Zeo Capital Advisors

PORTFOLIO REPORT
July 31, 2014

Zeo Strategic Income Fund

	NAV	1M	3M	6M	YTD	1Y	2Y	3Y	5Y	10Y	Since Inception (31-May-2011)
Month End (31-Jul-2014)											
Zeo Strategic Income Fund	10.07	-0.37%	0.22%	1.01%	1.61%	3.83%	4.02%	3.53%	n/a	n/a	3.27%
Barclays Aggregate Bond Index	1873.29	-0.25%	0.94%	2.16%	3.67%	3.97%	0.99%	3.04%	4.47%	4.80%	3.29%
	Total Fund Net Assets: $106.3m										
Last Quarter End (30-Jun-2014)											
Zeo Strategic Income Fund	10.18	0.30%	0.79%	1.99%	1.99%	5.09%	4.32%	3.58%	n/a	n/a	3.49%
Barclays Aggregate Bond Index	1878	0.05%	2.04%	3.93%	3.93%	4.37%	1.81%	3.66%	4.85%	4.93%	3.47%

ZEOIX – Total Annual Operating Expense Ratio: 1.52%

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. The Fund's investment adviser has contractually agreed to reduce its fees and/or absorb expenses of the fund, at least until August 31, 2014, to ensure that the net annual fund operating expenses will not exceed 1.50% for the Fund, subject to possible recoupment from the Fund in future years. Please review the Fund's prospectus for more detail on the expense waiver. Results shown reflect the waiver, without which the results could have been lower. 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 855-936-3863.

The Barclays Capital U.S. Aggregate Bond Index: covers the USD-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. The index includes bonds from the Treasury, Government-Related, Corporate, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS sectors. The U.S. Aggregate Index is a component of the U.S. Universal Index in its entirety. Unmanaged index returns do not reflect any fees, expenses or sales charges.

Investors should carefully consider the investment objectives, risks, charges and expenses of the Zeo Strategic Income Fund. This and other important information about the Fund is contained in the prospectus, which can be obtained by calling 855-936-3863. The prospectus should be read carefully before investing. The Zeo Strategic Income Fund is distributed by Northern Lights Distributors, LLC member FINRA/SIPC.

Zeo Capital Advisors, LLC and Northern Lights Distributors, LLC are not affiliated.

Mutual Funds involve risk including possible loss of principal.

The Fund will invest a percentage of its assets in derivatives, such as futures and options contracts. The use of such derivatives may expose the Fund to additional risks that it would not be subject to if it invested directly in the securities and commodities underlying those derivatives. The Fund may experience losses that exceed losses experienced by funds that do not use futures contracts and options.

Typically, a rise in interest rates causes a decline in the value of fixed income securities. Overall fixed income market risk may affect the value of individual instruments in which the Fund invests. Lower-quality fixed income securities, known as "high yield" or "junk" bonds, present greater risk than bonds of higher quality, including an increased risk of default. As a non-diversified fund, the Fund may invest more than 5% of its total assets in the securities of one or more issuers. The Fund's performance may be more sensitive to any single economic, business, political or regulatory occurrence than the value of shares of a diversified investment company. Securities of small and medium capitalization companies may be subject to more abrupt or erratic market movements than those of larger, more established companies or the market averages in general. Market risk results from adverse changes in exchange rates in foreign currency denominated securities. Investing in securities of foreign issuers involves risks not typically associated with U.S. investments, including adverse fluctuations in foreign currency exchange rates, adverse political, social and economic developments, less liquidity, greater volatility, less developed or less efficient trading markets, political instability and differing auditing and legal standards.

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Commentary

The Zeo Strategic Income Fund (the "Fund") was -0.37% for the month of July compared to -0.25% for the Barclays Capital U.S. Aggregate Bond Index (the "Benchmark"). Many headlines can be blamed, or credited depending on one's point of view, for the volatility the markets experienced this month. Geopolitical risk increased with the escalation of hostilities in both Ukraine and Israel. Meanwhile, the US economy showed stronger-than-expected data, bolstered by rare signs of an increase in wages to go along with economic growth. Within fixed income, much of the market's attention was focused on the high yield asset class, which experienced its largest decline since the "taper tantrum" in May/June 2013. However, there is much confusion as to why this happened and what that uncertainty tells us about the volatility we experienced.

Investors and analysts seem to take solace in the fact that there was an obvious catalyst for the fixed income market declines from last year. Ben Bernanke first revealed to the public that the Federal Reserve would consider "tapering", or gradually and systematically reducing, its bond repurchase program. This led to a realization that interest rates might therefore rise, which became a self-fulfilling prophecy - at least temporarily. Most fixed income asset classes, including both high yield and investment grade corporate debt, sold off as a result. This past month, however, interest rates were little changed, though they did move and up and down in lockstep with bullish and bearish headlines, respectively. More to the point, it doesn't appear that the fear of rising interest rates was behind the high yield asset class decline this month either. Investment grade bond funds experienced inflows of an order of magnitude similar to high yield bond fund outflows - if there was a fear of a rise in rates, investment grade bond funds would be just as risky, if not more so, as they tend to have more duration. So the question is even more perplexing: why, in an environment with improving economic and corporate fundamentals and subdued fears of interest rate risk, would high yield corporate debt be the worst performing asset class in July?

As it turns out, a majority of the fund flows out of high yield have been attributed to ETFs, and by association, retail investors. Why retail investors have soured on this asset class is unknown to us, though we will observe that Janet Yellen commented on stretched valuations for high yield bonds two weeks prior. That the selloff may be technical in nature and could present a buying opportunity is a natural conclusion, one that has been written by many Wall Street analysts. We choose to take the analysis one step further: if the price declines are fundamental in nature, this would imply that credit spreads have widened due to an increase in default probabilities. But should such a decline manifest itself indiscriminately across both short and long duration credit? Is it not still true that short timeframes allow for more visibility into the fundamental risks associated with a company? Many investors rightfully fear the risk of trying to catch a falling knife amidst the uncertainty of why these markets are declining and when it might end. However, from a fundamental standpoint, attributing the opportunity to market technicals is easier to do for shorter term bonds, where continued price declines would otherwise require a level of corporate fundamental deterioration in a short timeframe that is not consistent with the current reality.

There is no guarantee that any investment will achieve its objectives, goals, generate positive returns, or avoid losses.