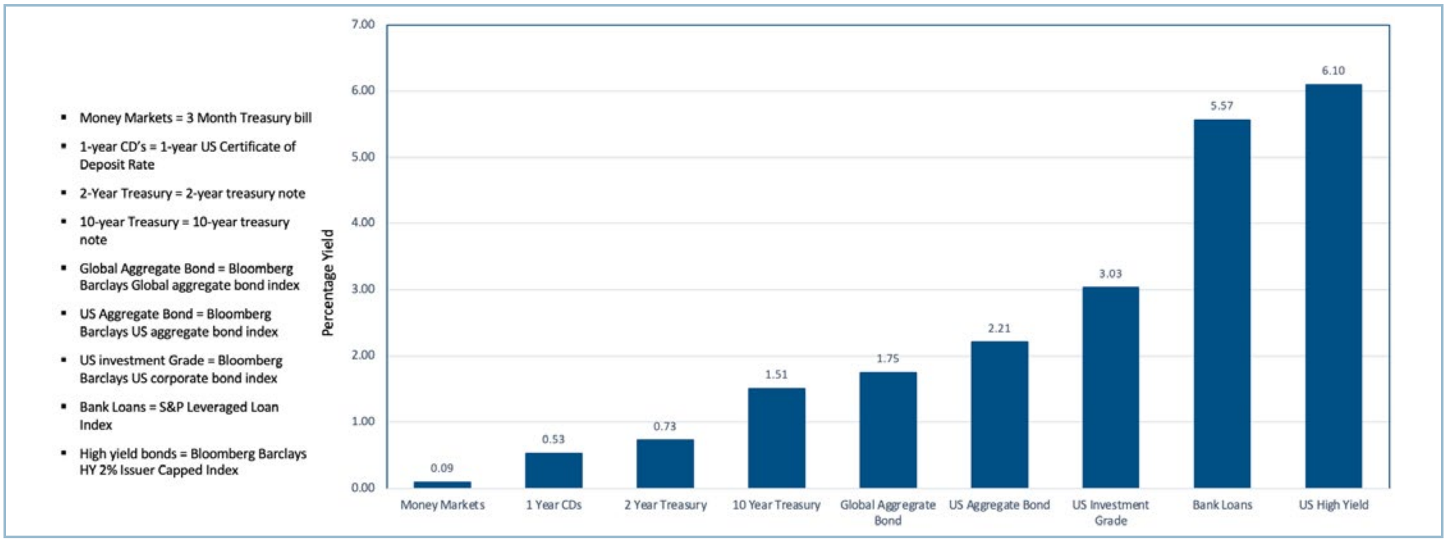
Source: CNBC

One of the greatest concerns for income investors is inflationary pressures resulting in rising interest rates and the potential negative impact on bond investments.

WHY FLOATING RATE LOANS?

1 Seek Attractive Yields

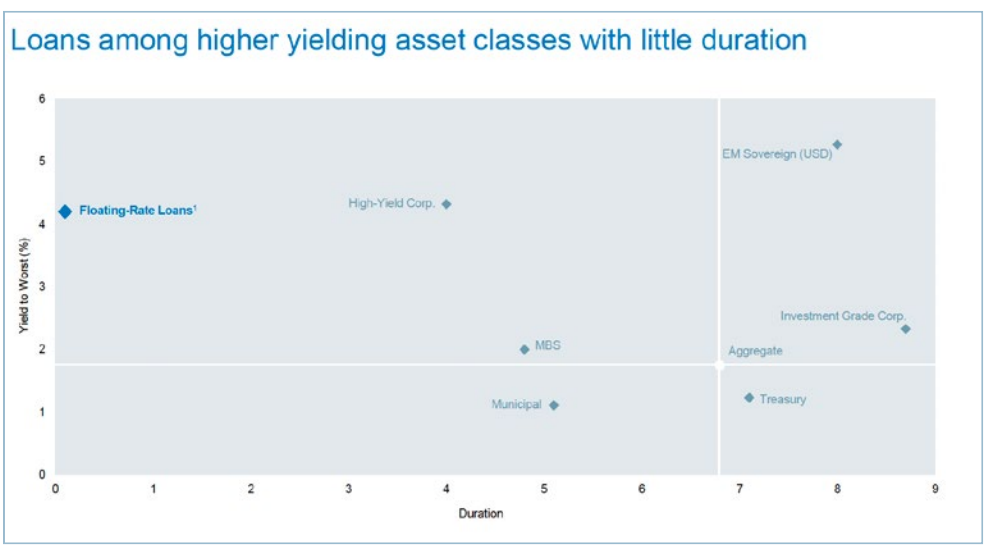
Floating Rate Loans (or Bank or Leveraged Loans) have historically paid attractive yields relative to other assets classes in the fixed income space. The loans are below investment grade which means they do carry credit risk. However, utilized properly in a portfolio they can be a strategic allocation. 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 12/31/2021; 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 Protect 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.

