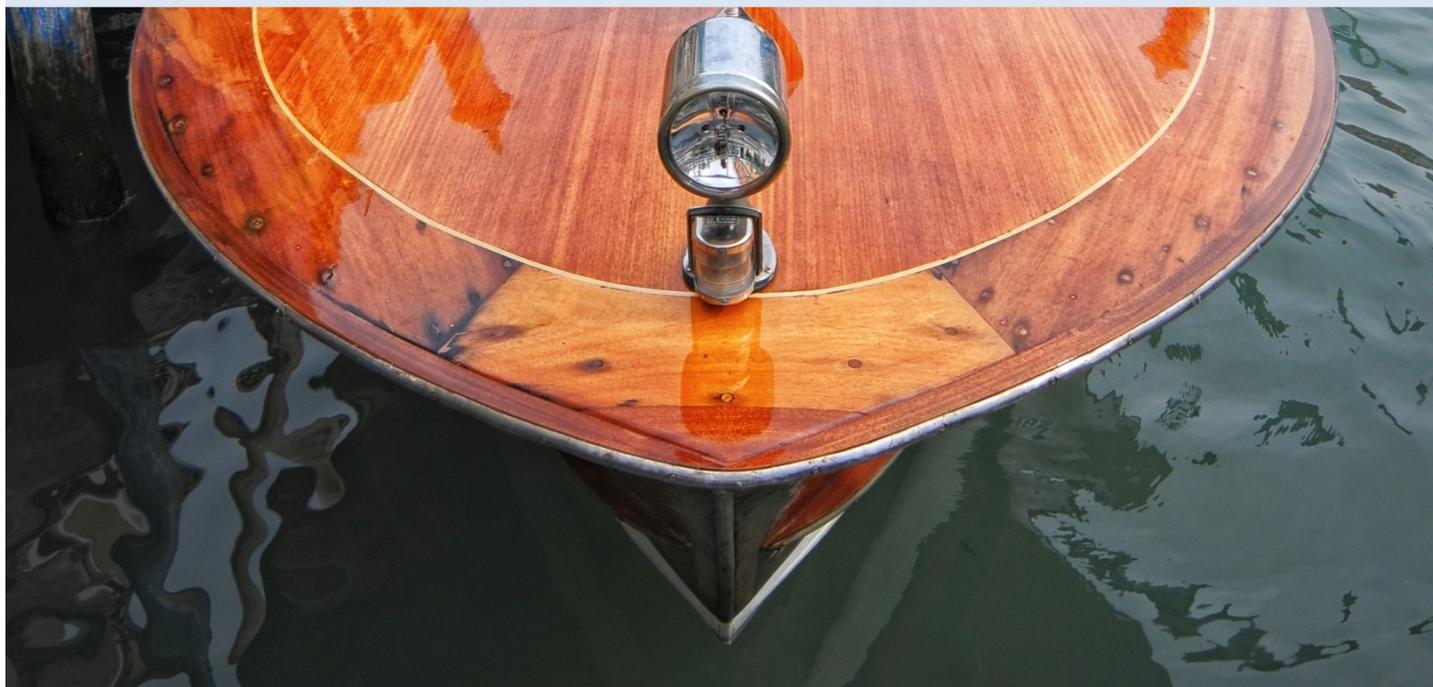


UPSIDE/DOWNSIDE CAPTURE RATIO SPREAD

by Isaac Braley, President, BTS Asset Management, Inc.



How can you describe conservative investment products in ways that are meaningful to clients?



Understanding measures like Upside/Downside Capture Ratio Spread may provide meaningful information about whether a fund is a conservative choice.

Find Opportunity



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Conservative investment approaches may be important to risk averse investors seeking caution and prudence. Advisors may benefit by talking more to clients about what it means to take a conservative investment approach and about strategies that attempt to protect principal. Advisors may share standard measures of volatility like Beta or R-Squared to illustrate risk. But what does being conservative really mean? How can you describe conservative investment products in ways that are meaningful to clients concerned about losing money? Understanding measures like Upside/Downside Capture Ratio and Upside/Downside Capture Ratio Spread may provide meaningful information about whether a fund is a conservative choice.

Upside/Downside Capture Ratio Defined

Upside/Downside Capture Ratio measures the degree to which a given fund under- or outperformed a broad market benchmark based on monthly returns during periods of market strength and periods of market weakness.

Upside Capture Ratio

If a fund goes up the same amount as the benchmark, the Upside Capture Ratio is 100%. An Upside Capture Ratio of 120% implies the fund was up 20% more than the benchmark. If the ratio is 80%, then the fund only captured 80% of the benchmark's positive performance.

