The Active Manager

Bimonthly Journal of the National Association of Active Investment Managers

Vol. 12 Issue 3, June 2015

TRADING STRATEGIES

NAAIM NEWS

Resources from Uncommon Knowledge 2015 Available on NAAIM Website

THE 2015 UNCOMMON KNOWLEDGE CONFERENCE attracted 123 attendees – 26 of whom were new members – along with speakers and sponsor representatives to Newport Beach, California, May 3-6. From the initial events on Sunday – including the Solo Advisers meeting, NAAIM Golf Classic, and Fishing Expedition – to the closing announcement of the 2015 Shark Tank winner, the conference was non-stop information and networking.

A look back at the conference in photos can be found on pages 4-5 of the newsletter. In addition, presentations from the 2015 Uncommon Knowledge conference have been posted to the online NAAIM Community bulletin board under RESOURCES. In addition to speaker PowerPoints, RESOURCES from the conference include:

- Notes from the Solo Advisers Meeting on Sunday afternoon
- Shark Tank PowerPoint presentations
- Shark Tank bios and strategy summaries
- Sponsor presentations.

Thanks to all who made the 2015 event a success…from the agenda committee to the NAAIM board and staff, a great line up of sponsors, and all the attendees who gave the conference its ultimate value by their participation.

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President's Letter

Ted Lundgren

WHEN I STARTED AS A registered rep for a wire house, brokerage conferences were encouraged for CE credits – it was a great chance to meet peers, get ideas, and trade war stories. When you transition to an independent RIA shop, it's difficult to develop a sense of community with people like yourself. Hg Capital Advisors became a member of NAAIM in 2001, and I still remember the first conference I attended. All of a sudden, with NAAIM, that relationship and comradery were back. Then, it meant the ability to talk with peers who understood my business. Now, I have great friends all around the country because of NAAIM. Business opportunities and partners came to me through the organization; and, at the end of the day, my business grew up at NAAIM.

In 2009, long-time NAAIM member Will Hepburn sat me down and said, "I want to tell you about my experience." He asked if I would consider more active participation in NAAIM. Will told me how rewarding it was to get involved at a higher level, and take ownership in the association. If you know Will, you know it's hard to turn him down. Joining the board gave me a chance to take some of my ideas and make them happen. Of course, nothing comes to fruition without the help of many others. After surviving last year as Vice President and agenda chair, I can't offer enough thanks to Jason Wilder, Dave Moenning, Michael Price, everyone on the Agenda Committee, and all of my fellow board members. I truly appreciate their support and hard work in making the Outlook and Uncommon Knowledge conferences so successful.

Ken Graves is now stepping into the role of Vice President and agenda chair, and will do a great job with the help of the NAAIM members, as well as our administrator Susan Truesdale and marketing director Susan Baber. If you have ideas for the upcoming conferences, or would like to contribute to the agenda committee, please contact Ken. You will find contact information for all of the 2015-2016 board members on page 14, and at www.naaim.org.

As for my goals as President, you may have noticed from the 2015 Uncommon Knowledge agenda, I am a bit of a disrupter. I like to try new approaches – and push into areas that are important for us to confront as active managers. As President, I have the role of stewarding NAAIM and what it

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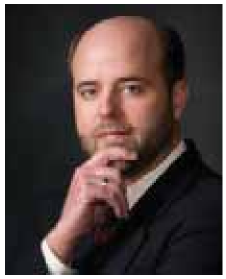
John McClure of ProfitScore Wins the 2015 Shark Tank Competition



John M. McClure

JOHN M. MCCLURE, FOUNDER and CEO of ProfitScore Capital Management in Eagle, Idaho was named the 2015 first-place winner of the NAAIM Shark Tank Competition for his investment strategy: **ProfitScore Long/Short US Treasuries (LSGB),** at the conclusion of the recent Uncommon Knowledge conference held in Newport Beach, California.

An annual event, the NAAIM Shark Tank competition is an opportunity for the developers of active investing approaches to pitch their strategies to fellow advisers and active investment managers in pursuit of sub-adviser agreements. The success of the 2014 Shark Tank presentations led to auditions at the 2014 NAAIM Outlook conference and six finalists who presented Wednesday afternoon during the final session of the 2015 Uncommon Knowledge annual conference. The first place winner has the opportunity to meet with a number of investment distribution firms.

Entered in the "Established" category, **McClure** presented information on his ProfitScore Long/Short US Treasuries (LSGB) program. LSGB represents a quantitatively based, absolute return, multi-strategy investment model. LSGB utilizes multiple uncorrelated tactical strategies to capture price trends and positions assets to benefit from a rising or declining yield curve. Investment portfolios tracking this investment model will benefit from transparency, high liquidity, low degree of volatility and positive response to rising or falling interest rates.

Second Place Winner **Ken Graves** of Capital Research Advisors presented a long/cash/short/leveraged trading strategy designed to buy representations of the S&P 500, DJIA, Russell 2000, Nasdaq 100, or Mid Cap 400. The model is 100% invested, or not, with extended periods when no trades are made.

In Third Place, **Rich Paul** of Potomac Advisers brought his **Evolution Market Timing System (EVO)** with 12 years of outstanding performance from a system he clearly identifies as market timing.

The competition judges were comprised of a panel of investment professionals selected by the NAAIM Shark Tank committee. The panel of judges included John Kosar, Asbury Research; Jeff Pietsch, Concert Wealth Management; Jerry Wagner, Flexible Plan Investments, Ltd.; Mike Posey, Theta Research; and Will McGough, Stadion Money Management.

Presentations from both the 2015 and 2014 Shark Tank Competitions have been posted in the NAAIM Community (member login required).

NAAIM Wagner Award Receives 115 Papers over Seven Years

ALSO NEW TO THE COMMUNITY RESOURCES section of the NAAIM website is a listing by year of the 115 white papers received as entries in the NAAIM Wagner Award for Advances in Active Management over the last seven years. The first award was presented in 2009 to one of six papers submitted in the competition's inaugural year. From that point submissions increased dramatically reaching a high of 22 papers in 2014. The collection represents some fascinating viewpoints on active portfolio management. NAAIM members have full access to the papers and are encouraged to download the complete list and request copies of the papers with topics of particular appeal. A new search feature also allows members to search for papers by competition year, author's name, paper title, and in Phase 2, by keyword.