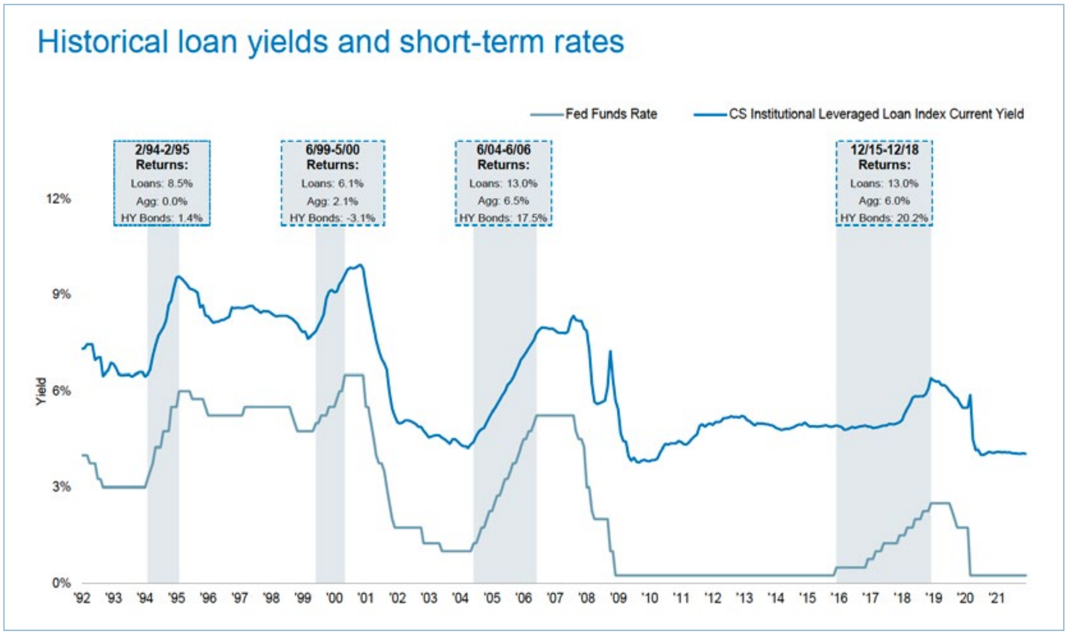


Sources: Eaton Vance, Bloomberg, JPMorgan, ICE Data Indices, LLC, and LCD, an offering of S&P Global Market Intelligence, December 31, 2021. Past performance is not a reliable indicator of future results. Data provided is for informational use only. It is not possible to invest directly in an Index. 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)

