Zeo Capital Advisors

PORTFOLIO REPORT
May 31, 2013

Zeo Strategic Income Fund

	NAV	1M	3M	6M	YTD	1Y	2Y	3Y	5Y	10Y	Since Inception (31-May-2011)
Month End (31-May-2013)											
Zeo Strategic Income Fund	10.12	0.00%	0.78%	1.59%	1.53%	4.38%	3.04%	n/a	n/a	n/a	3.04%
Barclays Aggregate Bond Index	1827.58	-1.78%	-0.71%	-1.05%	-0.91%	0.91%	3.97%	4.59%	5.50%	4.66%	3.97%
	Total Fund Net Assets: $45.3m										
Last Quarter End (31-Mar-2013)											
Zeo Strategic Income Fund	10.15	0.30%	1.05%	1.73%	1.05%	3.83%	n/a	n/a	n/a	n/a	3.05%
Barclays Aggregate Bond Index	1842.14	0.08%	-0.12%	0.09%	-0.12%	3.77%	5.73%	5.52%	5.47%	5.02%	4.78%

ZEOIX – Total Annual Operating Expense Ratio: 1.91%

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, 2013, 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.

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 flat for the month of May, compared to -1.78% for the Barclays Capital U.S. Aggregate Bond Index (the "Benchmark"). This month was a tale of two halves: the first half was marked by a strong equity market that saw investors rotating from fixed income on the back of growing confidence in an economic recovery; the second half witnessed a broad sell-off across asset classes due to concerns that the Fed would respond to that recovery by reducing debt purchases. It would seem that investors are cheered by the prospect of reduced dependence on "free money", but they haven't quite kicked the addiction. However, one thing was true in both halves of May: investors in large scale fixed income benchmarks, ranging from broad market and high grade to high yield (both long and short duration) and bank loans to municipals, lost at least 1%, and in many cases, much more. The one subset of fixed income markets that bucked this trend was fundamental short-duration corporate credit. While we have often discussed fundamentals and company-specific investments in a duration-managed portfolio as a prudent way for investors to diversify fixed income away from risks that are otherwise highly correlated, this month provided an opportunity for them to see it in action.

However, we also see in our observations a struggle, as investors try to reconcile the reality of the markets with their need for income-producing securities. The demand that has fueled the high yield new issuance market is evidence of this challenge, as is the equally violent reaction in the other direction as fixed income funds experienced large outflows at the end of the month: the world's largest bond fund, PIMCO Total Return, had its first net outflow since 2011, and high yield saw its second highest outflow of the year (~$700m). Notably, according to Bank of America Merrill Lynch, 70% of the high yield outflows came from ETFs, which represent only 10% of the high yield market, echoing our previous concerns regarding the fickle nature of the marginal investor in the asset class, which we believe the ETFs represent. Such activity creates as many questions as it answers, but the conflict between the fear of continued low rates and the fear of suddenly higher rates is palpable. What may not be as obvious is that the market movements in May revealed a weakness in the conventional wisdom of what drives these opposing scenarios in the first place.

To date, much of the debate surrounding higher interest rates starts with economic recovery signs. After all, the thesis of the Federal Reserve for debt repurchases and other steps to maintain low rates is based, in part, on a view that low cost of capital will lead to recovery and growth, which in turn will enable the economy to expand into the high amount of leverage the "free money" environment has incited. So, the thought process continues, as we see signs of economic strength take hold more firmly than we have thus far, we should expect higher interest rates to follow. But we believe extremely low default rates, a side effect of easy access to capital almost regardless of company, are no more a sign of a healthy economy than extremely high default rates. After all, our growth depends on the "creative destruction" that takes place as weaker companies give way to newer, more innovative companies, releasing both financial and human capital to be put to a more productive use. The consequences of the Fed's low cost of capital, from indiscriminate demand for income-paying securities to higher potential losses due to liberal use of leverage by investors, prevents this constructive force from taking effect. Fans of documentaries on the Serengeti will see the analogy: our herd will only grow stronger if our weak animals are allowed to die.

To be clear, we appreciate that there are a number of advantages that the economy of the United States has over a herd of wildebeests. We draw this parallel simply to illustrate the possiblity that a "free money" policy may in fact have a stagnating effect on the economy that could, in whole or in part, offset the very growth policymakers are trying to achieve. We aren't planting a stake in the ground and insisting this is so, but we would caution investors not to assume that higher interest rates are the outcome, forewarned by signs of economic recovery; it's possible that higher rates are a necessary *pre* condition to that recovery, unpredictable and possibly with a period of pain similar to what we saw in the second half of May. It is our belief that investors would be prudent to diversify away from the higher correlations of non-fundamental fixed income strategies that would result in such a scenario.