Downside Capture Ratio

Downside Capture Ratio compares the fund's returns to the negative returns of the appropriate benchmark over a given period. If on average a fund's returns go down 2% during months when the benchmark is down 2%, the Downside Capture Ratio is 100%. If a fund's Downside Capture Ratio is 80%, it implies that if the market were to go down 10% the fund would only go down 8%. If a fund's Downside Capture Ratio is 120% it implies that if the benchmark were to go down 10%, the fund would lose 12%, 20% more than the benchmark.

Negative Upside/Downside Capture Ratios

In some cases, a fund may post negative returns during periods when the benchmark is up, or positive returns during periods when the benchmark is down. In these cases the Upside and Downside Capture Ratios will be negative. In essence, the fund may zig when the market zags.

Why Downside Capture May Matter for Conservative Investors

While some may prefer a fund with an Upside Capture Ratio over 100%, conservative investors seeking capital preservation may focus on Downside Capture Ratio percentages that are negative or less than 100% hoping to not lose money or to lose significantly less on the downside. BTS aims to pay very close attention to Downside Capture Ratio, in particular. As tactical bond investors, we have sought to move assets out of the bond market during down periods by moving to cash.

Advisors can gather Upside/Downside Capture Ratios for mutual funds on Morningstar for 1, 3, 5, 10 and 15 year periods. Understanding the significance of Upside/Downside Capture Ratios for funds in a portfolio may be useful to consider for conservative clients.

Upside/Downside Capture Ratio Spread

The calculation of the Upside/Downside Capture Ratio Spread is the Upside Capture Ratio less Downside Capture Ratio. The larger the Upside/Downside Capture Ratio Spread, the more the fund participated in up markets and protected in down markets. Upside Capture Ratio minus Downside Capture Ratio equals Upside/Downside Capture Ratio Spread.

Upside Capture Ratio	Minus	Downside Capture Ratio	Equals	Upside/Downside Capture Ratio Spread
80%	Minus	60%	Equals	20%
80%	Minus	40%	Equals	40%
80%	Minus	-50%	Equals	130%

**Upside Capture Ratio, Downside Capture Ratio,
and Upside/Downside Capture Ratio Spread of BTFAX (NAV),
Since Inception from 1/1/00 through 12/31/18 vs. Bloomberg Barclays Aggregate Bond Index**

For Illustrative Purposes Only

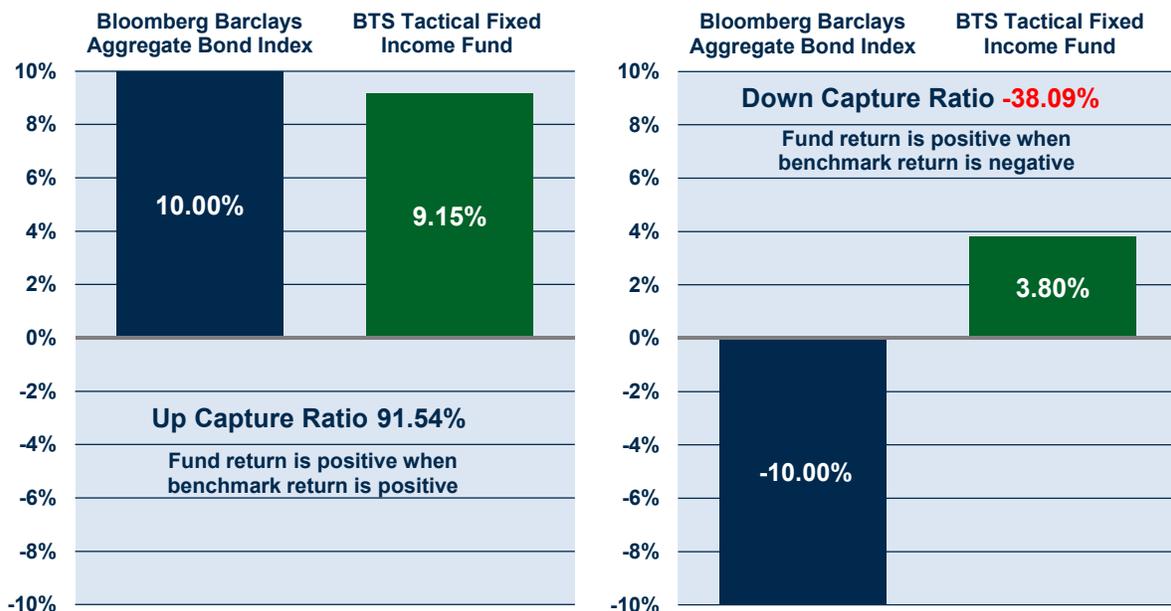
The chart below compares the BTS Tactical Fixed Income Fund's Upside Capture Ratio, Downside Capture Ratio, and Upside/Downside Capture Ratio Spread to the Morningstar Nontraditional Bond category since 1/1/2000, ending 12/31/2018.