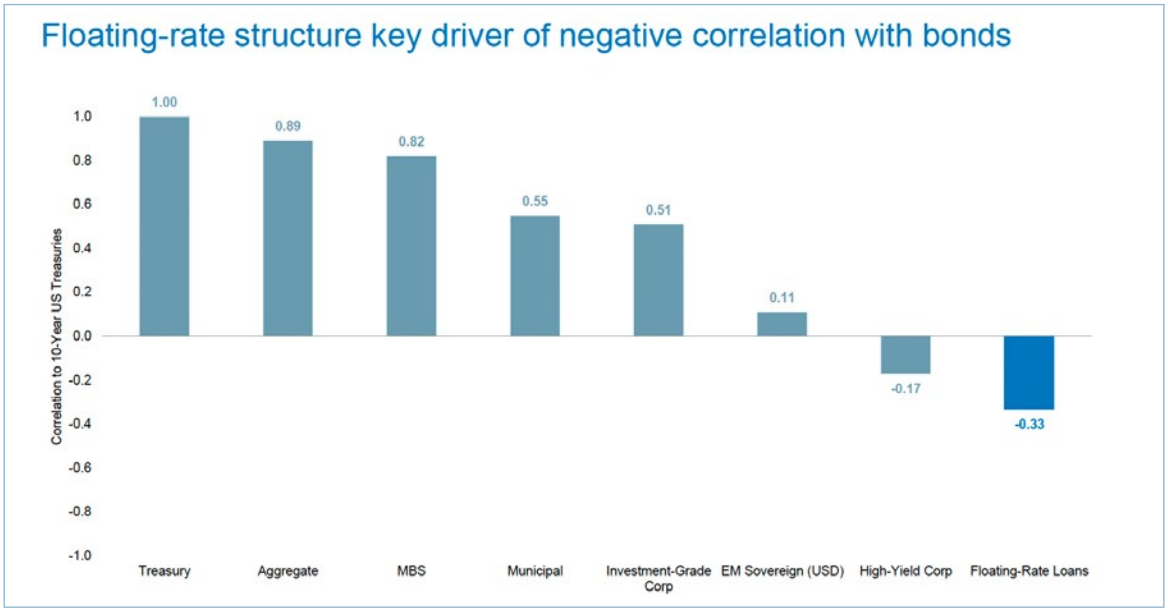
EM Sovereign (USD) represented by J.P. Morgan EM Bond Index (EMBI) Global Diversified Index. High-Yield Corp. represented by Bloomberg U.S. Corporate High Yield Index. Floating-Rate Loans represented by S&P/LSTA Leveraged Loan Index. 1Yield to maturity is shown for loans.

The asset class typically offers compelling yields to compensate for the credit risk and are reset frequently (30-60 days) off of a base rate which has been historically referred to as LIBOR. This reset functionality lends the asset class to be 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 aggregate bond index.

Sources: Eaton Vance, Credit Suisse, Federal Reserve Bank of St. Louis Economic Data (FRED), and Morningstar, December 31, 2021. 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 S&P/LSTA Leveraged Loan Index). Agg performance is represented by Bloomberg Barclays U.S. Aggregate Index. HY Bond performance is represented by ICE BofA US High Yield Index.



