Market Commentary – October 2018

Volatility is back… maybe for good. October was a month dominated by uncertainty, mainly driven by a combination of mixed earnings announcements (both on the results and forward guidance fronts – leading to "peak earnings" concerns) and exogenous geopolitical events. Equity markets were down significantly, while fixed income was also down, though comparatively less so. Markets rarely handle doubts well, and the pending midterm elections in November may have added to the growing list of investor worries. In fact, October 2018 was the worst month for a 60/40 stock/bond portfolio since September 2011, and the ninth worst since 2001.

Interest rates shifted upward in parallel, with the yield on the US 10 Year rising from 3.05% to 3.15%. The spread between the 2-Year and 10-Year ended the month slight higher than where it began, increasing from 24 bps to 28 bps. Rates were largely driven higher by a speech from Fed Chairman Powell, which was interpreted as having a more hawkish tone and suggesting the Fed is determine to remain on its current path regardless of the data. So, with global economic growth now in question, the market reacted to the increased probability of a fiscal policy mistake.

Volatility (as measured by the VIX) increased by 75%, from 12.12 to 21.23 moving solidly into "fear" mode. The US dollar strengthened against most major currencies. Initial estimates for US Q3 GDP growth came in at 3.5%, which was above the consensus estimate of 3.3%. The US Dollar's strength could be explained by the combination of the US GDP estimate and continued expectations for the US Federal Reserve to continue on its slow but steady path of tightening monetary policy.

Alternative Asset Class Performance

During October REITs outperformed BDCs and MLPs; however, all asset classes saw a multi-percent decline. Significant oil price declines were a particularly significant headwind for MLPs. Commodities dropped on the US dollar strength. While the increased market volatility was a positive for hedge funds, the declines across nearly every asset class and arena hurt almost anyone with net long exposures. Although, as the table below indicates, an allocation to alternative strategies generally adds significant value during these periods.

	October Down Days - 1% or More		
Date	SPX	NASDAQ	MSFDX
October 4	-0.82%	-1.81%	-0.50%
October 5	-0.55%	-1.16%	0.14%
October 10	-3.29%	-4.08%	-0.21%
October 11	-2.06%	-1.25%	-0.64%
October 18	-1.44%	-2.06%	-0.14%
October 24	-3.09%	-4.43%	-0.14%
October 26	-1.73%	-2.07%	-0.57%
October 29	-0.66%	-1.63%	0.07%
Cumulative	*-13.64%*	*-18.49%*	*-1.99%*
Average	*-1.71%*	*-2.31%*	*-0.25%*

Investors cannot directly invest in an index and unmanaged index returns do not reflect any fees, expenses or sales charges. Past performance is no guarantee of future results.

The particularly unusual positive correlations across equities, fixed income, and nearly all alternatives (including those with minimal duration risk) led to a unique scenario where all areas sold off in union during the month. However, this is not something we would expect to remain the case for any significant amount of time – money does have to go somewhere after all. The widening range of potential economic outcomes going forward has clearly spooked the markets, yet absolute economic growth remains, leaving any prediction of how long these jitters will last as an impossible task.

