

**Zeo Strategic Income Fund**

	NAV	1M	3M	6M	YTD	1Y	2Y	3Y	5Y	10Y	Since Inception (31-May-2011)
<i>Month End (31-Dec-2014)</i>											
<b>Zeo Strategic Income Fund</b>	9.94	-0.22%	0.39%	0.22%	2.21%	2.21%	3.20%	3.71%	n/a	n/a	3.05%
<b>Barclays Aggregate Bond Index</b>	1914.87	0.09%	1.79%	1.96%	5.97%	5.97%	1.89%	2.66%	4.45%	4.71%	3.53%
Total Fund Net Assets: \$126.7m											
<i>Last Quarter End (31-Dec-2014)</i>											
<b>Zeo Strategic Income Fund</b>	9.94	-0.22%	0.39%	0.22%	2.21%	2.21%	3.20%	3.71%	n/a	n/a	3.05%
<b>Barclays Aggregate Bond Index</b>	1914.87	0.09%	1.79%	1.96%	5.97%	5.97%	1.89%	2.66%	4.45%	4.71%	3.53%

ZEOIX – Total Annual Operating Expense Ratio: 1.34%

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 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

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## Commentary

The Zeo Strategic Income Fund (the "Fund") declined 0.22% in the month of December, compared to a gain of 0.09% for the Barclays Capital U.S. Aggregate Bond Index (the "Benchmark"). This month was a more eventful December than usual for financial markets. But as with previous months, an observer who only knew the end result would be forgiven for wondering what the fuss was about. For example, while the S&P 500 Index<sup>1</sup> finished the month down 0.42%, this performance belies the true intra-month volatility of the index, a peak-to-trough decline of 4.9%. Similarly, only a study of statistical measures would identify December as the fourth-most volatile month for the iBoxx \$ Liquid High Yield Bond Index<sup>2</sup> in the last four years (as measured by standard deviation of daily returns<sup>3</sup>), only exceeded by the market disruptions in August/October 2011 and the worst of the "taper tantrum" in June 2013. With such volatility lurking around every corner, it is understandable that investors are seeking refuge. In response, we saw yet another unexpected race to Treasuries that pushed down interest rates to levels last seen in May 2013, the very month that Ben Bernanke opened the door to gradual rate increases.

But behind all this volatility are drivers that have implications in 2015 and can help us bring at least a little order to the chaos. Crude oil has declined nearly 50% since its mid-year peak. At the end of November, in particular, oil broke through key levels at which significant amounts of current oil production became unprofitable, according to Bloomberg New Energy Finance. This, in turn, has negative implications for those energy companies that rely on high yield markets for growth capital, which started a domino effect as high yield fund redemptions picked up. Meanwhile, Russia faces a currency crisis that is reminiscent of decades prior and is intertwined with both oil prices and hostilities in neighboring Ukraine. This was offset by the Federal Reserve promising patience with rate increases even with the appearance of closely watched signs of economic recovery, notably a faster-than-expected drop in unemployment. This position can be attributed, in part, to lower oil prices offsetting inflation concerns. Even so, analysts seem to be projecting an even more certain outlook for interest rate increases than they had at this time last year, an outlook that proved incorrect, and economists are more bearish on Treasuries in 2015 than at any time since 2009.

The volatility in December brought on mostly by declining oil prices illustrates how a previously un contemplated and unexpected market force can render any outlook moot. Given the magnitude of the market movements we have witnessed in such short timeframes recently, we are taking this opportunity to suggest a few alternative habits of mind for investors looking to navigate volatile markets in 2015. First, it is not necessary to have a view of what will happen to oil, interest rates or any other economic factor. This philosophy runs counter to much of the transactional Wall Street machine, but especially as it pertains to fixed income and capital preservation, a directional position contains inherent principal risk that often can be counterproductive. Second, the further one attempts to see into the future, the more uncertain his conclusions will be. By focusing on shorter time horizons, the ability to perform sufficient and comprehensive analysis to evaluate exposures should result in a higher degree of confidence in the expected outcome of an investment. Third, selecting away from "popular" tactical strategies and honing in on investment-specific exposures can offer a lower correlation to the types of drivers of volatility that we discuss above. By aiming for investments that are less susceptible to big-picture supply/demand factors, investors may be able to mitigate portfolio volatility, and in turn, see the underlying fundamentals of a given investment bear fruit.

<sup>1</sup> The S&P 500® Index is an unmanaged composite of 500 large capitalization companies. This index is widely used by professional investors as a performance benchmark for large-cap stocks. You cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges.

<sup>2</sup> The iBoxx \$ Liquid High Yield Index is a rules-based index consisting of liquid U.S. dollar-denominated, high yield corporate bonds for sale in the United States. The index is designed to provide a broad representation of the U.S. dollar-denominated high yield liquid corporate bond market. There is no limit to the number of issues in the index. You cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges.

<sup>3</sup> The standard deviation of daily returns for the iBoxx \$ Liquid High Yield Index in December was 0.45%. Statistically, 95% of observations are expected to fall within two standard deviations of the mean daily return, which this month was -0.03%. So while the asset class may have declined 1.0% for the month as a whole, we faced a statistical likelihood of seeing moves of +0.9% to -0.9% on any given day.

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