Fund Commentary

Fourth Quarter 2013

Jonathan A. Fiebach, Chief Investment Officer

2013 Recap

The Navigator Duration Neutral Bond Fund was able to take advantage of value gyrations within the fourth quarter to post a 2.08%[1] return since the Fund's inception on 9/23/13 compared to a .61% return for the Barclay Municipal Bond Index (BMI) and a .27% for the Barclay U.S. Aggregate Bond Market Index (AGG). For the calendar year, the BMI posted a loss of 2.55% compared to a negative 2.02% return for the AGG[2].

Looking back on 2013, I believe the Municipal Bond Market was 2 for 3 on big issues. The major strike was on issuer credibility, mainly due to Detroit's default and Puerto Rico's inability to find liquidity in the securitized marketplace. The two big wins for the market were on legislative issues in Congress. (We discuss all three issues below).

The idea that municipal bonds are a good investment is regaining popularity, and yet there are still a multitude of opportunities arising from the fear of rising rates and credit deterioration. Puerto Rico's credit and liquidity situation remains volatile and is the first "big issue" we see for 2014. I expect Puerto Rico to be downgraded to junk category ratings during 2014 and I also expect that Puerto Rico will find a way to "kick the can down the road" and not address their macro problem of excessive debt in the coming year. The news will ebb and flow and I remain with my conviction that Puerto Rico does not belong in the municipal bond asset class. (See more below).

"Your typical city involved in a typical daydream
Hang it up and see what tomorrow brings"

From Truckin' by the Grateful Dead

In the most widely followed municipal bond story in years, Detroit has been granted the ability to proceed with a federal bankruptcy filing. I think it is great news for all stake holders that the mess in Detroit, which has been brewing for decades, will finally be sorted out in federal court. Detroit needs a fresh start and ten years from now we hope to look back on a successful city plan with growing industry and financial strength. Detroit bonds have paid interest rates well above the highest quality municipal bonds for the last twenty years, providing significant extra income over less risky securities. If long term investors in Detroit reconcile the fact they received this extra income against the idea that they are not likely to get back $100 cents on the dollar they may find they still did okay in the long run. The real shame of the situation in Detroit is that there was no good planning for bankruptcy by the city or state, which will lead to large legal bills and a long drawn out recovery process. The lesson I expect that will come out of Detroit's default is that municipalities need better plans for credit deterioration and cannot wait until there are no more lenders.

"Chicago, New York, Detroit and it's all on the same street"

From Truckin' by the Grateful Dead

Continuing with our Grateful Dead theme, the most important question for municipal bond investors to consider going forward is: Are there more situations like Detroit out there? While I have been bearish on debt issued by most large cities for quite some time, I can occasionally find some value now. Detroit has caused a scare resulting in credit spread widening for the debt of many cities — the nation's largest cities have been hit especially hard. However, to answer the question: I do not think U.S. cities are "all on the same street." My opinion is that Detroit's default is neither a sign that all cities are going to default, nor is it a sign that city debt has hit bottom in terms of relative performance. There will likely continue to be important questions that need to be answered, and I am not ready to say debt of all cities is a buy. I still believe credit spreads for most cities remains too tight to debt issued by counties and states. Investors recently seem to be categorizing debt by rating and not by purpose. I continue to emphasize that a state or a county with a given bond rating is much stronger quality debt than a city with the same rating.

Furthermore, I expect more cities to encounter problems (though not as well publicized as Detroit); I need only to look down the road to Atlantic City as an example of a city I think is facing financial stress but still has access to the market with an "A" category bond rating. And yet, there are finally some signs of opportunity as well. Just 60 miles from Atlantic City, my home town, Philadelphia, was recently upgraded and I think it is fairly likely to continue to trend towards credit strength. Some of the financial strength in Philadelphia is likely associated with casino-related revenue that has shifted from Atlantic City, but it is most certainly not the only area of strength and fiscal resolve under Mayor Nutter. Of particular interest to me, Philadelphia is currently taking proposals to sell the Philadelphia Gas Works (PGW), which could net the city approximately $500 million in cash (after paying off the debt), that the mayor says he will use to shore up the pension funds. I put the odds of a deal at better than 50-50. The Fund currently holds PGW bonds and it is my opinion that PGW bonds (rated Baa2/ BBB+) represent an under-valued investment, with the potential for large upside in the event there is a completed sale and privatization.