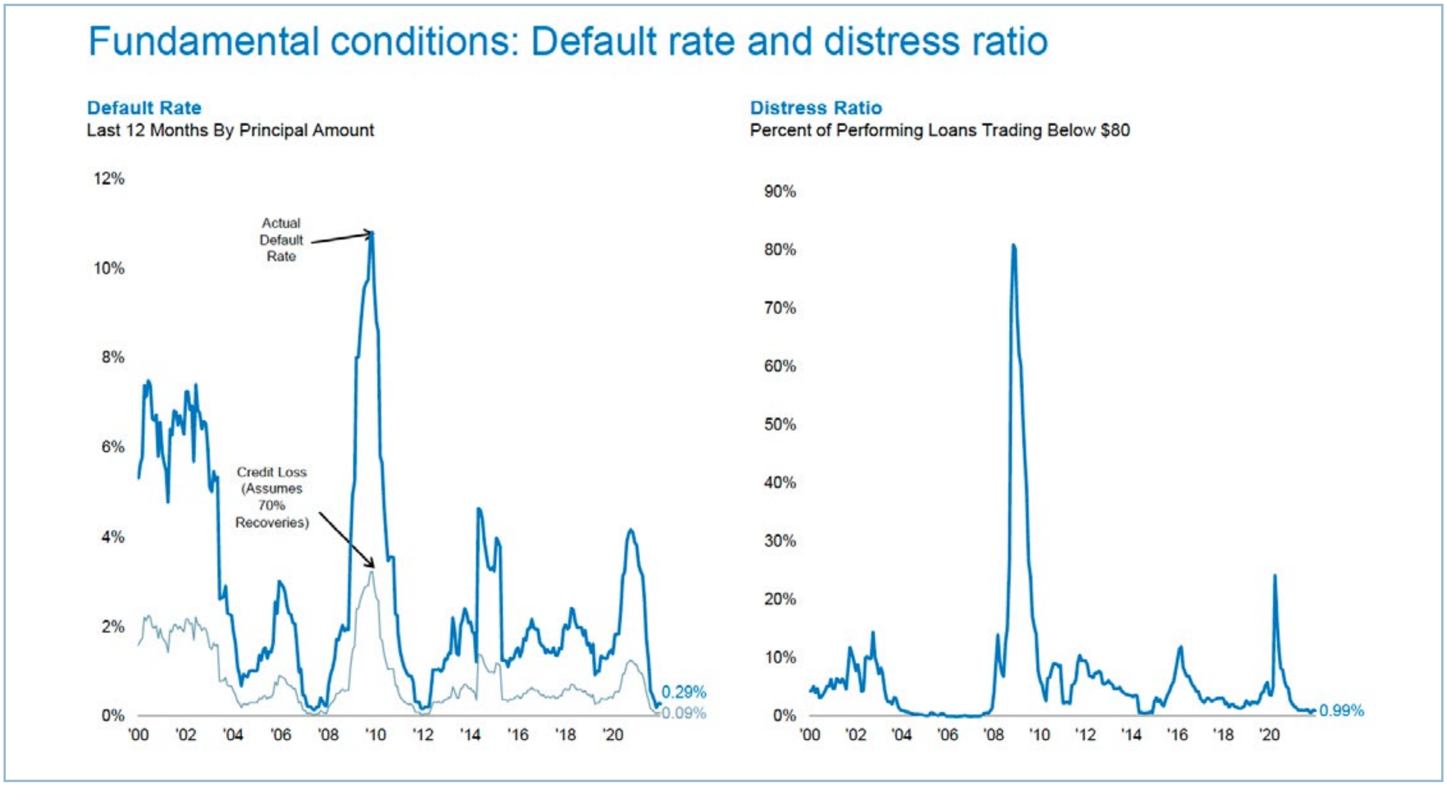
The combination of offering a higher yield, the lower credit quality of Floating Rate Loans and the rate resetting mechanism helps to allow the asset class to be less or negatively correlated to other fixed income asset classes as can be seen as follows:



Source: Morningstar, December 31, 2021. 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 S&P/LSTA Leveraged Loan Index.

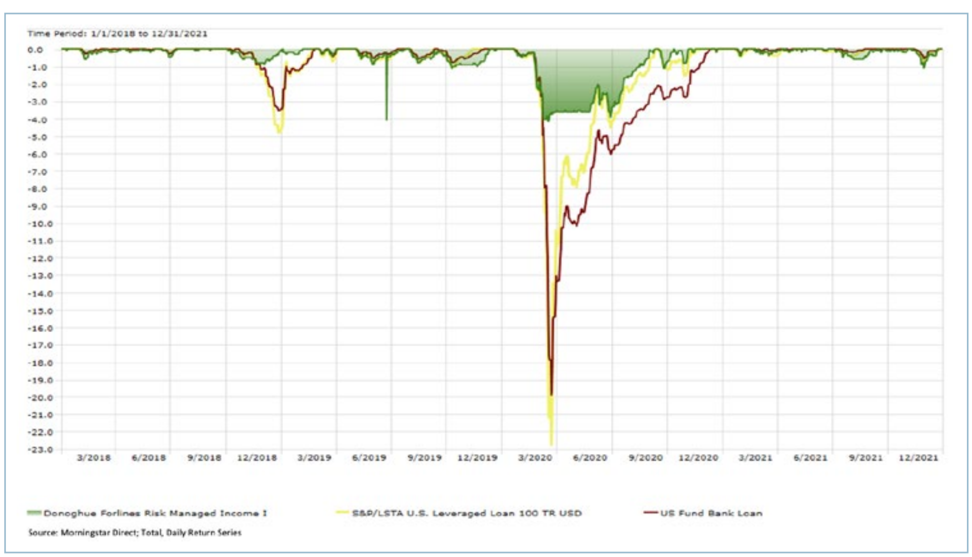
3 Floating Rate Loans Risk

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:

