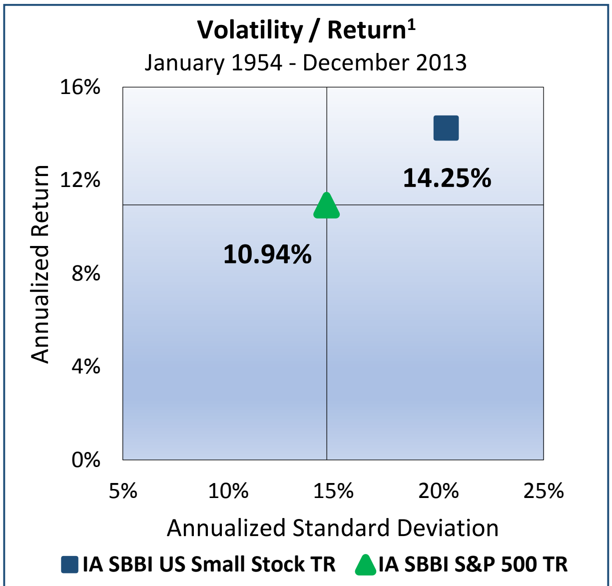
SMALL CAP EQUITIES - IDEALLY SUITED FOR LONG/SHORT INVESTING

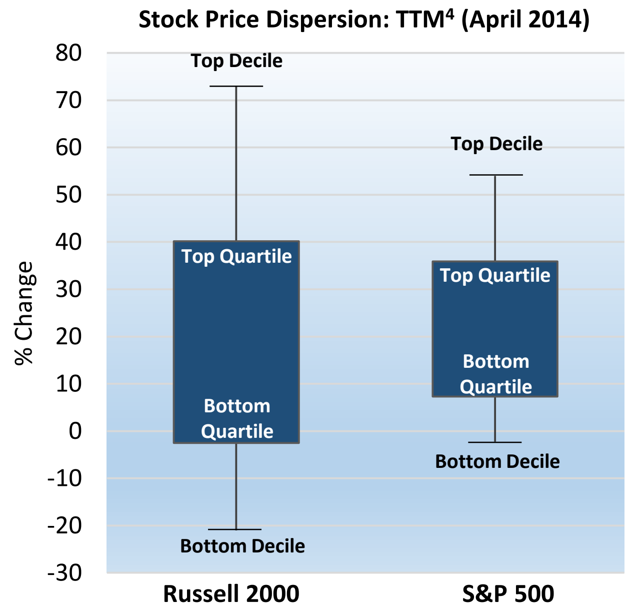
Small-Caps Have the Potential for Higher Returns

Over the last 50 years, small-cap equities have outperformed large-cap equities by 3.31% on an annualized basis, as shown in the chart to the right[2]. While excess performance of 3.31% in a given year is relatively insignificant, a $1,000 investment in small-cap stocks at the beginning of 1954 would have been worth $2,954,546 on December 31, 2013 compared to $506,460 for large-cap stocks[3]. This demonstrates the power of compounding moderate annual outperformance combined with a long-term investment horizon.



Source: Morningstar, Inc & Ibbotson Associates - 2014

In exchange for potentially superior returns from small-cap equities, investors have also accepted higher volatility (standard deviation). As can be seen in the adjacent chart, small-cap stocks have had 50% higher standard deviation than large-caps over the representative period. Standard deviation is a statistical measure that shows the variation around the mean. A higher standard deviation implies greater volatility in a return stream but may not be the best measure of absolute risk. Our own experience has shown that investors view permanent loss of capital as the true tangible measure of risk. The 2008 financial crisis is widely considered the worst period in global capital markets since the Great Depression. During this period (October 1st, 2008 – February 28th, 2009) the S&P 500 lost -50.95% compared to -56.88% for the Ibbotson Small Stock Index, only a -5.93% difference.



Source: Bloomberg L.P. , Balter Liquid Alternatives LLC - 2014

A Case Study in Small-Cap Equity Performance

On the surface, April 30th, 2013 to April 30th, 2014 might have seemed like a rather placid period of stock market performance. Most major indices saw consistent gains and the saying, "a rising tide lifts all boats" largely came true. Large-cap stocks and small-cap stocks had nearly identical performance, with the S&P 500 gaining 20.4% while the Russell 2000 increased 20.5% over the same time period. While the performance was similar, the dispersion of returns between the two groups of equities was not. The performance spread between the top decile and the bottom decile in the Russell 2000 Index was 94% compared to 57% for the S&P 500 Index. The wide performance differential means that there are more opportunities to find both winners and losers within small-cap stocks versus its large-cap peers. This dynamic is ideally suited for managers who can invest both long and short. Over time, this dynamic should allow managers who are focused on long/short investing with small-caps to have a wider opportunity set than their peers who are focused on long only investing in large-cap companies.