The full library of NAAIM Wagner Award research papers is also now available to the public. Non-members can request up to three papers at a time using the search feature on the NAAIM website.

Workshop Program Continues into 2016

IN ORDER TO GROW MEMBERSHIP AND PROMOTE NAAIM, the Association has been running advisor workshops in the western United States, leading up to the national Uncommon Knowledge conference in May.

Upon recommendation by the Marketing Committee, the Board of Directors has decided to continue the program into 2016. Most programs will be on the East Coast, so as to target prospective members who might attend the 2016 Uncommon Knowledge conference in Fort Lauderdale, Florida May 1-4, 2016.

Each workshop has a similar format. There is a panel of NAAIM members who discuss their practices and answer questions about how they grew their practice using active investment management.

Fall workshops will be held in the Washington, D.C. area on September 10, 2016 and in the Philadelphia area on or around the first of October. Look for updates on dates and locations in NAAIM NEWS.

Members are able to attend at no charge, so if there is a workshop in your area, be sure to come and network with other local managers or be a part of the member panel.

GUGGENHEIM

Guggenheim's Rydex Funds

Committed to Active Advisors

Your active management style can be a big differentiator now, as investors struggle to navigate challenging market conditions. As your investing partner, Guggenheim Investments is committed to supporting your firm through our Rydex funds and other benefits that deliver value to your clients:

- **Breadth & Flexibility:** Unlimited exchange privileges, with no holding periods and transaction fees, among equivalent share classes, of the 55 Rydex funds* (Certain share classes may impose sales charges on new purchases or for early redemptions). We also offer 12 funds that price twice daily through Guggenheim Investments and on select platforms.
- **Innovation:** A leader in providing benchmark replication products, as well as the industry's first inverse and leveraged mutual funds.
- **Thought Leadership:** Scott Minerd, our Chief Investment Officer, guides Guggenheim Investments' investment strategies and our views on global developments. In addition, we publish topical white papers and thought pieces that can be valuable in today's market.
- **Responsiveness:** A team of dedicated sales professionals who understand and address the needs of active advisors.

Call 800.258.4332 to ask us about how we and our Rydex products can help you in your business.

Read a fund's prospectus and summary prospectus (if available) carefully before investing. It contains the fund's investment objectives,risks, charges, expenses and other information, which should be considered carefully before investing. Obtain a prospectus and summary prospectus (if available) at guggenheiminvestments.com or call 800.258.4332.

Inverse and leveraged funds are not suitable for all investors. •These funds should be utilized only by investors who (a) understand the risks associated with the use of leverage, (b) understand the consequences of seeking daily leveraged investment results, (c) understand the risk of shorting, and (d) intend to actively monitor and manage their investments. •The more a fund invests in leveraged instruments, the more the leverage will magnify any gains or losses on those investments. •Inverse funds involve certain risks, which include increased volatility due to the funds' possible use of short sales of securities and derivatives, such as options and futures. •The funds' use of derivatives, such as futures, options and swap agreements, may expose the funds' shareholders to additional risks that they would not be subject to if they invested directly in the securities underlying those derivatives. •Short-selling involves increased risks and costs. You risk paying more for a security than you received from its sale. •Leveraged and inverse funds seek to provide investment results that match the performance of a specific benchmark, before fees and expenses, on a daily basis. Because the funds seek to track the performance of their benchmark on a daily basis, mathematical compounding,especially with respect to those funds that use leverage as part of their investment strategy, may prevent a fund from correlating with the monthly,quarterly, annual or other period performance of its benchmark. Due to the compounding of daily returns, leveraged and inverse funds' returns over periods other than one day will likely differ in amount and possibly direction from the benchmark return for the same period. For those funds that consistently apply leverage, the value of the fund's shares will tend to increase or decrease more than the value of any increase or decrease in its benchmark index. The funds rebalance their portfolios on a daily basis, increasing exposure in response to that day's gains or reducing exposure in response to that day's losses. Daily rebalancing will impair a fund's performance if the benchmark experiences volatility. **Investors should monitor their leveraged and inverse funds' holdings consistent with their strategies, as frequently as daily.** • For more on these and other risks,please read the prospectus.

ETFs may not be suitable for all investors. • Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than original cost. Most investors will also incur customary brokerage commissions when buying or selling shares of an ETF. • Investments in securities and derivatives, in general, are subject to market risks that may cause their prices to fluctuate over time. • ETF Shares may trade below their net asset value ("NAV"). The NAV of shares will fluctuate with changes in the market value of an ETF's holdings. In addition, there can be no assurance that an active trading market for shares will develop or be maintained. • Tracking error risk refers to the risk that the advisor may not be able to cause the ETF's performance to match or correlate to that of the ETF's Underlying Index, either on a daily or aggregate basis. Tracking error risk may cause the ETF's performance to be less than you expect

Shares of the funds are not deposits of, or guaranteed or endorsed by, any financial institution; are not insured by the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board, or any other agency; and involve risk, including the possible loss of the principal amount invested. Certain funds may be affected by risks that include those associated with sector concentration, international investing, investing in small and/or medium size companies, and/or the funds' possible use of investment techniques and strategies such as leverage, derivatives and short sales of securities and alternative or nontraditional asset classes and strategies such as absolute return, long/short, commodities, currencies and managed futures. Please see the funds' prospectus for more information.