	Up Capture Ratio	Downside Capture Ratio	Upside/Downside Capture Ratio Spread
BTS Tactical Fixed Income A	91.54%	-38.09%	129.63%
Nontraditional Bond	47.03%	16.19%	30.84%

Upside Capture Ratio/Downside Capture Ratio Converted to Total Return

If a fund generates positive returns while the benchmark declines, the fund's downside capture ratio will be negative (meaning it has moved in the opposite direction of the benchmark). If the fund's total return is the same as the benchmark, the Upside Capture Ratio is 100%. If the fund's return is 8% when the benchmark is up 10%, the Upside Capture Ratio is 80%. If the fund's return is 8% when the benchmark return is negative 10%, the Down Capture Ratio is negative -80%.

**Hypothetical Upside/Downside Capture Ratio Converted to Total Return
of BTFAX (NAV), Since Inception 1/1/00 through 12/31/18
vs. Bloomberg Barclays Aggregate Bond Index**



Why Upside/Downside Capture Ratio Spread is an Important Risk Management Statistic

The Upside/Downside Capture Ratio Spread highlights the Up Capture Ratio during periods of market strength and Down Capture Ratio during periods of market weakness, thus offering downside protection and upside potential. The larger the Upside/Downside Capture Ratio Spread the more the fund participated in up markets and protected in down markets.



About BTS Asset Management

Founded in 1979, BTS Asset Management is one of the oldest risk managers, managing traditional assets with a nontraditional approach. BTS has a multi-year track record in tactical fixed income and equity management. Our goal is to find opportunities with the potential to take advantage of rising markets while working to manage losses during downturns.

BTS:

- Seeks to provide defensive capital preservation and total return.

Fund Performance as of 12/31/18

Average Annualized Total Returns as of 12/31/18	YTD ²	1 Year	3 Years	5 Years	10 Years	Since Inception 1/1/00
Class A ¹ (NAV)	-6.52%	-6.52%	3.04%	1.86%	7.03%	8.03%
Class A (max. 5% load)	-11.16%	-11.16%	1.30%	0.81%	6.49%	7.74%
Class C	-7.15%	-7.15%	2.28%	1.11%	N/A	0.85%
Class I (Inception 5/28/15)	-6.29%	-6.29%	3.31%	N/A	N/A	1.60%
Class R (Inception 5/5/15)	-6.76%	-6.76%	2.78%	N/A	N/A	1.11%
BBgBarc Agg Bond Index	0.01%	0.01%	2.06%	2.52%	3.48%	4.84%
Nontraditional Bond	-1.21%	-1.21%	2.55%	1.40%	3.67%	3.08%
S&P 500 BBgBarc Agg 50-50	-1.81%	-1.81%	5.80%	5.63%	8.52%	5.27%

Source: Morningstar as of 9/30/18. The performance data quoted here represents past performance. Current performance may be lower or higher than the performance data quoted above. Investment return and principal value will fluctuate, so that shares, when redeemed, may be worth more or less than their original cost. Past performance is no guarantee of future results. A Fund's performance, especially for very short periods of time, should not be the sole factor in making your investment decisions. For performance information current to the most recent month-end, please call toll-free 1-877-287-9820.

Total Expense Ratios: Class A: 1.80%; Class C: 2.55%; Class I: 1.55%; Class R: 2.05%

¹The *BTS Tactical Fixed Income Fund* does not have performance as a mutual fund prior to May 31, 2013. Performance prior to May 31, 2013 shown above is for the Fund's predecessor limited liability company (*BTS Tactical Fixed Income Fund LLC*, formerly known as *BTS Asset Allocation/High Yield Fund LLC*). The prior performance is net of management fees and other expenses. The predecessor limited liability company had been managed in the same style and by the same portfolio manager since the predecessor limited liability company's inception on January 1, 2000. The Fund's investment goals, policies, guidelines and restrictions are, in all material respects, equivalent to the predecessor limited liability company's investment goals, policies, guidelines and restrictions. The following information shows the predecessor limited liability company's annual returns and long-term performance reflecting the actual fees and expenses that were charged when the Fund was a limited liability company. From its inception on January 1, 2000 through the date of the prospectus, the predecessor limited liability company was not subject to certain investment restrictions, diversification requirements and other restrictions of the 1940 Act, which if they had been applicable, might have adversely affected its performance. In addition, the predecessor limited liability company was not subject to sales loads that would have adversely affected performance. The predecessor limited liability company's past performance is not necessarily an indication of how the *BTS Tactical Fixed Income Fund* will perform in the future.

