

Zeo Strategic Income Fund

	NAV	1M	3M	6M	YTD	1Y	2Y	3Y	5Y	10Y	Since Inception (31-May-2011)
<i>Month End (30-Jun-2014)</i>											
Zeo Strategic Income Fund	10.18	0.30%	0.79%	1.99%	1.99%	5.09%	4.32%	3.58%	n/a	n/a	3.49%
Barclays Aggregate Bond Index	1878.00	0.05%	2.04%	3.93%	3.93%	4.37%	1.81%	3.66%	4.85%	4.93%	3.47%
<i>Total Fund Net Assets: \$104.1m</i>											
<i>Last Quarter End (30-Jun-2014)</i>											
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ZEOIX – Total Annual Operating Expense Ratio: 1.52%

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, 2014, 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") gained 0.30% for the month of June compared to 0.05% for the Barclays Capital U.S. Aggregate Bond Index (the "Benchmark"). Equity markets continued their steady march upwards, with most U.S. broad market indices reaching new highs this month. The fixed income markets didn't exhibit the same strength, in part due to conflicting headlines and analysis during a busy month for bonds. The European Central Bank (ECB) took the unprecedented step of setting negative deposit rates - that is, banks must pay the ECB to deposit money. The U.S. Federal Reserve continued to reduce its bond repurchase program but simultaneously is preparing to hold the bonds it has already bought for a longer-than-expected period. Meanwhile, a google search for "short duration" reveals at least three new mutual funds launched in just the last week that aim to offer investors less risk in a rising interest rate environment, with many more having been introduced in the preceding six months. Indeed, it seems to us that if we were to put two Wall Street analysts together to discuss fixed income, we'd end up with three different points of view. What is a fixed income investor to do?

Unfortunately for readers, there is no silver bullet. For a portfolio whose objective is to preserve capital, we urge the prudent investor to be mindful of our oft-repeated mantra that there is no free money. Credibly targeting principal protection, in our opinion, requires a deliberate and disciplined approach to risk management. Furthermore, we believe risk management starts with asset-liability matching. That is, one should aim to align as closely as possible the time horizon of one's capital needs with the time horizon of an investment and its returns. To provide a simple example, consider the family aiming to conservatively invest down payment money with the intention of buying a house within one year. While conventional wisdom (and some financial experts) still argue that a 10-year treasury bond is "risk-free", if interest rates increase, this family would be forced to sell their bonds at a loss in one year's time regardless of the high probability that the treasury will be repaid in full at its ultimate maturity. The mismatch between the timeframes of the asset (10-year treasury) and the liability (one-year down payment) puts the family's principal, and home purchase, at risk. While reducing interest rate risk may be the most common objective of shortening the duration of a fixed income portfolio, it is our view that aiming to protect against an asset-liability mismatch is the true benefit of shorter-term strategies. Balancing this with the equally difficult task of earning a sufficient return to hurdle inflation and maintain purchasing power is the true challenge of fixed income investors today.

This is especially true in uncertain markets: if the liability side of the evaluation is uncertain, the best way for an investor to have confidence that she is not taking on too long a timeframe on the asset side is to keep it short. But what *is* the timeframe of an asset? The simplest meaning of the term "duration" is the time during which one is exposed to a particular risk, but a given investment may have several risks, each with its own timeframe - interest rates, credit spreads and price volatility are three of the most important in fixed income. Unfortunately, many strategies are managed to limit their sensitivity to only one or two of these factors. It is in this analysis that commonly used solutions for shorter-term fixed income do not appear to deliver as investors expect. Despite J.P. Morgan's projection of a record loan issuance market in 2014, many syndicated loan funds fall short from this point of view - they expose investors to long-term credit risk even as they aim to reduce interest rate risk. Elsewhere, the duration of many hedged strategies is a theoretical calculation that may deviate from real-world observations, which has in the past resulted in more volatility and longer periods of negative performance than expected. We suggest that investors seeking to limit duration across multiple risk factors may be well served to focus first on whether a strategy's competitive advantage can persist regardless of the market environment. Characterized by a counterintuitive combination of low volatility and high uncertainty, today's markets in particular pose a true test in this regard. We are heartened by the suggestion from no fewer than three different banks just this month that, in an extreme environment of low volatility, they see the most opportunity in idiosyncratic risk, or picking individual stocks and bonds. We tend to agree, especially for fixed income portfolios seeking to preserve capital and earn income in an uncertain environment.

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