ASSET CLASS	INDEX	PERFORMANCE OCTOBER 2018	YTD	1 YEAR	3 YEARS	5 YEARS	SINCE INCEPTION
MSGI	Multi-Strategy Growth & Income Fund (Class A)[1]	-1.8%	-3.9%	-3.8%	1.6%	3.0%	4.3%
Non-Traditional							
Multi-Asset Class	Morningstar US Closed-End Multialternative Index[2]	0.9%	-4.0%	-7.8%	-2.7%	0.1%	0.1%
REITs	FTSE NAREIT All Equity REITs	-2.7%	-0.9%	1.4%	5.8%	8.1%	8.6%
Mortgage REITs	FTSE NAREIT Mortgage REITs	-1.8%	1.5%	4.6%	14.0%	9.8%	8.7%
BDCs	Wells Fargo BDC	-4.6%	2.2%	1.6%	8.4%	3.1%	7.0%
MLPs	Alerian MLP	-8.0%	-2.6%	0.7%	-1.5%	-4.8%	0.0%
Hedge Funds	UBS ETF HFRX Global HF	-3.8%	-5.8%	-5.2%	-0.7%	-1.2%	-0.4%
Commodities	Bloomberg Commodity Index	-2.4%	-5.6%	-3.4%	-1.6%	-8.1%	-8.2%
US Dollar	Bloomberg US Dollar Spot Index	2.3%	4.4%	2.5%	0.0%	3.7%	3.2%
Traditional							
Bonds	Barclays US Aggregate Bond	-0.8%	-2.4%	-2.1%	1.0%	1.8%	1.8%
Equities	S&P 500 Index	-6.8%	3.0%	7.4%	11.5%	11.3%	12.8%
Volatility	Chicago Board Options Exchange SPX Volatility Index	75.2%	92.3%	108.5%	12.1%	9.1%	6.0%

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 shares may be worth more or less than their original cost when redeemed. Past performance is no guarantee of future results. The Fund's Total Annual Expenses are 3.58% for Class A (inception date 3/16/2012), 4.08% for Class L (inception date 7/2/2014), 4.32% for Class C (inception date 7/2/2014), and 3.31 for Class I (inception date 7/2/2014). 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 (800) 825-0937 or visit our website, www.growthandincomefund.com.

1. Inception date for Multi-Strategy Growth & Income Fund (Class A) is 3/16/2012.

2. Inception date for Morningstar US Closed-End Multialternative Index is 2/27/2013.

The indices shown are for informational purposes only and are not meant to represent the Multi-Strategy Growth & Income Fund. Investors cannot directly invest in an index and unmanaged index returns do not reflect any fees, expenses or sales charges. Index comparisons have limitations because indexes have volatility and other material characteristics that may differ from a particular investment. Reference to the benchmark is for comparative purposes only and is not intended to indicate that the fund will contain the same investments as the benchmark. Investors have the opportunity for losses as well as profits.

Important Information

Investments in securities of Master Limited Partnerships (MLP) involve risks that differ from an investment in common stock. MLPs are controlled by their general partners, which generally have conflicts of interest and limited fiduciary duties to the MLP, which may permit the general partner to favor its own interests over the MLPs. The benefit you are expected to derive from the Fund's investment in MLPs depends largely on the MLPs being treated as partnerships for federal income tax purposes. As a partnership, an MLP has no federal income tax liability at the entity level. Therefore, treatment of one or more MLPs as a corporation for federal income tax purposes could affect the Fund's ability to meet its investment objective and would reduce the amount of cash available to pay or distribute to you. Legislative, judicial, or administrative changes and differing interpretations, possibly on a retroactive basis, could negatively impact the value of an investment in MLPs.

There currently is no secondary market for the Fund's shares, and the Fund expects that no secondary market will develop. Very limited liquidity is provided to shareholders only through the Fund's quarterly repurchase offers of up to 5% of the shares outstanding at net asset value. The sale of securities to fund repurchases could reduce the market price of those securities, which in turn would reduce the Fund's NAV. Closed-end funds involve risk, including the possible loss of principal. Alternative investment funds, ETFs, mutual funds, and closed-end funds are subject to management and other expenses, which will be indirectly paid by the Fund. Issuers of debt securities may not make scheduled interest and principal payments, resulting in losses to the Fund. Typically, a rise in interest rates causes a decline in the value of fixed-income securities. Lower-quality debt securities, known as "high yield" or "junk" bonds, present greater risk than bonds of higher quality, including increased default risk and non-diversification risk, as the funds are more vulnerable to events affecting a single issuer. The use of leverage, such as borrowing money to purchase securities, will cause the Fund to incur additional expenses and magnify the Fund's gains or losses. Investments in lesser-known, small- and medium-capitalization companies may be more vulnerable than those in larger, more established organizations. The Fund will not invest in real estate directly, but, because the Fund will concentrate its investments in securities of REITs, its portfolio will be significantly impacted by the performance of the real estate market. Investments in companies that are the subject of a publicly announced transaction carry the risk that the proposed or expected transaction may not be completed or may be completed on less favorable terms than originally expected, which may lower the portfolio's performance.

