



	MTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
BESMX (Month-End)	3.43	3.43	-14.25	3.06	1.63	9.27	7.97
MSCI Europe Small Cap Index	9.40	9.40	-17.14	8.34	4.10	13.98	3.08
Morningstar Cat. Avg.	4.08	4.08	-5.94	4.24	2.30	3.79	1.49
BESMX (Quarter-End)	-3.91	-14.82	-14.82	0.35	1.49	9.44	7.71

Month-end data above is from Predecessor Fund inception through 01/31/19 and quarter-end is through 12/31/18. Predecessor Fund Inception: 10/31/07 Fund Inception: 12/30/15  
Total operating fund expense as of 03/01/18: 2.75% (Gross), 2.50% (Net). Includes dividend and interest expense on short sales, acquired fund fees and expenses. When excluded the net with limitation expense ratio is 2.24%. See page 3 for more information.

*Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. The fund imposes a 1.00% redemption fee on shares sold within 60 days. For performance information current to the most recent month-end, please call toll free 855-854-7258.*

## MONTHLY FUND REVIEW

The Fund returned 3.43% compared to a rise in the MSCI Europe Small Cap Index of 9.40%. The long book made a contribution of 4.7% whilst the short book held back performance by 1.2%.

## MONTHLY COMMENTARY

During January markets bounced back sharply from the heavily oversold levels they reached in December of 2018. Whilst little has changed in the economic environment, monetary conditions seem to have improved, with Central Banks starting to adopt a more accommodative stance.

The moves in markets represented, in our opinion, mean reversion with a lot of stocks that were crushed in December rebounding hard. We were not surprised that many of our longs did not participate fully: this bounce was led by, in our view, over-levered, low quality companies, stocks that our process would typically not lead us to. We were loath to “chase” the market higher and continue to focus on our process of meeting management, analyzing cashflows and identifying catalysts in individual names.

Our company visiting program was particularly full during January and we met with over 220 companies across a wide range of sectors and countries. These conversations were illuminating: there seems to be great disparity between how companies are faring; those with strong business models seem to be navigating the well documented macro and geopolitical difficulties with some skill whilst others are suffering disproportionately.

A great illustration of this is what we heard from companies in the auto industry. CIE and Gestamp (both long holdings in the Fund) expressed great confidence in their business and remained upbeat about the prospects for their businesses in 2019. This contrasts with Fuchs Petrolub (a short position) who commented that WLTP delays (emissions testing procedure in Europe) will continue to damage their business in 2019. This a clear indication of the opportunities that our process is finding in both books.

The companies mentioned above represented the following percent of total assets in the Balter European L/S Small Cap Fund, as of 01/31/19: CIE 2.05%, Gestamp 2.07%, and Fuchs Petrolub 2.42%.

## OUTLOOK

At month-end, the Fund was 103.7% gross invested with a net long exposure of 47.9%.

Regular readers of these letters will know that the size of our long and short books (and hence our net positioning) is defined by how many investment ideas we find for each side of the Fund. For the last 2 years, we have been finding more opportunities on the short side than on the long side. This has changed in the last 6 weeks: we believe we are starting to see great value in certain names, especially once we have got comfortable that their businesses continue to trade as we would hope. This is a clear lead indicator that we could increase our net long exposure in due course.

European economic growth disappointed in 2018 as the region was buffeted by a slowdown in Germany (impacted by the threat of trade tariffs, notably in their auto industry), the geopolitical mess in Italy, the “gilets jaunes” protests in France and, of course, in the UK by the looming deadline for Brexit. This has, of course, led to unprecedented outflow from European equities, notably by US allocators. We feel that these risks are more than discounted in markets: domestic UK equities trade at 8.5x p/e, Italy trades at more than a 30% discount to the region itself which is only at 11x, whilst European equities more generally trade at a 55% discount to the US on price-to-book value.

We feel that resolution of any of the above country issues could lead to a meaningful rebound in the regions’ equity markets at a time when the short-term growth headwinds should pass. Investing in Europe feels quite contrarian now, but therein lies the opportunity.