Guggenheim Investments represents the investment management businesses of Guggenheim Partners, LLC ("Guggenheim"). **Securities offered through Guggenheim Funds Distributors, LLC.** Guggenheim Funds Distributors, LLC. is affiliated with Guggenheim Partners, LLC. #12982

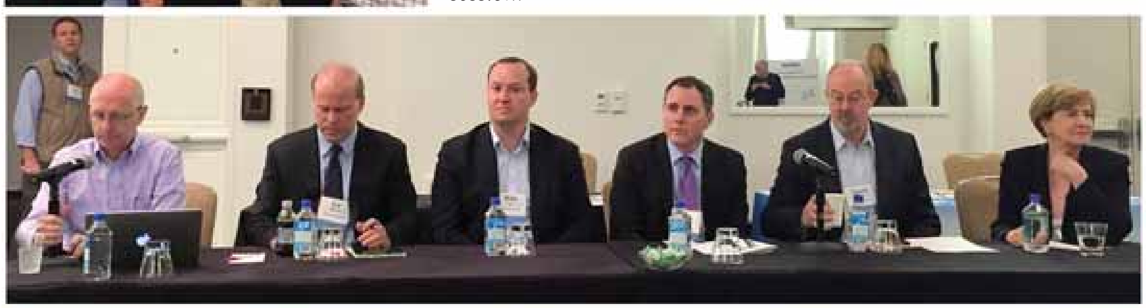
Uncommon Knowledge CONFERENCE 2015

WHEN ONE LOOKS BACK AT a NAAIM conference what often stands out the most are the attendees. It is a pleasure to look back on the NAAIM conference in photographs and salute everyone who made Uncommon Knowledge 2015 memorable – pictured or not!

(Left to right) (1) Shotgun start at Tustin Ranch Golf Club. (2) First Place foursome Jerry Jacobs, Eric Douglas, Elizabeth Wisdom and Paul Schatz. (3) Charles Falco indicates the one that got away, while (4) David Wright holds one that didn't. (5) Dave Taucher with the best golf pants and Jeannie Davis. (6) Opening reception with Mike Moran, Jeffery Ingalsbe and Scott Behnken. (7) Mike Reidy, Mike Bielski, Ryan Harder and Jon Hill.(8,9 & 10) Scenes from the Monday night casino party.

Golf photos by Jeannie Davis.
Conference photos by Susan Baber.

(Left to right) (1) The main conference room. (2) Incoming NAAIM President Ted Lundgren presents outgoing NAAIM President Jason Wilder with an award recognizing his service to NAAIM. (3) Len Fox and Warren Wall in the sponsor hall. (4) Michael Price and Greg Morris with Tyler Wood in the background. (5) Chad Hollis with Putnam Investments with Jeff Pietsch, David Wagner and friend. (6) Ken Graves presents in Shark Tank 2015. (7) Sponsor panel - Leveraging Relationships with Strategic Partners - Jim Applegate, Ed Egilinsky, Mike Brady, Carl Resnick, David Wright and Catherine Ayers-Rigsby. (8) Kara Paik and Venk Reddy receive the NAAIM Service Award. (9) Business Development Track: Achieving Profitable Growth wholesale session.



Volatility Funds Protect Portfolios in Volatile Markets (Keep the sharks at bay)

Efficient long-term exposure to volatility can help investors weather all parts of a market cycle

BY JEFF KILBURG

WHILE EQUITY MARKETS CONTINUE TO RESIST the bearish undercurrents beneath the surface, listen carefully as you may faintly hear the John Williams' *Jaws* sequence of low-pitched bass notes resonating in the breeze…. Just like the migration patterns of the Great White shark, volatility has a tendency to surface when market participants are most likely not expecting any form of tumult. However, with a little planning and pre-emptive positioning, investors and their financial advisors do not need to get caught in the proverbial "jaws" of the market. The best way to protect their portfolios is to embrace volatility by investing in mutual funds or exchange-traded funds that capitalize on market movement.

Allocating a small portion of an investment portfolio to volatility funds may hedge downside risk not only for equity investments, but across other asset classes as well. Increases in volatility rarely confine themselves to a single asset class—they usually start in one and bleed into others, which can in turn create a potential feeding frenzy. Investors and advisors should think of volatility funds as insurance policies for portfolios—they seek to provide a layer of protection by offsetting potential losses in a long risk assets portfolio such as equities, and the returns generated from the long volatility exposure may greatly appreciate during market sell-offs. The potential gains from the portfolio insurance allocation can then be harvested and in turn appropriately be reinvested in promising assets that become undervalued during the investor rush to divest.

Tracking the 'Fear Index'

The Chicago Board Options Exchange's CBOE Volatility Index (VIX) is a well-known measurement of volatility and prognosticator of equity market corrections. The VIX measures the implied volatility (market expectations of price movements within 30 days) of the S&P 500 Index, and is often referred to as the "fear index." Since implied volatility generally increases in bear markets and decreases in bull markets, the perceived risk of an equity market correction rises when the VIX goes up.

The VIX often moves in the opposite direction of the S&P 500, but while this low correlation between volatility and equities is a diversification benefit in and of itself, it is distinct from the low correlations between equities and other asset classes. Historically, equities' low correlations to other asset classes rapidly increase (all asset classes sell off in unison) during stressful market conditions—just when investors need them to stay low. However, the correlation between equities and volatility usually decreases during periods of market stress. This means that, unlike other potential hedges, volatility exposure can give equity investors the protection they need when they need it most.

Not all VIX Funds are Created Equal

In recent years, fund managers have launched liquid alternative funds ('40 Act funds with alternative investment strategies historically only available through hedge funds) designed to give investors exposure to volatility. These funds typically invest in a combination of long and short S&P 500 futures and options contracts that trade on the VIX and attempt to capture both upside and downside movements along the VIX futures curve. Some of the funds invest in stocks of S&P 500 companies in addition to VIX-traded futures and options contracts, enabling investors to benefit from positive equity performance while generating extra alpha in down markets.

These types of strategies are viable options for obtaining volatility exposure, but investors and advisors need to remember that, depending on the portfolio managers, some strategies are more advanced—and offer better protection—than others. Some volatility investment funds simply take positions in VIX futures and passively watch the VIX futures curve.

Passive strategies typically sell 1/20 of the front-month future and buy 1/20 of the second-month future on a daily basis. When the VIX futures curve is in contango (a situation where the front month is less expensive than the second month, and the second month is less expensive than the third month), this daily routine of proportionally selling at a lower price and proportionally buying at a higher price creates decay, which is better known as "drag" in the investment advisory world and can hurt investors.