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

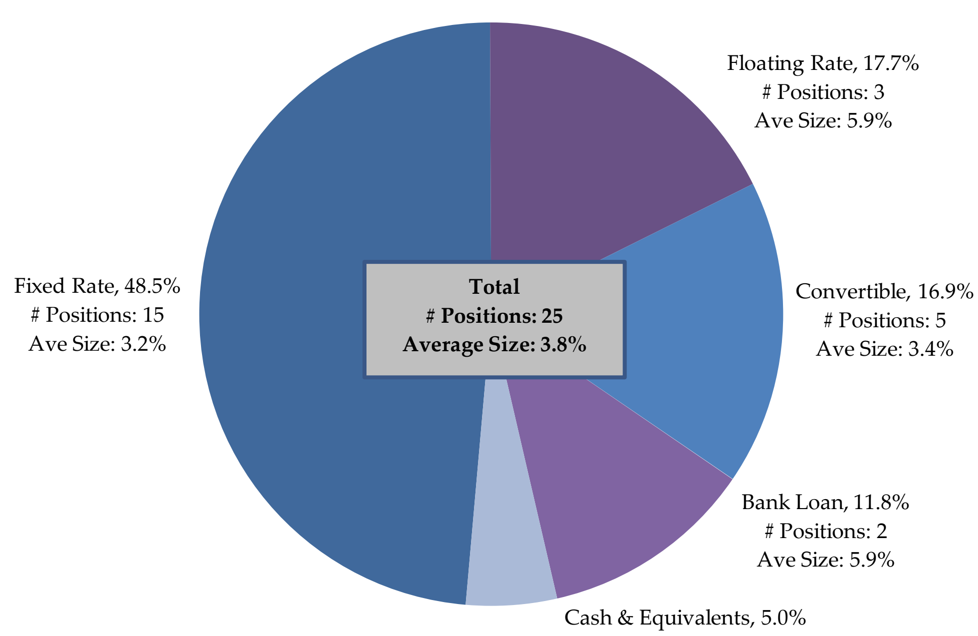
Portfolio Snapshot

Issuer	Instrument	Yield[1]	Maturity (yrs)	% of Portfolio
JetBlue Airways B-1 Spare Parts Pass Through Trust	JBLU 0 1/2/14	4.1%	0.59	10.2%
Lions Gate Entertainment Inc	LGF 10.25 16	3.2%	0.42	9.3%
National Money Mart Co	DLLR 10.375 16	6.0%	0.54	7.4%
Blue Coat Systems Inc	BCSI TL B 1L USD	5.0%	5.95	6.7%
Longview Fibre Paper & Packaging Inc	LONGVW 8 16	4.4%	0.09	6.5%
Collective Brands Inc	PSS TL B 1L USD	7.5%	6.33	5.1%
Dillard's Inc	DDS 6.625 18	3.8%	4.63	4.8%
Carrizo Oil & Gas Inc	CRZO 4.375 28	4.4%	0.01	4.4%
Live Nation Inc	LYV 2.875 27	2.4%	1.14	4.3%
Mueller Water Products Inc	MWA 7.375 17	4.9%	0.09	4.0%
Expedia Inc	EXPE 7.456 18	3.7%	5.21	3.9%
Omnicare Inc	OCR 3.25 35	1.8%	2.54	3.6%
AngloGold Ashanti Holdings Finance PLC	ANGSJ 3.5 14	2.5%	0.98	3.6%
Great Lakes Dredge & Dock Corp	GLDD 7.375 19	5.7%	3.67	3.5%
Western Alliance Bancorp	WAL 10 15	4.8%	2.25	3.5%
Five Star Quality Care Inc	FVE 3.75 26	6.6%	0.38	3.0%
Cott Beverages Inc	BCBCN 8.125 18	4.0%	1.25	2.8%
Case New Holland Inc	CNH 7.75 13	2.4%	0.25	2.3%
Bausch & Lomb Inc	BOL 9.875 15	1.8%	0.42	2.2%
Headwaters Inc	HW 2.5 14	4.1%	0.67	1.5%
Neenah Paper Inc	NP 7.375 14	3.6%	0.07	1.1%
Icahn Enterprises LP	IEP 0 8/15/13	5.3%	0.21	1.1%
Dillard's Inc	DDS 7.13 18	4.3%	5.17	0.1%
Ethan Allen Global Inc	ETH 5.375 15	3.6%	2.34	0.1%
Washington Mutual Inc	WM 0 09	0.0%	0.00	0.0%

[1] *Before fees and expenses*

Portfolio holdings are subject to change at any time and should not be considered investment advice. Yields presented are those of portfolio holdings and do not represent that of the Fund.

By Asset Class



Each of these asset classes has its own set of investment characteristics and risks and investors should consider these risks carefully prior to making any investments.