We feel that the combination of this contrarian angle, with careful stock selection that our process results in, positions us well to take advantage of the opportunities that 2019 will present.

We would love the opportunity to discuss any of this further with our readers in detail.

Yours Sincerely,



Jamie Carter

Portfolio Manager of the Balter European L/S Small Cap Fund



*The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the Fund and it may be obtained by calling 1-844-322-8112, or visiting [www.balterliquidalts.com](http://www.balterliquidalts.com).*

Mutual fund investing involves risk. Principal loss is possible. The Fund is non-diversified and may hold a significant percentage of its assets in the securities of fewer companies, and therefore events affecting those companies have a greater impact on the Fund than on a diversified fund. The Fund may use derivatives, including options, which may not perform as anticipated by the Sub-Advisers, may not be able to be closed out at a favorable time or price, or may increase the Fund's volatility. A counterparty's inability to fulfill its obligation may result in financial loss to the Fund. Increases and decreases in the value of the Fund's portfolio may be magnified when the Fund uses leverage.

The fund may make short sales of securities, which involves the risk that losses may exceed the original amount invested. Investments in debt securities typically decrease when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in lower rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. Investing in foreign securities exposes investors to economic, political and market risks, and fluctuations in foreign currencies. The fund may invest in the securities of small and medium sized companies. Small and medium company investing subjects investors to additional risks, including security price volatility and less liquidity than investing in larger companies.

Pursuant to an operating expense limitation agreement between Balter Liquid Alternatives, LLC (the "Adviser") and the Fund, the Adviser has agreed to waive its fees and/or absorb expenses of the Fund to ensure that Total Annual Fund Operating Expenses (excluding interest and tax expenses, dividends on short positions and Acquired Fund Fees and Expenses) for the Fund do not exceed 2.24% and 2.54% of the Fund's average net assets, for Institutional Class and Investor Class shares, respectively, through February 28, 2019. This operating expense limitation agreement can be terminated only by, or with the consent of, the Board of Trustees. The Adviser is permitted to seek reimbursement from the Fund for fees it waived and Fund expenses it paid for the prior three fiscal years, as long as the reimbursement does not cause the Fund's operating expenses to exceed the lower of the current expense cap or the expense cap in place at the time of the waiver or reimbursement. Other expenses include 0.01% in recouped management fees in accordance with the operating expense limitation agreement.

Performance shown here includes performance for the Fund's predecessor hedge fund ("Predecessor Fund"). The Predecessor Fund's performance was used from 10/31/2007 to 12/29/2015; The Fund's performance was used from 12/30/2015 to 01/31/2019. The Predecessor Fund's prior performance is net of management fee and other expenses, but does not include the effect of the performance fee. The Fund's investment goals, policies, guidelines and restrictions are similar to the Predecessor Fund. From its inception date, the Predecessor Fund was not subject to certain investment restrictions, diversification requirements and other restrictions of the 1940 Act of the Code, if they had been applicable, it might have adversely affected its performance. In addition, the Predecessor Fund was not subject to sales loads that would have adversely affect performance.

The indices shown are for informational purposes only, are not reflective of any investment, nor are they professionally managed. As it is not possible to invest in the indices, the data shown does not reflect or compare features of an actual investment, such as its objectives costs and expenses, liquidity, safety, guarantees or insurance fluctuation of principal or return, or tax features. There is no guarantee that any investment strategy will achieve its objectives, generate profits, or avoid losses. Returns over one year are annualized and include the reinvestment of dividends and income.

The MSCI Europe Small Cap Index captures small cap representation across the 15 Developed Markets (DM) countries in Europe. With 932 constituents, the index covers approximately 14% of the free float-adjusted market capitalization in the European equity universe. The Morningstar Long-Short Equity Category is an average monthly return of all funds in the Morningstar Long-Short Equity Category, including the Fund. The Long-Short Category contains a universe of funds with similar investment objectives and investment style, as defined by Morningstar. Performance of the indices and Morningstar Category Average is generated on the 1st business day of the month.

Holdings are subject to change and should not be considered investment advice.

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