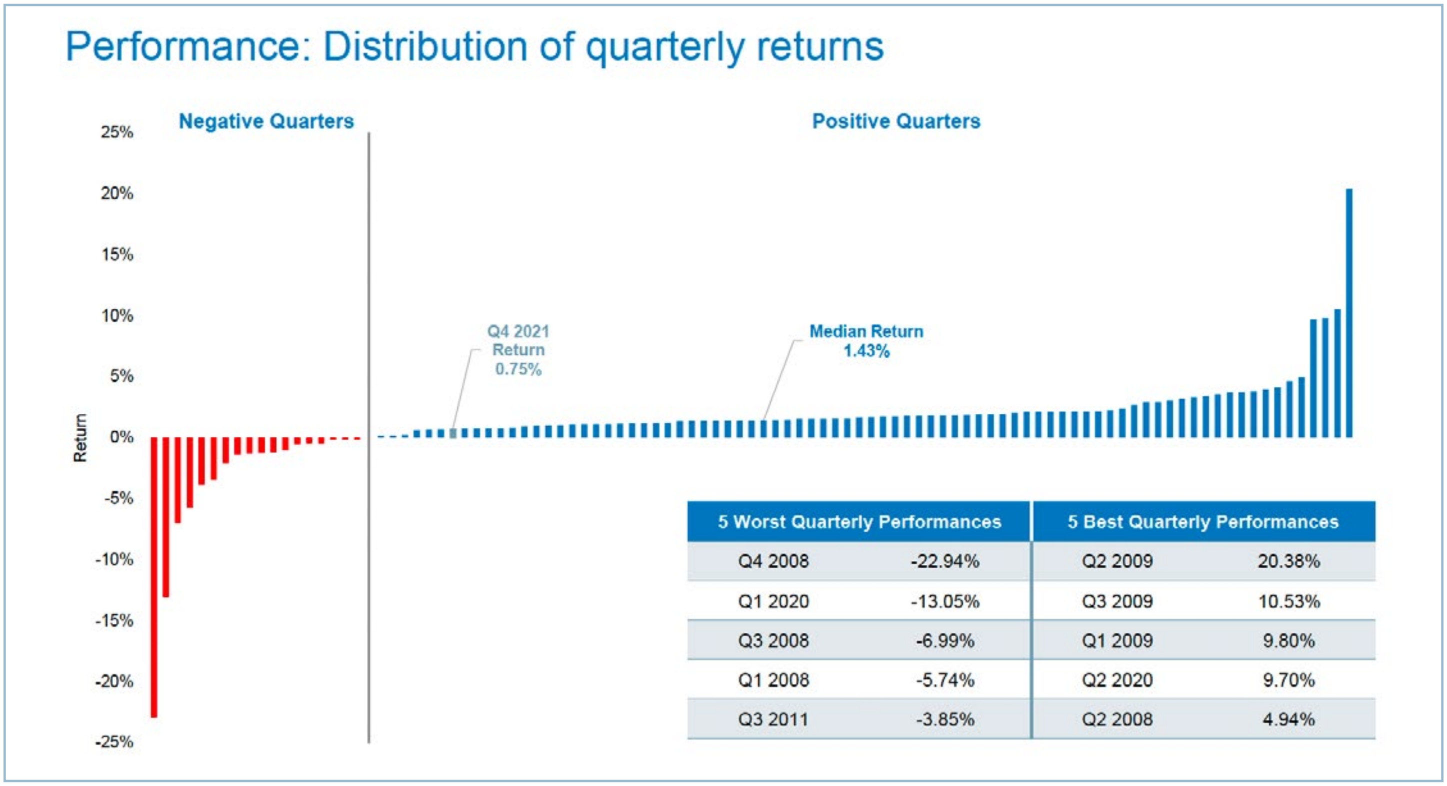


Source: LCD, an offering of S&P Global Market Intelligence, December 31, 2021. Past performance is not a reliable indicator of future results. All data reflects the S&P/LSTA Leveraged Loan Index. Data provided is for informational use only. It is not possible to invest directly in an Index. See end of 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 offer:



Generally speaking, the Floating Rate Loan category offers relatively low volatility or standard deviations relative to other fixed income categories. However, as previously expressed there can be environments where the asset class experiences deep drawdowns. On the contrary, 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:



5 Worst Quarterly Performances		5 Best Quarterly Performances	
Q4 2008	-22.94%	Q2 2009	20.38%
Q1 2020	-13.05%	Q3 2009	10.53%
Q3 2008	-6.99%	Q1 2009	9.80%
Q1 2008	-5.74%	Q2 2020	9.70%
Q3 2011	-3.85%	Q2 2008	4.94%

Source: LCD, an offering of S&P Global Market Intelligence, December 31, 2021. Past performance is not a reliable indicator of future results. Performance measures all quarterly returns of the S&P/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.