Other funds attempt to offer more protection by using market-timing strategies that predict when equity investors will most likely need exposure to volatility. While market-timing strategies are certainly an improvement over passive reliance on the VIX futures curve, they can hurt investors if their predictions are wrong or mistimed. If a portfolio manager reduces volatility exposure when his model deems a downturn is unlikely, and the equity market suddenly dips sharply, then investors can find themselves without protection at a time when they are most vulnerable.

When evaluating volatility funds, investors and advisors should look for portfolio managers that seek to identify the most efficient long-term volatility exposure. For example, managers that calculate the relative value of VIX-traded futures and options contracts on a daily basis have a much better chance of finding the most promising investment opportunities over short-, medium- and long-term horizons.

Besides daily rebalancing, portfolio managers that opportunistically short overpriced securities can also help investors create the most efficient exposure to volatility. By

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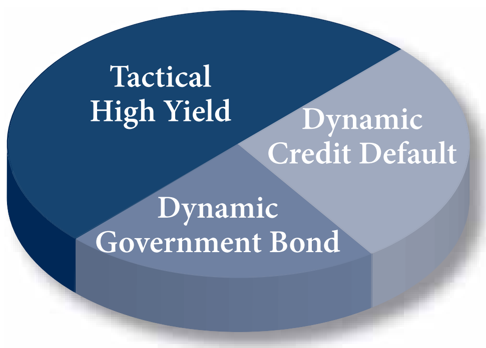
2015 "NAAIM Shark Tank" Winner

Congratulations to ProfitScore!

John McClure, President & CEO of ProfitScore received the 2015 "NAAIM Shark Tank" award for the **Dynamic Long/Short Government Bond Strategy**—one of three key components to the multi-strategy ProfitScore Alternative Income Index (PSAI).

Since March 2014, the PSAI Index approach has been the basis for the long/short alternative income strategy used by the **Arrow Alternative Solutions Fund.**



Arrow Alternative Solutions Fund
Ranked #15 out of 97
Nontraditional Bond Funds[1]
(Source: Morningstar)

For more information, call (877) 277-6933
Be sure to visit our website: www.arrowfunds.com

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[1]**Class I (ASFNX) ranked 15 of 97 funds in the Morningstar Nontraditional Bond Fund category for the one-year period as of 3/31/2015. Rankings are based on historical total return and do not represent future results.** Where the category may include multiple share classes of the same mutual funds, the highest performing share class was included in the ranking. ©2015 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. **Past performance is no guarantee of future results.**

Before investing, please read the fund's prospectus and shareholder reports to learn about its investment strategy and potential risks. Mutual fund investing involves risk including loss of principal. An investor should also consider the fund's investment objective, charges, expenses, and risk carefully before investing. ***This and other information about the fund is contained in the prospectus, which can be obtained by calling 1-877-277-6933.*** *Please read the prospectus carefully before investing. Arrow Funds are distributed by Archer Distributors, LLC (member FINRA). ProfitScore is not affiliated with Arrow Funds or Archer Distributors.*

Arrow Alternative Solutions Fund may not be suitable for all investors. The fund may invest in fixed income securities, which are subject to risks including interest rate, credit and inflation. The fund's use of derivatives such as futures, options and swap agreements may expose the fund to additional risks that it would not be subject to if it invested directly in the securities underlying those derivatives. Investing in leveraged instruments will magnify any gains or losses on those instruments. The fund's use of short selling involves increased risks and additional costs. AD-060315

US Tick Pilot: Cleared for Takeoff

BY PHIL MACKINTOSH

ON MAY 6, 2015 – EXACTLY FIVE YEARS AFTER the flash crash – the SEC dropped some complex new rules on the small-cap traders and investors.

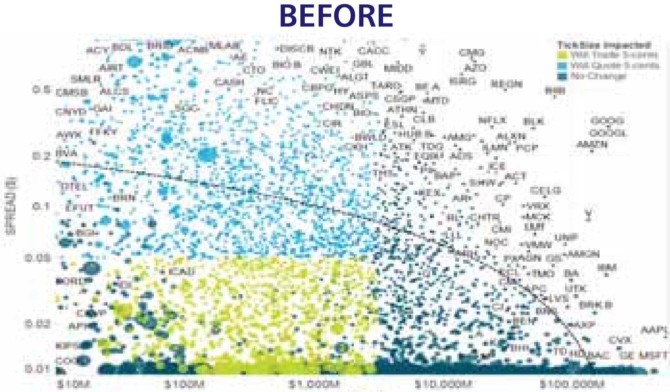
Tick pilot affecting small-cap trading is approved

The SEC approved a pilot for trading small-cap stocks with 5-cent spreads. The pilot will:

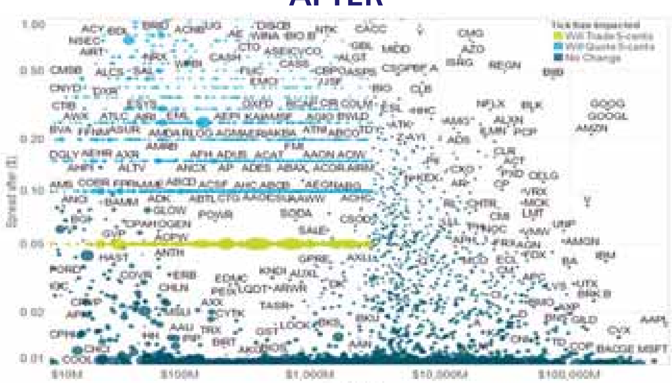
- Actually be three different pilots
- Start in 12 months (6th May 2016)
- Affect 1200 stocks
- Last two years
- Include a test of "trade-at"
- As well as a test of a smaller "block size"

Exhibit 1: Spreads by market cap, now and after a market-wide implementation of rules proposed in the pilot.

