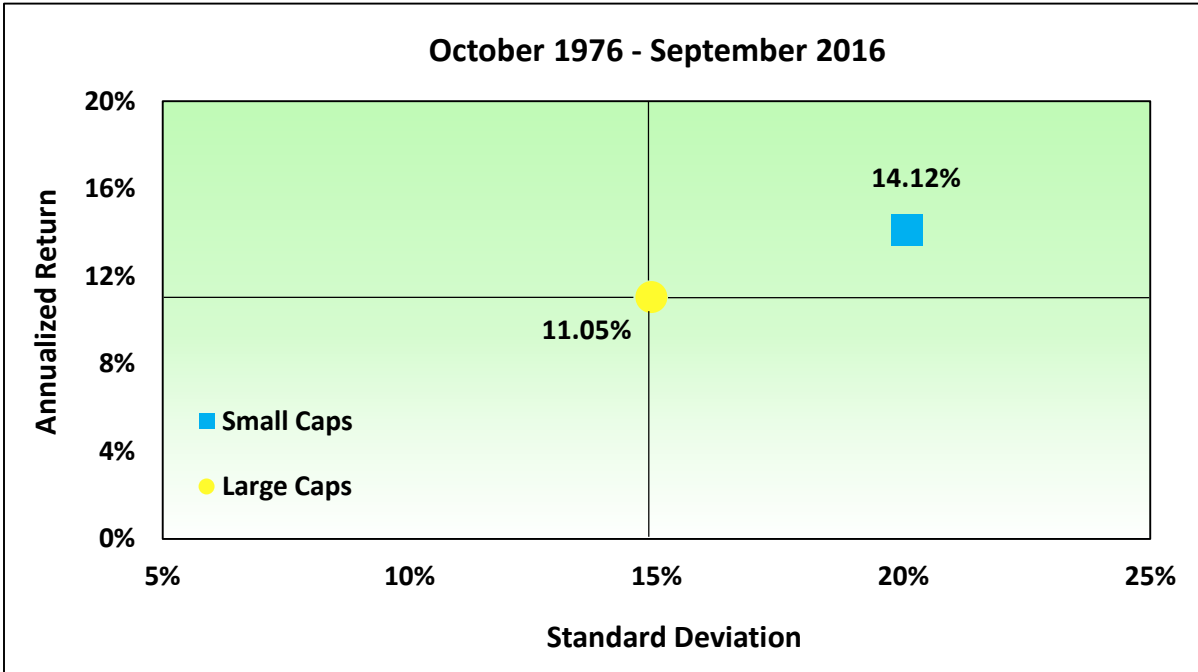


## Small Cap Inefficiencies May Offer Greatest Opportunity For Alpha

**The Potential For Higher Returns** – Over the last 40 years, small cap equities have outperformed large cap equities by 3.07% per year <sup>1</sup>.

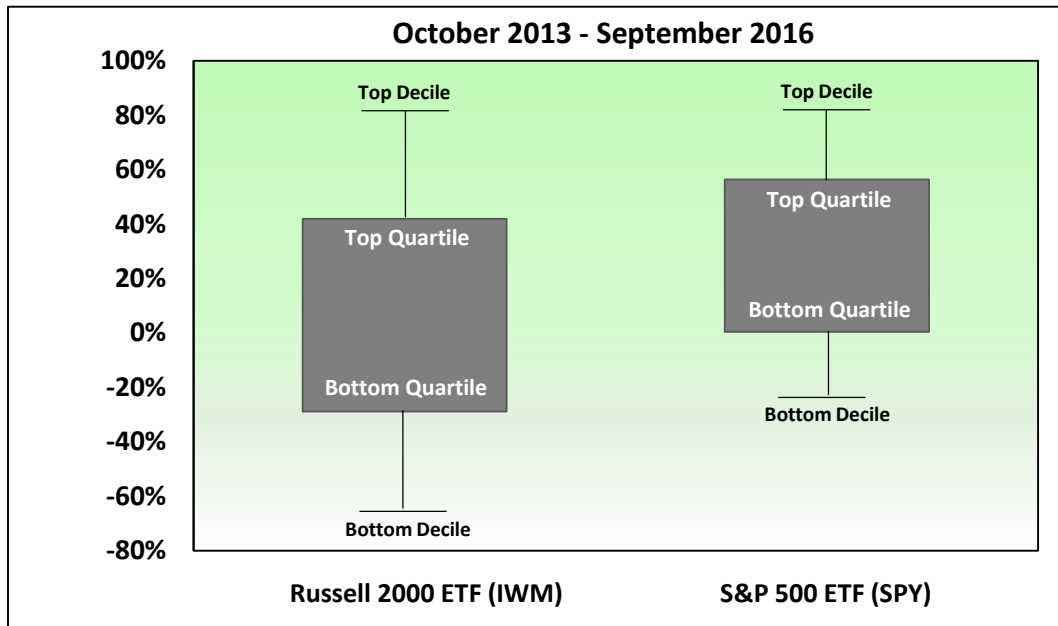


**Inefficient Pricing** – Small caps tend to have lower analyst coverage <sup>2</sup> than their large cap peers. In our view, this means greater opportunity for an analyst to identify companies that can potentially surprise the investment community to both the upside and downside.