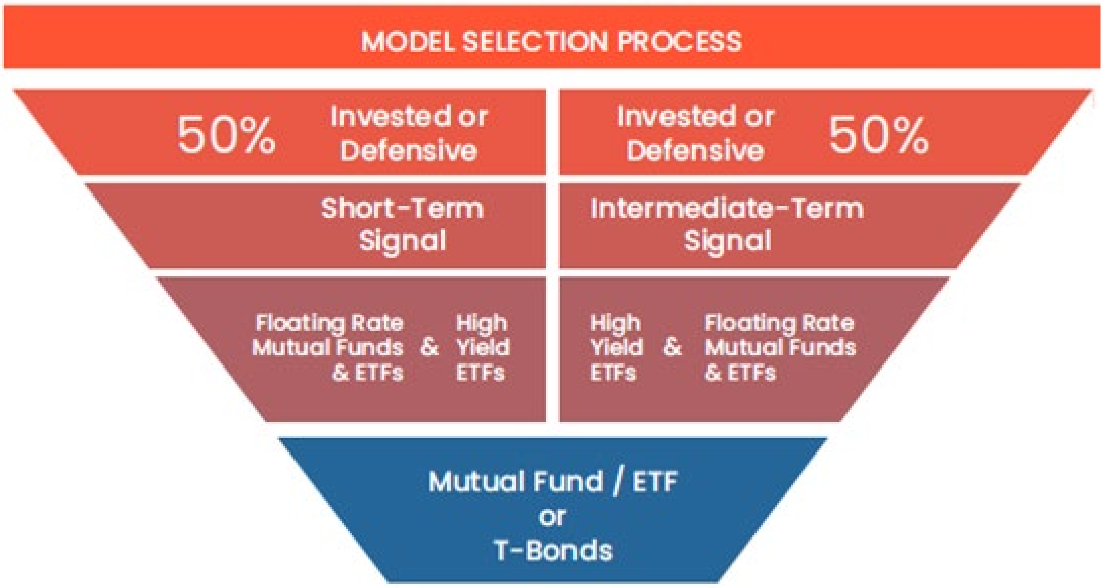
Donoghue Forlines Risk Managed Income Fund (FLOTX)

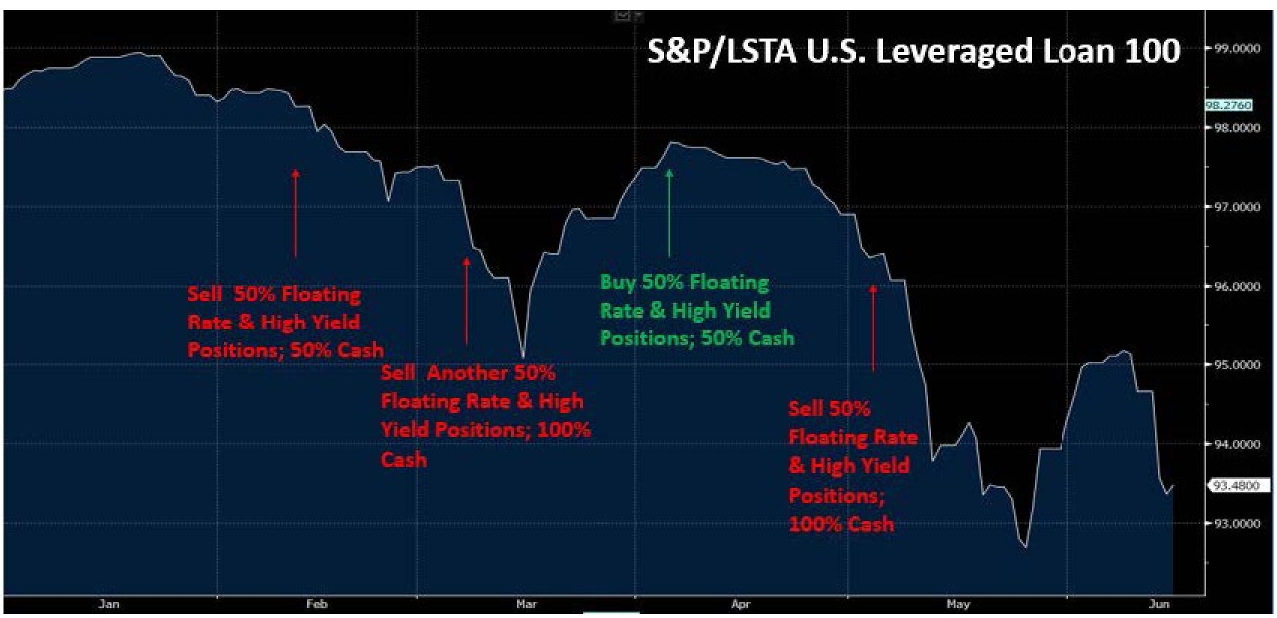
In order to capture the positive attributions that the Floating Rate Loan category can offer, we introduced the Donoghue Forlines Risk Managed Allocation Fund in December 2017, a risk managed strategy to attempt to provide downside protection.