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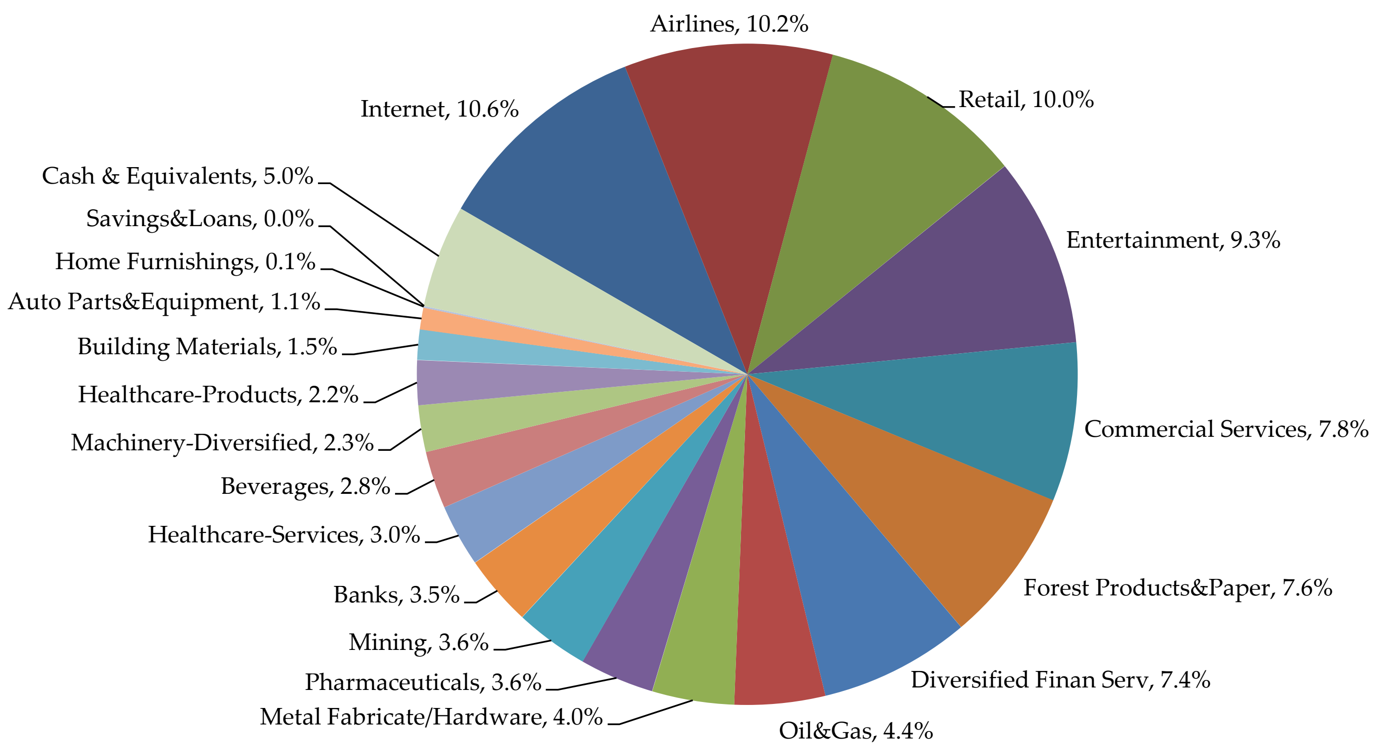
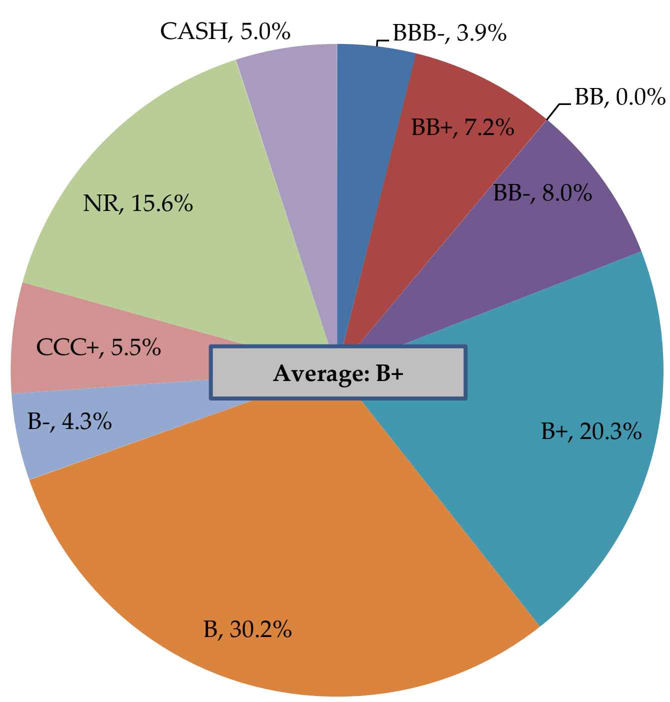
By Sector



By Credit Rating[2]



[2] Rating source: Standard & Poor's; see ***credit rating*** *definition below for more information.*

A ***credit rating*** *is an assessment provided by a nationally recognized statistical rating organization (NRSRO) of the creditworthiness of an issuer with respect to its debt obligations. Standard & Poor's ratings are measured on a scale that ranges from AAA (highest) to D (lowest), with ratings of BBB- and above considered investment grade; ratings are subject to change without notice. "NR", or Not Rated, indicates the issuer or specific security has not been rated and does not necessarily indicate low credit quality.*