BEFORE



AFTER



Full adoption of the tick-pilot spreads would affect:

- Around 60% of Reg NMS stocks
- However, these stocks contribute just 7% of value traded and
- Almost 2/3rds of them already trade wider than 5-cent spreads

Small cap trading could get more expensive, but easier…

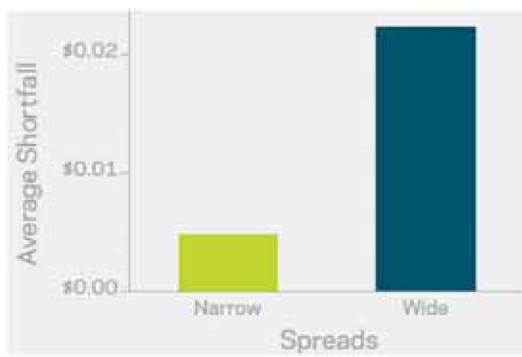
This has the potential to significantly change trading for small and illiquid stocks.

The argument for wider spreads is that it will increase the depth of book at the NBBO, which in turn should make it easier to get larger trades done without moving the stock.

However, it is also likely to increase trading costs for most investors and arbitrageurs. Long-term investors are typically net liquidity-takers – meaning they need to cross spreads to complete orders. Our research shows that even now, wider spreads make it **more expensive for investors to trade** when compared to similar, narrow-spread stocks.

For these investors, trading strategies to capture spread will become more important.

Exhibit 2: Wide spreads stocks are typically more expensive to trade.



Source: KCG Data

May impact small cap ETFs too

Thanks to the $3 billion market cap cut-off, it could also impact the **cost of arbitrage** and trading **in ETFs** like **IWM** and **VB**.

Questions?

What are the Three pilots?

The SEC has requested three different pilots of 400 stocks each, where stocks will be:

- **PILOT 1: Quoted at 5 cents**, but can trade off exchange at any tick within the NBBO
- **PILOT 2: Quoted & Traded at 5 cents** with Dark allowed at midpoint & touch only
- **PILOT 3: Quoted & Traded at 5 cents with trade-at** with Dark allowed at midpoint only

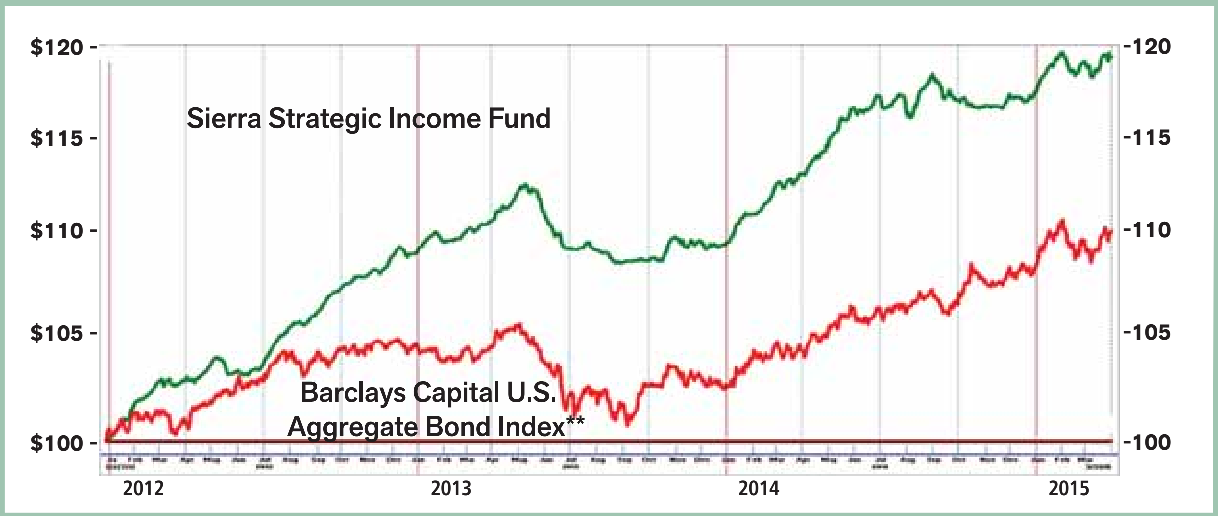
continued on page 12

SIERRA
STRATEGIC INCOME FUND

Invest wisely.

PERFORMANCE SUMMARY, CLASS R SHARES (SSIRX)

SIERRA STRATEGIC INCOME FUND FROM INCEPTION 12/27/11 TO 3/31/15



Successful portfolio management involves both profiting from sustained uptrends — the past three years have mostly been part of the current rising cycle — and limiting drawdown during the adverse part of the cycle — which Sierra has also done very well for many years.

	As of 3/31/2015					
			Latest Three Years		Since Inception 12/27/2011	
	Year-to-Date	One Year	Cumulative*	Annualized	Cumulative*	Annualized
Sierra Strategic Income Fund Class R	**+1.52%**	**+5.19%**	**+15.91%**	**+5.04%**	**+19.49%**	**+5.61%**
Bond Index**	**+1.61%**	**+5.72%**	**+9.60%**	**+3.10%**	**+10.60%**	**+3.14%**

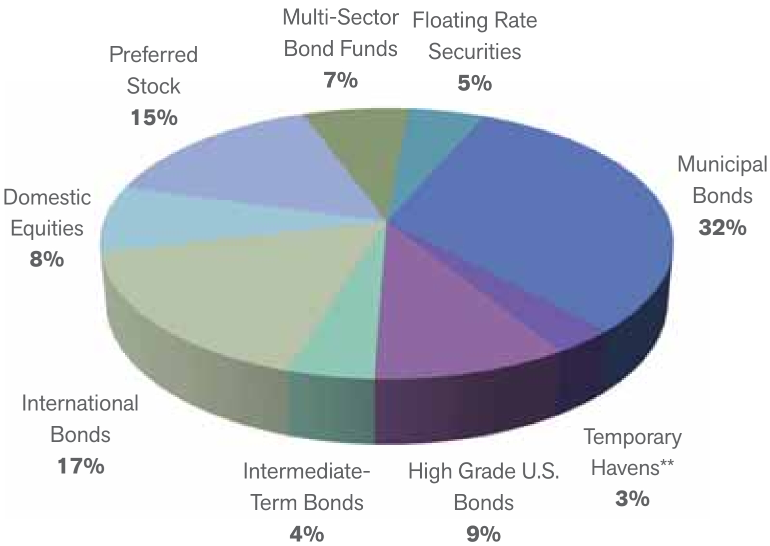
The performance data quoted here represents past performance for Class R shares (symbol SSIRX), and are net of the total annual operating expenses of the Class R shares (see below). For performance numbers current to the most recent month end, please call toll-free 855-556-1295 or visit our website, www.sierramutualfunds.com. Current performance may be lower or higher than the performance data quoted above. Past performance is no guarantee of future results. The investment return and principal value of an investment in the Fund will fluctuate, so that investors' shares, when redeemed, may be worth more or less than their original cost. The total annual operating expenses, including expenses of the underlying funds (estimated at 0.52% per year) are 1.48% for Class R. Please review the Fund's prospectus for more information regarding the Fund's fees and expenses.