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.

- 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.





Source: Bloomberg (12/31/2021 - 6/15/2022)

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 no meaningful drawdown experiences.

Since inception, as is depicted below, the strategy has been successful in mitigating volatility as 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 5/31/2022)

	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)								(2.25)

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

Trailing 3-Year Statistic				
	Donoghue Forlines Risk Managed Income I	S&P/LSTA US Leveraged Loan 100 TR USD	US Fund Bank Loan	S&P/LSTA Leverage Loan TR
Return	1.91	2.42	1.48	2.91
Std Dev	3.01	6.51	7.86	8.61
Max Drawdown	-3.30	-10.08	-12.71	-13.53
Alpha	0.85	0.05	-1.24	0.00
Beta	0.19	0.73	0.91	1.00
Up Capture Ratio	44.19	82.73	82.38	100.00
Down Capture Ratio	34.55	82.82	97.09	100.00
Sharpe Ratio	0.44	0.31	0.15	0.31
Sortino Ratio	0.75	0.39	0.17	0.36
Best Month	2.46	3.43	3.62	4.50
Worst Month	-1.82	-8.30	-11.39	-12.37
Best Quarter	3.88	6.60	8.00	9.70
Worst Quarter	-3.11	-9.88	-12.45	-13.05

Source: Morningstar Direct; Time period: 6/1/2019 ??5/31/2022; Total, Daily Return, Calculation Benchmark: S&P/LSTA Leveraged loan TR

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 Bonds. The ongoing economic recovery and rising inflation expectations may likely be a tailwind for the asset class in 2022. 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 for the fixed income portion of an overall asset allocation portfolio and is suitable for investors seeking income and or a total return.

FLOTX TRAILING RETURNS

PERFORMANCE as of 3/31/2022					
Fund Name	3M	YTD Return	1Y	3Y	Since Inception (12/27/2017)
Risk Managed Income Fund A	-1.63%	-1.63%	-0.39%	2.16%	2.18%
Risk Managed Income Fund A With Load	-6.53%	-6.53%	-5.36%	0.43%	0.95%
Risk Managed Income Fund C*	-1.70%	-1.70%	-1.10%	1.43%	1.56%
Risk Managed Fund I	-1.46%	-1.46%	-0.15%	2.43%	2.53%
S&P/LSTA US Leveraged Loan 100 Index	-0.18%	-0.18%	2.30%	3.81%	-

The maximum sales charge on the fund is 5.00%. 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. The Fund's total annual operating expenses is 2.04% for Class A shares, 2.79% for Class C shares, and 1.79% for Class I shares. The Fund's adviser has contractually agreed to reduce its fees and/or reimburse expenses to ensure that Total Annual Fund Operating Expenses (exclusive of acquired fund fees and expenses) will not exceed 2.25% (Class A), 3.00% (Class C), and 2.00% (Class I) at least until October 31, 2022. Please review the fund's prospectus for more information regarding the fund's fees and expenses. 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

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.

S&P/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 S&P/ 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.

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