Size of Company	Average Number of Analysts Covering	% of Companies without Analyst Coverage
Large Cap	21.9	0.0%
Mid Cap	12.9	1.8%
Small Cap	4.3	22.3%

NOT FDIC INSURED    <sup>1</sup> Source: Morningstar Direct. Small caps are represented by the IA SBBI US Small Stock Index and large caps by the S&P 500 Index.  
 NO BANK GUARANTEE    <sup>2</sup> Source: Thomson Reuters, Credit Suisse Research.  
 MAY LOSE VALUE

**Wider Dispersion Of Returns** – Small caps tend to have a wider dispersion of returns than large caps. We feel that over time, this dynamic should allow managers focused on small caps a wider opportunity set than those focused on large caps. The performance spread over the last 3 years between the top decile and bottom decile for small caps was 145% and just 103% for large caps <sup>3</sup>.



**Underserved Strategy In The Liquid Alts Space** – There are just 4 long/short equity mutual funds, as categorized by Morningstar <sup>4</sup>, with an average market cap of holdings under \$3 billion for both longs and shorts: Balter L/S Small Cap Equity Fund and Balter European L/S Small Cap Fund are 2 of the 4.

**Given the points raised above, you may ask yourself; why don't more mutual fund providers launch long/short equity funds focused on small caps?**

**In our view, the answer is simple; most firms in the space, large firms in particular, do not have the economic incentive to launch funds that that are inherently capacity constrained. They are unwilling to sacrifice scale for the prospect of superior returns.**

<sup>3</sup> Source: Bloomberg L.P.

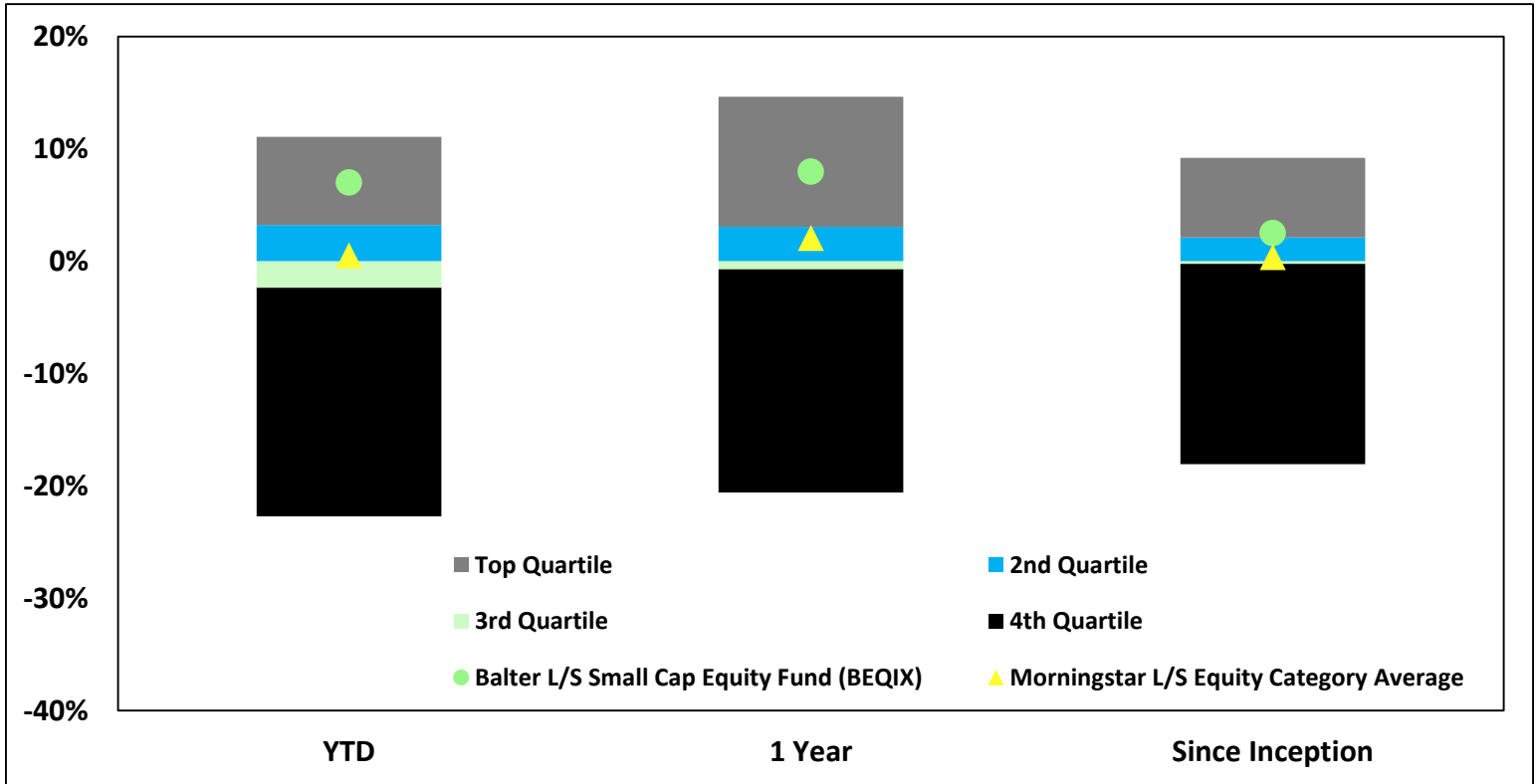
<sup>4</sup> Source: Morningstar Direct.