** "Cumulative" performance from inception is the total increase in value of an investment in the Class R shares assuming reinvestment of dividends and capital gain distributions.*

*** "Bond Index" is the Barclays Capital U.S. Aggregate Bond Index, formerly called the "Lehman Aggregate Bond Index", and is a broad-based index maintained by Barclays Capital that is often used to represent investment-grade bonds traded in the United States. Investors cannot directly invest in an index and unmanaged index returns do not reflect any fees, expenses or sales charges.*

Underlying Funds may invest in foreign emerging market countries that may have relatively unstable governments, weaker economies, and less-developed legal systems, which do not protect investors. In general, the price of a fixed income security falls when interest rates rise. Any strategy that includes inverse securities could cause the Fund to suffer significant losses. Underlying Fund investments in lower-quality bonds, known as high-yield or junk bonds, present greater risk than bonds of higher quality. Municipal securities are subject to the risk that legislative changes and economic developments may adversely affect the value of the Fund's investments. REIT risks include declines from deteriorating economic conditions, changes in property value, and defaults by borrower. Underlying Funds that own small and mid-capitalization companies may be more vulnerable than larger, more established organizations to adverse business or economic developments. In some instances it may be less expensive for an investor to invest in the Underlying Funds directly.

ASSET ALLOCATION AS OF MARCH 31, 2015*



*NOTE: Holdings can change at any time without notice. **Money Market & ultra short bond funds.

The top ten holdings of the Sierra Strategic Income Fund as of the date above is among the extensive information included in a four-page Fact Sheet, which is updated at least quarterly and can be viewed and printed from our website, www.sierramutualfunds.com.

PERFORMANCE BY QUARTER (SSIRX)

Year	Q1	Q2	Q3	Q4	Calendar Year	Bond Index**
2012	+2.94%	+0.79%	+3.67%	+1.75%	+9.44%	+4.21%
2013	+1.41%	-1.24%	-0.60%	+0.83%	+0.38%	-2.02%
2014	+3.25%	+3.41%	-0.15%	+0.35%	+6.98%	+5.97%
2015	+1.52%					

The Sierra Strategic Income Fund pays a quarterly dividend. Shares are available through TD Ameritrade, Charles Schwab & Co. Inc., Fidelity, Pershing and directly from the Fund.

The Fund indirectly bears the investment management fees and expenses of the underlying funds in addition to the investment management fees and expenses of the Fund – all of which however are fully reflected in the above performance information. In some instances it may be less expensive for an investor to invest in the underlying funds directly. There is also a risk that investment advisers of those underlying funds may make investment decisions that are detrimental to the performance of the Fund. Investments in underlying funds that own small- and mid-capitalization companies may be more vulnerable than larger, more established organizations to adverse business or economic developments. Investments in underlying funds that invest in foreign equity and debt securities could subject the Fund to greater risks including, currency fluctuation, economic conditions, and different governmental and accounting standards.

Our investment strategies have been specifically developed for retirees, those approaching retirement, and other conservative investors. During these turbulent times, we invite you to ask us for more details about our performance in both good times and Bear Market periods.

Investors should carefully consider the investment objectives, risks, charges, and expenses of the Sierra Strategic IncomeFund. This and other information about the Fund is contained in the prospectus and should be read carefully before investing. The prospectus can be obtained on our website, www.sierramutualfunds.com, or by calling toll free 1-855-556-1295. The Sierra Strategic Income Fund is distributed by Northern Lights Distributors, LLC, Member FINRA/SIPC.

US Tick Pilot: Cleared for Takeoff

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	Pilot 1	Pilot 2	Pilot 3
Lit Market Increments	5-cent ticks	5-cent ticks	5-cent ticks
Trading in Dark/Grey Markets	Anywhere in the NBBO	Midpoint and touch only [a]	Midpoint only [a, b]
Beneficiaries	Dark pools	Blocktraders	Exchanges

[a] *There is a retail exemption, provided price improvement is at least a half-cent.*
[b] *Dark pools can trade at the touch in Pilot 3, provided they first sweep lit books. Blocks are allowed to cross internally at the touch.*

Which 1200 stocks and when do we know?

Small-cap stocks that trade more than 1 million shares-per-day, or have a price less than $2, are excluded from the pilot.

Stocks will be selected from the remaining universe using stratified sampling. This is essentially a random selection that ensures that stocks in each pilot are roughly similar – across three dimensions – share price, volume and market cap.

Exchanges will publish the stocks in each bucket closer to the start of the pilot in May 2016.

What does Trade-At do?

Exchanges have lobbied for years for a rule that stops dark pools trading at the NBBO. They argue that dark pools "free-ride" off exchange market-making activities – however, it also impacts exchange revenues and market share.

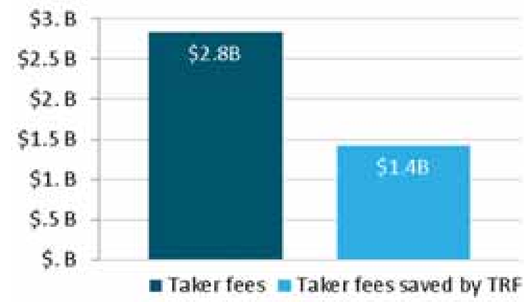
Trade-at effectively mandates execution priority for NBBO orders to exchanges. Algorithms working stocks in Pilot 3 will, in most circumstances, need to post orders on-exchange to capture these (wider) spreads.