An investment cannot be made directly in an index. Past performance is no guarantee of future results.

Note that comparing the performance to a different index might have materially different results than those shown. Any views and opinions expressed herein are not meant to provide investment advice and there is no guarantee that they will come to pass.

Investors should carefully consider the investment objectives, risks, charges, and expenses of the Multi-Strategy Growth & Income Fund. This and other important information about the Fund is contained in the prospectus, which can be obtained by calling (855) 601-3841. The prospectus should be read carefully before investing.

The Multi-Strategy Growth & Income Fund is distributed by Northern Lights Distributors, LLC, member FINRA/SIPC. LCM Investment Management, conducting business as Lucia Capital Management, is not affiliated with Northern Lights Distributors, LLC. 7670-NLD-11/13/2018

Index Definitions

Morningstar US Closed-End Multialternative Index represents closed end funds that have a majority of their assets exposed to alternative strategies. An investor's exposure to different tactics may change slightly over time in response to market movements. Funds in this category include both funds with static allocations to alternative strategies and funds tactically allocating among alternative strategies and asset classes.

FTSE NAREIT All Equity REIT index is a free-float adjusted, market capitalization weighted index of U.S. equity REITs. Constituents of the index include all tax qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property.

FTSE NAREIT Mortgage REIT index is a free-float adjusted, market capitalization weighted index of U.S. Mortgage REITs. Mortgage REITs include all tax-qualified REITs with more than 50 percent of total assets invested in mortgage loans or mortgage-backed securities secured by interests in real property.

Wells Fargo BDC Index is a float adjusted, capitalization-weighted Index that is intended to measure the performance of all Business Development Companies that are listed on the New York Stock Exchange or NASDAQ and satisfy specified market *capitalization and other eligibility requirements. To qualify as a BDC, the company must be registered with the Securities and Exchange Commission and have elected to be regulated as a BDC under the Investment Company Act of 1940.*

Alerian MLP Index is the leading gauge of energy Master Limited Partnerships (MLPs). The capped, float-adjusted, capitalization-weighted index, whose constituents represent approximately 85% of total float-adjusted market capitalization. An investment may not be made directly in an index. Past performance is no guarantee of future results.

UBS ETF HFRX Global Hedge Fund Index is designed to be a representative benchmark of the overall hedge fund universe and is asset weighted based on the distribution of assets in the hedge fund industry. The Index is comprised of all the eligible hedge funds falling within the four principal strategy groups: equity hedge, event driven, macro/CTA, and relative value arbitrage.

Bloomberg Commodity Index is calculated on an excess return basis and reflects commodity futures price movements. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production and weight-caps are applied at the commodity, sector and group level for diversification. Roll period typically occurs from 6th-10th business day based on the roll schedule.

The Bloomberg Dollar Spot Index tracks the performance of a basket of 10 leading global currencies versus the U.S. Dollar. It has a dynamically updated composition and represents a diverse set of currencies that are important from trade and liquidity perspectives.

Barclays US Aggregate Bond Index: An index commonly used as a benchmark by both passive and active investors to measure portfolio performance relative to the U.S. dollar-denominated, investment-grade, fixed-rate, taxable bond market. It is also an informational measure of broad market returns commonly applied to fixed income instruments.

Chicago Board Options Exchange (CBOE) Volatility Index shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options. This volatility is meant to be forward looking, is calculated from both calls and puts, and is a widely used measure of market risk, often referred to as the "investor fear gauge."