### BEQIX Has Consistently Provided Strong Risk-Adjusted Returns

- There are just 4 long/short equity mutual funds, as categorized by Morningstar <sup>5</sup>, that have higher Sharpe Ratios than BEQIX over at least 2 of the 3 periods listed below.
- It is also important to note that since BEQIX inception <sup>6</sup>, the Russell 2000 Index has underperformed the S&P 500 Index by 4.11% per year.

### BEQIX vs. Long/Short Equity Peer Group – as of September 30, 2016

Time Period	BEQIX		Russell 2000 Index		Morningstar L/S Equity Category Average	
	Return	Sharpe Ratio	Return	Sharpe Ratio	Return	Sharpe Ratio
<b>YTD</b>	7.00%	1.03	11.46%	0.96	0.50%	0.09
<b>1 Year</b>	7.97%	0.99	15.47%	0.96	2.06%	0.33
<b>Since Inception <sup>6</sup></b>	2.49%	0.36	4.12%	0.34	0.38%	0.07



<sup>5</sup> Source: Morningstar Direct.

<sup>6</sup> BEQIX Inception is 12/31/13.

Past performance is no guarantee of future results.

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MAY LOSE VALUE

Fund Performance	Performance through September 30, 2016					Quarter End 9.30.16	
	MTD	QTD	YTD	1-year	Since Inception	1-year	Since Inception*
BEQIX (Class I)	0.66%	3.88%	7.00%	7.97%	2.49%	7.97%	2.49%
Morningstar L/S Equity Cat.	0.26%	2.32%	0.50%	2.06%	0.38%	2.06%	0.38%
Russell 2000 Index	1.11%	9.05%	11.46%	15.47%	4.12%	15.47%	4.12%
S&P 500 Index	0.02%	3.85%	7.84%	15.43%	8.23%	15.43%	8.23%

Expense Cap as of 03/01/2016: 1 share 2.19%

Expense Ratio as of 03/01/2016: 1 share 2.93% (Gross), 1 share 2.91% (Net)

\* Fund Inception: 12/31/13

Balter Liquid Alternatives, LLC (the "Adviser") has contractually agreed to waive a portion or all of its management fees and/or pay Fund expenses (excluding interest and tax expenses, dividends on short positions and Acquired Fund Fees and Expenses) through February 28, 2017; subject to possible recoupment from the Fund in future years on a rolling three year basis. Excluding dividends from securities sold short and interest expense, the ratio of expenses to average net assets would have been 2.18% before recapture and 2.19% after recapture for the year ended October 31, 2015.

**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.**

*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.**

The indices shown are for informational purposes only and are not reflective of any investment. 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. The S&P 500 Index is an unmanaged index of common stocks, includes reinvestment of dividends and capital gains, and is a registered trademark of the Standard & Poor's Corporation. The Russell 2000 is an index measuring the performance of 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. 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. Alpha is a measure of performance on a risk-adjusted basis. Alpha takes the volatility (price risk) of a mutual fund and compares its risk-adjusted performance to a benchmark index. The excess return of the fund relative to the return of the benchmark index is a fund's alpha.

The Balter L/S Small Cap Equity Fund is distributed by Northern Lights Distributors, LLC. Balter Liquid Alternatives, LLC is not affiliated with Northern Lights Distributors, LLC. 7858-NLD-10/21/2016