In summary, I remain cautious, but am hopeful there will be some opportunity for our style of value investing in debt issued at the city level and I do not expect the problems of U.S. cities to roll up to the county or state level. Yet, we also believe many U.S. cities still have significant stress ahead.

Taxes, Municipal Bonds, and Fear

This time last year the municipal market was extremely concerned with the Fiscal Cliff, and specifically what Congress might do with the tax treatment of municipal interest income in a desperate attempt to increase revenue. A full year later, it appears the municipal bond market may have come out of Congress as the biggest winner of all. Tax advantages for municipal bonds were all kept in place, and tax rates have increased on virtually every other type of income. So why then do municipal bonds remain so cheap when compared to treasury bonds or corporate bonds? The answer to me clearly is: fear. The first and most obvious fear is that of rising interest rates. Mutual fund redemptions, which causes forced selling, is probably the primary factor we can point to as to why the municipal bond market offers such great relative value. It is not just the redemptions themselves that allows the market to stay cheap, it is also the destruction of morale on trading desks due to the constant need for liquidity from the mutual fund sector. This fear is not likely to go away any time soon, though it will vary as rates rise and fall. Adding to this dilemma, there are very few municipal bond investment choices that do not include an interest rate risk. There is also the fear that comes from the very well publicized situation in Puerto Rico. For reasons I do not fully understand, the debt of Puerto Rico is categorized as U.S. municipal bond debt. I have never felt comfortable with this analysis, and it seems it would fit more appropriately in a category of debt that acknowledges the risks of their standing as a territory, which I do not think is comparable to debt of a state. As is often the case with poorly defined relationships of any sort, the best I can say about the situation between Puerto Rico and the U.S. government is: "it's complicated." Regardless of my opinion, the powers that create these categories have placed Puerto Rico firmly in the U.S. municipal market. Puerto Rico is experiencing rapidly declining credit quality[3], which I believe indicates a reasonable likelihood of debt restructuring at some point in the future. A quick, prepackaged resolution would be great, but more likely Puerto Rico will kick the can down the road with temporary solutions and not face the fact that they just have too much debt that they will never be able to fully pay off without significant improvements in the local economy.

[1]Gemini Fund Services, LLC [2]Barclay performance data from Barclays Live (live.barcap.com) [3]Forbes, 1/3/2014

Investors should carefully consider the investment objectives, risks, charges and expenses of the Navigator Duration Neutral Bond Fund. This and other important information about the Fund is contained in the prospectus, which can be obtained by calling 800.766.2264 or from the website www.navigatorfund.com. The prospectus should be read carefully before investing. The Navigator Duration Neutral Bond Fund is distributed by Northern Lights Distributors, LLC, member FINRA.

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Puerto Rico bonds are widely held by mutual funds and individual investors that buy Puerto Rico because they think municipal bonds are generally pretty safe. The fear of a Puerto Rico default certainly does not help the marketplace, even if people like me think Puerto Rico debt is about as dissimilar as possible to the quality of debt from any of the States. So we are left with a market of fear and opportunity. If investors are willing to dump all municipal bonds because of macro fear, we will continue to focus investments microscopically on the highest quality part of the market. Though I do not think investor fears will turn to confidence any time soon, I do expect there will continue to be plenty of opportunity for shifts in value that we can take advantage of by continuing to buy and sell within our system of interest rate neutral investing.

Volker Rule

The Volker rule, part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, originally proposed drastic reduction in the ability of banks to invest in municipal bonds for their own portfolio. Again, as with tax reform, strike another big win for the municipal bond market. At what seemed like the very last minute, in a surprise to most, municipals were left untouched, allowing banks to continue to invest in municipals without much restriction on capital. In fact, municipal bonds remain one of the few asset classes that banks are allowed to trade proprietarily, allowing me some brief optimism that maybe we will get an influx of new bank participants into the municipal market.

Passing the Baton at the Fed

Janet Yellen becomes the new Chair of the Federal Reserve in January, taking over from Ben Bernanke who served since 2006. I see no major change in attitude with this switch. The Fed already seems as if it is under joint leadership with Bernanke telling us that Yellen agreed with the decision to begin to scale back, or "taper," its open market bond purchase operations. Interestingly, but not surprisingly, the Federal Reserve's statement that informed us that they would taper also mentioned that they intend to keep their short term interest rate close to 0% for an extended period of time. So while long term bond prices are declining as yields are slowly increasing, money market rates will most likely remain close to zero for quite some time.

