

### Counterpoint Tactical Income Fund Update

The Fund is currently positioned in a “risk-on” manner, holding exposure to high yield bonds. The high yield market began to rebound in mid-February, supported by strength in crude oil prices. While the outlook for crude oil remains uncertain, much of the past year’s energy disaster has been priced into the most distressed areas of the high yield market. The recent bounce from approximately \$26 in WTI crude to the \$35-\$45 range has at least temporarily satisfied market participants that the sky is no longer falling.

We will remain vigilant for adverse developments that may affect our position going forward.

### Counterpoint Tactical Equity Fund Update

The Fund is currently positioned in a “risk-on” manner, as the global equity indices have shown technical strength. Much of this strength has been supported by the more timid Federal Reserve, which has fostered expectations for 1-2 rate hikes this year instead of the 3-4 previously forecast. Likewise, the dollar has recently faltered, catalyzing particular strength in emerging markets. This recent correction in the dollar will bode well for earnings of U.S. based multinationals that depend on income from foreign sources.

Factor returns from March 2016 until present have broadly seen a reversal of what has been working the last few years. High volatility companies have dramatically outperformed from March to present, despite longer term underperformance (see below charted trailing twelve month period return (TTM), in volatility measures) and fundamental underpinnings that provide better returns to lower volatility stocks.

Meanwhile, most long-term “good” investible factor measures (displayed below as Factor style categories) such as analyst expectations, growth, earnings quality, price momentum, capital efficiency, and valuation have seen the March to present period yield a performance reversion relative to historical norms. An obvious example has been oil-related firms, which despite having negative factor exposure – poor profitability, high short interest, negative price momentum, etc. – have performed well of late as oil prices have rebounded. During the first week in March, the average top quintile volatility Russell 2000 energy firm’s price *rose more than 80%*! Such shakeouts in factor returns are a regular but infrequent historical occurrence, often catalyzed by rebounds following market selloffs.

#### Factor Returns: Russell 2000 Quintile 1 minus Quintile 5 Return Spread

| Factor               | MTD    | Mar 16 | Feb 16 | Jan 16  | Dec 15 | Nov 15 | Oct 15 | Sep 15  | Aug 15 | Jul 15 | Jun 15 | May 15 | Apr 15 | QTD    | YTD    | TTM     |
|----------------------|--------|--------|--------|---------|--------|--------|--------|---------|--------|--------|--------|--------|--------|--------|--------|---------|
| Volatility           | 7.20   | 11.08  | (0.93) | (18.88) | (4.23) | 1.08   | 3.34   | (16.09) | (1.45) | (9.24) | (2.59) | 0.02   | 4.13   | 7.20   | (4.31) | (32.01) |
| Size                 | 4.75   | 2.02   | (5.19) | (5.94)  | 0.86   | 2.90   | 1.50   | (3.38)  | 1.27   | (2.69) | 2.54   | (1.04) | 1.45   | 4.75   | (4.69) | (6.04)  |
| Analyst Expectations | (0.27) | (1.77) | (1.51) | (0.47)  | (1.25) | 1.06   | (2.48) | 1.93    | (2.03) | 3.20   | 1.90   | 2.76   | (1.39) | (0.27) | (3.96) | (0.27)  |
| Historical Growth    | (1.06) | (2.60) | (0.86) | 2.96    | (0.49) | (2.81) | (0.97) | 3.99    | (0.74) | 3.64   | 1.87   | (1.86) | (1.37) | (1.06) | (1.63) | 0.45    |
| Earnings Quality     | (1.20) | (4.18) | (0.15) | 5.60    | 0.58   | (0.06) | (0.11) | 5.73    | (0.11) | 1.15   | 1.21   | (1.45) | (0.97) | (1.20) | (0.18) | 7.04    |
| Price Momentum       | (2.40) | (4.41) | (1.95) | 3.37    | 2.43   | 2.42   | (2.65) | 6.58    | (0.84) | 2.41   | (1.58) | 7.00   | (2.44) | (2.40) | (5.45) | 10.01   |
| Capital Efficiency   | (3.08) | (6.64) | 1.72   | 9.55    | 1.36   | 0.54   | (0.48) | 6.23    | 0.20   | 3.70   | 3.58   | (0.92) | (1.09) | (3.08) | 0.83   | 18.22   |
| Valuation            | (4.41) | (1.41) | 6.58   | 11.59   | 1.57   | (1.48) | (0.06) | 6.17    | 3.66   | 1.07   | 0.84   | (1.60) | 1.75   | (4.41) | 12.09  | 31.70   |

Source: S&P Capital IQ (April 14th, 2016)

As a reminder, Counterpoint Tactical Equity invests in stocks which have exposure to multiple anomaly factors. A summary of returns from several individual factors styles, some of which Counterpoint Tactical Equity uses in its stock selection, is provided by S&P Capital IQ.

## Definitions

**Return Spread** is the difference between the top quintile and bottom quintile returns, seeking to eliminate the broad market return to show performance on a factor. **Size** is a blend of returns to market capitalization and total revenues. Top quintile represents highest market capitalization and revenues. **Price Momentum** is a combination of momentum factors (i.e. recent 12 month return, five day returns, nine month returns). Top quintile represents stocks that have had the best recent performance. **Volatility** is blend of factors to total standard deviation in annual and recent month periods as well as beta to the broad market. Top quintile represents highest volatility stocks. **Analyst Expectations** represents factors such as realized earnings surprise versus expectations measures, and estimate diffusion (the net change in analyst expectations of earnings results). Top quintile represents the blend of signals that signify positive developments for companies relative to baseline expectation. **Capital Efficiency** refers to a firm's ability to deliver excess returns relative to its cost of capital. A blend of ratios such as return on equity, return on invested capital, and share issuance. Top quintile signifies companies that excel in these measures relative to the rest of the market. **Valuation** factors are variety of metrics such as book to market, earnings to price, sales to price, and cashflow to price. Top quintile represents stocks which excel in these measures. **Earnings Quality** represents measures that describe the quality of earnings including net profit margin and stability of net income. Top quintile represents stocks which excel in these measures.

Past performance is no guarantee of future results. There is no assurance the Fund will meet its stated objective. Investors should carefully consider the investment objectives, risks, charges and expenses of the Counterpoint Tactical Equity Fund and Counterpoint Tactical Income Fund.

**This and other important information about the Fund is contained in the prospectus, which can be obtained at [counterpointmutualfunds.com](http://counterpointmutualfunds.com) or by calling [844-273-8637](tel:844-273-8637). The prospectus should be read carefully before investing. The Counterpoint Tactical Equity Fund and Counterpoint Tactical Income Fund are distributed by Northern Lights Distributors, LLC member FINRA/SIPC.**

4286-NLD-4/19/2016