Canada recently implemented a trade-at rule, and it significantly reduced dark trading. However, recent studies show that has increased trading costs and may have forced investors to trade more in the US, where overall trading costs are now cheaper.

This is not surprising. In the US, we estimate that off-exchange trading results in savings for liquidity takers of around $1.4 billion per year.

Exhibit 3: Take fees would be significantly higher if trade at became market-wide.

Perhaps more importantly to large-position traders, we also see that posting orders on the touch signals your intent to the markets – sometimes before you even get to trade.



Source: KCG Data

Phil Mackintosh is Head of Trading Strategy & Analysis at KCG. His team provides commentary, transparency and analysis on market structure, trading and ETFs. This, in turn, helps investors understand how to leverage technology and improve their trading. Phil has more than 20 years of experience in financial markets. He has traded and researched markets in all asset classes, and managed index funds, as well as working in operational risk and finance roles.

For more information on these and other topics KCG covers, call Harry Whitton at KCG - 212.479.7489

Want to know more?

Click on these additional resources:

- SEC press release and SEC order
- NMS Plan as modified
- Who Gets The Short End Of The 'Tick'
- Today's Spreads Make More Sense Than Nickels

President's Letter

CONTINUED FROM PAGE 1

has become over the last 25 years; but I also look forward to continuing to shake things up. There are a lot of new challenges ahead of us, from robo advisers to the market itself. The same-old, same-old, isn't going to work over the next 25 years.

One of the questions we always hear is, "Why should I join NAAIM?" I believe our value proposition has three parts:

1. NAAIM offers its members education on active management, and on issues confronting the advisory industry from compliance to technology.
2. Beginning with the 2015 conference, we are transitioning to a business development focus centered on helping NAAIM members build robust businesses from concept, to sales, to client retention.
3. NAAIM gives members exposure – a stage on which to present their ideas and expertise – at conferences, in publications and on the web.

The biggest challenge facing traditional buy-and-hold advisors is that they don't know when the other shoe is going to drop. Their clients are scared, not because the markets have gone down, but because they don't know WHEN they will go down again. Active management is always an important tool, just as it was in 2000-2002 and 2008. Advisors need to learn about risk management and how NAAIM can help. We have an opportunity to get the word out – and put the spotlight on our members.

In addition to expanding NAAIM's value proposition, there are three specific initiatives I intend to focus on as President:

- Assess and update the NAAIM bylaws
- Review NAAIM's target market for membership towards responsible growth
- Deliver on the value proposition to best serve our membership

As a board, we are executing on the plan to continue improving the organization – most importantly, NAAIM can never stop innovating.

I'd like to close with a few words about the 2015 Uncommon Knowledge conference. Networking has always been a key reason I have been a NAAIM member over the last 15 years. I almost take this for granted, but it really hit home when people came up to me personally to say, "This is a fantastic organization…. It is so different from other associations…. There's so much interaction with your peers…. Everyone talks about networking, but it actually happens here."

Here's my request to you, the NAAIM members. You are what makes this organization special. Your willingness to participate in the conversation, and contribute to the organization, is what makes NAAIM more valuable to you and to your peers. So please contact one of the board members, Susan Truesdale, or Susan Baber to get involved.

Our biggest challenge as a board is to facilitate growth while managing to keep NAAIM an organization where networking is truly valuable to everyone.

I sincerely appreciate the opportunity to serve as president of NAAIM for the upcoming 12 months.

Thanks,

Ted Lundgren

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Ted Lundgren
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Wenning Investments, LLC
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Elite Wealth Management

Tactical Long/Short Strategy

May 2015

INVESTMENT OBJECTIVE: To produce capital appreciation in any market environment, while exhibiting less downside volatility than the S&P 500.

INVESTMENT APPROACH: The strategy uses technical trading indicators to actively trade the SPDR S&P 500 (SPY) and the ProShares Short S&P 500 (SH). During periods when a trade signal does not indicate a trend in either direction, the strategy will signal investing in cash. The strategy is directional, positioning either long or short. The investment philosophy behind the strategy is that one of the best ways to make money is to lose less in market downturns. So our strategy is to go long or short the market, based upon the technical facts we examine. The strategy is appropriate for investors that are looking to sidestep market down-turns, while still participating in the upside.

ADVANTAGES

- Systematically traded to remove the emotional component from investment decisions.
- Flexibility to be long, short, or neutral on the market.
- Tactical approach to opportunistically capture return in any market environment.
- Takes a neutral position when no opportunity is signaled, e.g., cash.
- Employ technical analysis in portfolio construction.