The yield curve has started to shift as investors anticipate a bond market without Fed support but with an improving economy and stagnant consumer prices indices. As investors gain conviction that the Fed is on the right path, market experts generally expect the yield curve will flatten, especially between five year rates and thirty year rates. Market prognosticators seem equally concerned that the Fed is taking its foot off the gas too soon and worry deflation will ensue, as they are concerned that the Fed stayed aggressive too long, which may create inflation in the future. We also remind ourselves that there is a third option: The Fed got it right and we will just have a year with very low volatility. As always, we remain neutral and will watch the scenario play out, constantly reminding ourselves and our investors that rates are unpredictable and that performance at any point on the yield curve can vary, at times quite dramatically. At the end of each day we are happy with our interest rate neutral mandate to choose undervalued securities and thankful we do not bet on rate changes.

visor Team

Clark Capital Management Group, Inc.

Founded in 1986, Clark Capital is an independent employee-owned investment advisory firm, managing over $2.6B* in client assets and based in Philadelphia, PA. Clark Capital is focused on both long only and innovative risk management strategies, with a goal of successful capital preservation.

* As of 12/31/2013

Chief Investment Officer

K. Sean Clark, CFA®
Years Experience: 20

Sub Advisory Team

Main Point Advisors Inc.

Main Point Advisors Inc. is a registered investment adviser under the Investment Advisers Act of 1940. The company was founded in 2013 to manage the Navigator Duration Neutral Bond Fund and is based in Philadelphia, PA.

Chief Investment Officer

Jonathan A. Fiebach
Years Experience: 27

Navigator® Duration Neutral Bond Fund

Fund Commentary

Fourth Quarter 2013

Average Annual Returns Through 12/31/2013

Navigator Duration Neutral Bond Fund Class A

	One Year	Three Years	Five Years	Since Inception
Without Sales Load	N/A	N/A	N/A	2.00%
With 3.75% Sales Load	N/A	N/A	N/A	–1.83%

Navigator Duration Neutral Bond Fund Class C

One Year	Three Years	Five Years	Since Inception
N/A	N/A	N/A	2.00%

Navigator Duration Neutral Bond Fund Class I

One Year	Three Years	Five Years	Since Inception
N/A	N/A	N/A	2.08%

Barclays Municipal Bond Index

One Year	Three Years	Five Years	Since Inception
–2.55%	4.83%	5.89%	0.61%

Disclosures

Past performance is not a guarantee of future results. All investments are subject to risk, including the loss of principal. This communication does not constitute investment advice and is for informational purposes only, is not intended to meet the objectives or suitability requirements of any specific individual or account, and does not provide a guarantee that the investment objective will be met. The statements contained herein are based upon the opinions of Main Point Advisors Inc. and the data available at the time of publication and are subject to change at any time without notice. Neither the information nor any opinions expressed herein should be construed as a solicitation or a recommendation by Main Point Advisors Inc. or its affiliates to buy or sell any securities or investments or hire any specific manager.

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 investment adviser has contractually agreed to reduce its fees and/or absorb expenses of the Fund, at least until January 30,2015, to ensure that the net annual fund operating expenses will not exceed 1.90%, 2.65%, and 1.65% of average daily net assets attributable to Class A, Class C, and Class I shares, respectively, subject to possible recoupment from the Fund in future years. Without these waivers, the Fund's total annual operating expenses would be 1.98% for the Class A shares, 2.73% for the Class C shares, and 1.73% for the Class I shares. Please review the fund's prospectus for more information regarding the fund's fees and expenses. Performance shown is for Class A shares, Class C shares, and Class I shares (please see a prospectus for information about other share classes). For performance information current to the most recent month-end, please call toll-free 877-766-2264.

The benchmark for the Fund is the Barclays Municipal Bond Index. The Barclays Municipal Bond Index is a rules-based, market value-weighted index engineered for the long-term tax-exempt bond market. To be included in the index, bonds must be rated investment-grade (Baa3/BBB-or higher) by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment grade. They must have an outstanding par value of at least $7 million and be issued as part of a transaction of at least $75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date. Remarketed issues, taxable municipal bonds, bonds with floating rates, and derivatives, are excluded from the benchmark. The index has four main sectors: general obligation bonds, revenue bonds, insured bonds (including all insured bonds with a Aaa/AAA rating), and pre-refunded bonds. Most of the index has historical data to January 1980. In addition, subindices have been created based on maturity, state, sector, quality, and revenue source, with inception dates later than January 1980.

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