Structurally Inefficient Asset Class

While small-cap equities have generated greater returns for investors over time empirically, they have also been relatively neglected by analysts. Research has shown that small-cap equities, on average, have much lower analyst coverage than their large-cap peers. In our view this means greater opportunity for an analyst to identify companies that can potentially surprise the investment community to both the upside and downside. As seen in the chart below, a 2013 study by Keating Investments determined that companies with market caps between $687 million and $2.4 billion have ten analysts on average covering them compared to twenty for companies with market caps greater than $2.4 billion. This provides evidence that managers willing to devote their efforts towards small cap stocks are potentially more likely to find undiscovered stocks.

Quintile	Market Cap Range (millions)	Median Market Cap (millions)	Median # of analysts	Stocks with zero analyst coverage
1	$2,434 - $500,402	$6,140	20	1%
2	$687 - $2,434	$1,236	10	6%
3	$248 - $687	$418	5	19%
4	$74 - $248	$149	2	30%
5	$0 - $74	$33	0	55%

*Source: Keating Investments - January 2013

Conclusion

We believe the essence of long/short investing is having the ability to find stocks that can potentially both outperform and underperform the broad market over time. When constructing a long/short equity fund, we at Balter Liquid Alternatives believe that the best way to invest in equity markets is to construct a fund that focuses on structurally inefficient areas of the market where investors could potentially capture higher returns over time relative to broad market averages. In our view, small-cap equities provide fertile hunting ground for fundamentally based long/short equity managers due to their potential for superior returns, performance dispersion and inherent inefficiency due to reduced analyst coverage. This inherently results in a fund that cannot scale as large as those invested in large-cap stocks. We have found that few firms who have the capability to provide genuine liquid alternative funds are willing to sacrifice scale for the prospect of superior returns. We believe this has created an opportunity for those able to provide investors options for high-quality, authentic small-cap long/short equity funds.

Balter Long/Short Equity Fund's investment objectives, risks, charges, and expenses must be considered carefully before investing. The prospectus may be obtained by calling 1-855-854-7258. Read it carefully before investing.

Past performance is not a guarantee of future results. Index performance is not illustrative of Fund performance. One cannot invest directly in an index. Please call 1-855-854-7258 for Fund performance. Opinions expressed are subject to change, are not intended to be a forecast of future events, a guarantee of future results, nor investment advice.

Mutual fund investing involves risk. Principal loss is possible. 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.

Standard deviation is calculated as the square root of variance. In finance, standard deviation is applied to the annual rate of return of an investment to measure the investment's volatility. The Russell 2000 is an index measuring the performance approximately 2,000 small-cap companies in the Russell 3000 Index, which is made up of 3,000 of the biggest U.S. stocks. Both indices are a registered trademark of Russell Investment Group.

1 IA SBBI Stands for "Ibbotson Associates' Stocks, Bonds, Bills, and Inflation®" indices. SBBI® is a registered trademark of Morningstar, Inc. Ibbotson® and Ibbotson Associates® are registered trademarks of Ibbotson Associates, a wholly owned subsidiary of Morningstar, Inc. The IA SBBI S&P 500 Index is represented by the Standard & Poor's 90 index from 1926 through February 1957 and the S&P 500 index thereafter. The S&P 500 Total Return (TR) Index is an unmanaged index (with no defined investment objective) of common stocks, includes reinvestment of dividends and capital gains, and is a registered trademark of the Standard & Poor's Corporation. The IA "SBBI" US Small Stock TR Index is an unmanaged index (with no defined investment objective) of common stocks, including the reinvestment of dividends and capital gains, and is a registered trademark of Morningstar, Inc. The index tracks the performance of small- capitalization stocks in 22 countries.

2 Small cap stocks are represented by the IA SBBI Small Cap Stock TR Index, whereas Large Cap stocks are represented by the IA SBBI S&P 500 Index, please see above for a detailed explanation of each index.

3 The performance of a $1,000 investment made in the IA SBBI S&P 500 Index *and* IA "SBBI" US Small Stock TR index on 1/1/1954 through 12/31/2013 is hypothetical and not illustrative of an actual investment. It assumes reinvestment of dividends and capital gains, but does not reflect the effect of any fees typical of an actual investment. The example does not imply any future performance.

4 Dispersion of returns is defined as the scattering of the values of a frequency distribution from an average. TTM stands for a "Trailing Twelve Months" period, ending April 30th, 2014.

*Source: Keating Investments, "Analyzing the Analysts: A Survey of the State of Wall Street Equity Research 10 Years after the Global Settlement, January 2013" A copy of this white paper can be obtained by going to Keating Capital's website, (http://keatingcapital.com/wp-content/uploads/2013/01/Analyzing-the-Analysts-01-22-13-FINAL.pdf)

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