MONTHLY PERFORMANCE (Net of Fees)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2015	-3.09%	5.34%	-1.49%	0.68%	1.23%								**2.49%**
SPY	-2.96%	5.62%	-1.57%	0.98%	1.29%								3.19%
2014	-3.35%	4.32%	0.79%	0.66%	1.93%	1.96%	-1.33%	3.74%	-1.31%	-1.54%	2.61%	-0.24%	**8.24%**
SPY	-3.52%	4.55%	0.83%	0.69%	2.32%	2.07%	-1.34%	3.95%	-1.38%	2.36%	2.75%	-0.25%	13.47%
2013	3.69%	1.21%	3.61%	1.83%	2.24%	-1.79%	4.48%	-2.85%	2.53%	4.40%	2.82%	2.45%	**27.24%**
SPY	5.12%	1.27%	3.80%	1.92%	2.36%	-1.34%	5.17%	-3.00%	3.17%	4.63%	2.97%	2.59%	32.30%
2012	4.41%	4.12%	3.06%	-0.63%	-5.71%	1.48%	1.12%	2.38%	2.41%	-1.73%	0.54%	0.85%	**12.54%**
SPY	4.64%	4.34%	3.22%	-0.67%	-6.00%	4.06%	1.18%	2.51%	2.54%	-1.82%	0.56%	0.90%	15.99%
2011	2.22%	3.30%	-2.50%	2.74%	-1.06%	-7.47%	-2.51%	5.53%	5.30%	5.09%	-2.43%	5.23%	**13.19%**
SPY	2.33%	3.47%	0.01%	2.90%	-1.12%	-1.69%	-2.00%	-5.50%	-6.94%	10.92%	-0.41%	1.05%	1.90%
2010	-3.18%	2.49%	5.79%	1.47%	7.16%	-5.07%	5.94%	-0.30%	-0.79%	3.62%	0.00%	6.36%	**25.14%**
SPY	-3.63%	3.12%	6.08%	1.55%	-7.94%	-5.18%	6.83%	-4.50%	8.96%	3.82%	0.00%	6.68%	15.06%
2009	-12.01%	12.89%	5.00%	9.43%	5.56%	3.81%	9.20%	3.51%	3.36%	-1.83%	5.86%	1.81%	**54.60%**
SPY	-8.21%	-10.75%	8.34%	9.92%	5.86%	-0.07%	7.46%	3.70%	3.54%	-1.92%	6.16%	1.90%	26.35%
2008	12.54%	-1.34%	3.37%	2.66%	1.43%	-7.93%	13.17%	1.47%	16.12%	18.80%	12.21%	6.36%	**108.03%**
SPY	-6.05%	-2.58%	-0.89%	4.77%	1.51%	-8.36%	-0.90%	1.54%	-9.42%	-16.52%	-6.96%	0.98%	-36.80%
2007	0.99%	-1.86%	1.10%	4.21%	3.22%	-1.39%	0.32%	7.60%	4.00%	1.60%	-3.19%	-4.35%	**12.25%**
SPY	1.50%	-1.96%	1.16%	4.43%	3.39%	-1.47%	-3.13%	1.29%	3.87%	1.36%	-3.87%	-1.13%	5.15%

PERFORMANCE STATISTICS

Standard Deviation (Monthly):	4.73%
Standard Deviation (Annualized):	16.37%
Downside Deviation (Monthly):**	2.18%
Downside Deviation (Annualized):**	7.54%
Sharpe Ratio (Monthly):**	0.41
Sharpe Ratio (Annualized):**	1.43
Sortino Ratio (Monthly):**	0.85
Sortino Ratio (Annualized):**	2.94
Alpha (Monthly):***	2.17%
Alpha (Annualized):***	29.36%
Beta:***	0.07
Correlation Coefficient:***	0.07
R-squared:***	0

% of Positive Months:	70.30%
Maximum Drawdown:	-12.01%
Longest Winning Streak Months:	8 Months
Longest Losing Streak Months:	3 Months
Average Monthly:	2.20%
Highest Month:	18.80%
Lowest Month:	-12.01%
Net of Fee Returns	
May:	1.23%
YTD:*	2.49%
Compounded Monthly Return:	2.10%
Compounded Annual Return:	28.26%
Cumulative Return:	712.40%

*YTD Through May 2015 | ** Based on RFR at 3.0% | *** Calculated against S&P 500

The Tactical Long Short Strategy composite was created in June 2013. The performance achieved for the period January 2013 to present are actual returns and were achieved while Mr. Lennil was affiliated with Elite Wealth Management, as he continues to make all investment decisions for all client accounts managed with Elite. The model performance shown for the period January 2007 through December 2012 was not actually achieved under Elite Wealth Management. While Mr. Lennil was the Chief Investment Officer with his prior firm he managed this strategy. Due to market volatility, each account's performance may be different. Returns are shown net of a 1% management fee, trading costs, and other direct expenses, but before custody charges, withholding taxes, and other indirect expenses.

SEE IMPORTANT DISCLOSURE STATEMENT: http://elitewm.com/disclosures/

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Diversification Dilemma – Webinar is posted to view

"THE DIVERSIFICATION DILEMMA - TACTICAL Management in Today's Evolving Markets," **webinar hosted by NAAIM National Sponsor Guggenheim**, held on June 11 and presented by Doug Mangini, J.D., Senior Managing Director, Guggenheim Partners, explored how tactical asset allocation strategies may be utilized to navigate a challenging market. Some of the topics covered included:

- Misperceptions around diversification
- Factors contributing to increased co-movement between asset classes;
- Why tactical asset allocation is playing an increasingly pivotal role in portfolio management

If you missed the webinar, or would like to hear it again, you are welcome to do so by visiting the following link: The Diversification Dilemma Webinar

Attendees also received a white paper with the same title following the webinar. If you are interested in receiving a copy of this white paper, please visit the NAAIM Community / Resources board where it is listed as a "featured" resource.

NAAIM Community Discussions

LOOKING FOR PEER INPUT ON A PROBLEM YOU are facing? One place to start is the NAAIM Community – an online discussion group for NAAIM members. Recent topics have included:

- Junxure Cloud vs. Redtail
- Sources for Real Time Data
- Manager Searches - Where to find objective information to review potential managers
- The Robots are Coming! The Robots are Coming! – the potential impact of Robo-Advisers on NAAIM member businesses and how to deal with it.
- FINRA vs RIA – Does it make sense to retain brokerage licenses or transition to a pure RIA?

To join the discussion, one needs to be a NAAIM member with established login codes. If you are a member, but have not taken advantage of this resource, contact NAAIM administration Susan Truesdale for your login access – info@naaim.org.

Volatility Funds Protect Portfolios in Volatile Markets

CONTINUED FROM PAGE 6

shorting overpriced VIX-traded futures and options contracts, managers can recapture the potential decay of long positions on other VIX securities.

Good Insurance Policy

Volatility exposure in an investment portfolio is similar to an insurance policy—it costs money and you hope you never need it, but if you do, the payout will help you pick up the pieces after an unexpected event. The critical component now left to advisors is to appropriately select the most cost-efficient "insurance policy" offering maximum coverage. This new approach to portfolio protection differs vastly from the Modern Portfolio Theory approach of simply having bonds offset stocks during times of distress, but it nevertheless enables investors to protect their portfolios in down markets without hindering them during low-volatility environments. In other words, keep the sharks at bay.

Jeff Kilburg is Founder and CEO of KKM Financial (www.kkmfinancial.com), an alternative asset management firm specializing in liquid alternative investments.

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