²Performance for periods less than one year are not annualized.

There is no assurance that the Fund will achieve its investment objective.

Additional Disclosures

BBgBarc Agg Bond Index refers to the Bloomberg Barclays Aggregate Bond Index, which is comprised of government securities, mortgage-backed securities, asset-backed securities and corporate securities with maturities of one year or more to simulate the universe of bonds in the market. S&P 500 BBgBarc Agg 50-50 is a blended benchmark made up of 50% S&P 500 TR and 50% Barclays Capital Aggregate Bond Index and uses indexes to represent a stock/bond allocation that a conservative or moderate investor might have. Investors cannot directly invest in an index and unmanaged index returns do not reflect any fees, expenses, or sales charges. Upside Capture Ratio measures the portfolio's compound return when the benchmark was up divided by the benchmark's compound return when the benchmark was up. Downside Capture Ratio measures the portfolio's compound return when the benchmark was down divided by the benchmark's compound return when the benchmark was down. Upside/Downside Capture Ratio Spread The calculation of the Upside/Downside Capture Ratio Spread is the Upside Capture Ratio minus Downside Capture Ratio. Upside/Downside Capture Ratio Converted to Total Return If the funds total return is the same amount as the benchmark, the upside capture ratio is 100%. If the funds return is 8% when the benchmark is up 10%, the Upside Capture Ratio is 80%. If the funds return is 8% when the benchmark return is negative 10%, the Down Capture ratio is negative -80%. Beta measures sensitivity to market movements relative to a benchmark index. Alpha, Beta, and Correlation show the value for the BTS portfolio versus the listed benchmark. R-Squared measures how two securities move in relation to one another. Alpha measures a manager's value-added return over a benchmark index by comparing its actual return to the return expected based on the risk level.

Important Risk Information

Mutual funds involve risk, including possible loss of principal.

The use of Credit Default Swaps involves investment techniques and risks different from those associated with ordinary portfolio security transactions, such as potentially heightened counterparty, concentration and exposure risks. There is a risk that issuers and counterparties will not make payments on securities and other investments held by the Fund, resulting in losses to the Fund.

The Fund may invest in derivatives. Even a small investment in options may give rise to leverage risk, and can have a significant impact on the Fund's performance. Derivatives are subject to credit risk and liquidity risk. The values of foreign investments may be affected by changes in exchange control regulations, application of foreign tax laws changes in governmental administration or economic or monetary policy or changed circumstances in dealings between nations. In addition to the risks generally associated with investing in securities of foreign companies, countries with emerging markets also may have relatively unstable governments, social and legal systems that do not protect shareholders, economies based on only a few industries, and securities markets that trade a small number of issues. The Fund invests in fixed income securities, derivatives on fixed income securities or Underlying Funds that invest in fixed income securities. The value of the Fund will fluctuate with changes in interest rates. Defaults by fixed income issuers in which the Fund invests could also harm performance.

Lower-quality bonds known as "high yield" or "junk" bonds, present greater risk than bonds of higher quality, including an increased risk of default. An economic downturn or period of rising interest rates could adversely affect the market for these bonds and reduce the Fund's ability to sell its bonds. The lack of a liquid market for these bonds could decrease the Fund's share price. The use of leverage by the Fund or an Underlying Fund will indirectly cause the Fund to incur additional expenses and magnify the Fund's gains or losses. The Fund may engage in short selling activities which are significantly different from the investment activities commonly associated with conservative fixed income funds. 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 the Underlying Funds.

Investors should carefully consider the investment objectives, risks, charges, and expenses of the BTS Tactical Fixed 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 on our web site, www.btsfunds.com, by calling toll free 1-877-287-9820 (1-877-BTS-9820), or by calling your financial representative. The BTS Tactical Fixed Income Fund is distributed by Northern Lights Distributors, LLC, Member FINRA/SIPC. BTS Asset Management, Inc. is not affiliated with Northern Lights Distributors, LLC.



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