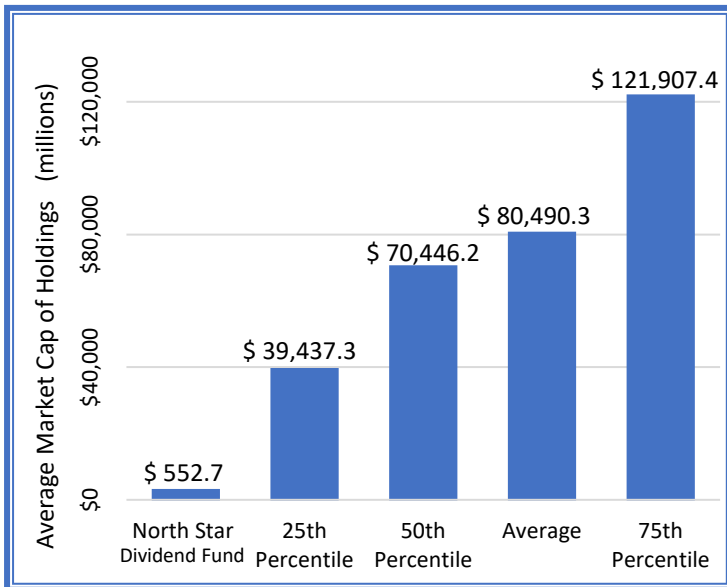




INVESTMENT MANAGEMENT CORPORATION

Small Cap Dividends: A Combination of Income and Potential Appreciation

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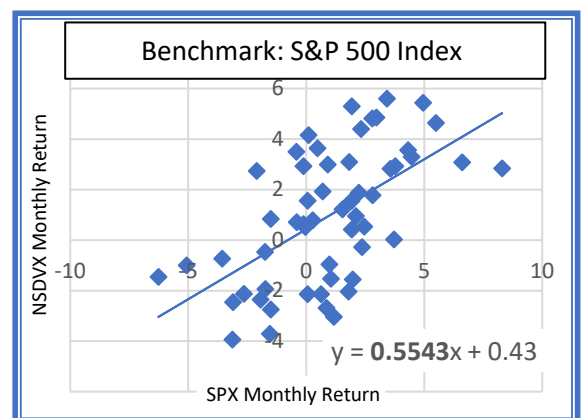
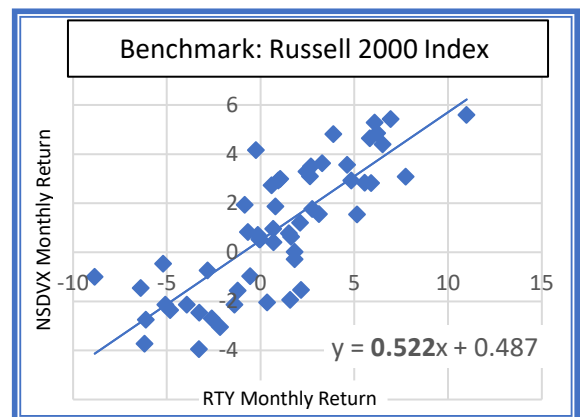
North Star Investment Management believes that small capitalization dividend stocks (defined as dividend-paying stocks with market capitalization of less than \$1 billion) offer investors stable income and the potential for appreciation. Since 2010, the North Star Dividend Fund (NSDVX) has been one of few mutual funds which historically held dividend-paying, small cap stocks. The first figure summarizes all available Bloomberg data on US Equity Funds that focus on dividends. The data contains 329 funds' average market cap of holdings as of April 5, 2018. Bloomberg reports that NSDVX is one of three dividend focused funds that primarily invests in small cap stocks, while on average funds invest in companies with a market cap of \$80.49 B.

Dividend paying stocks can provide a return component less volatile than the capital appreciation component. Share price returns alone can be negative and quite volatile, but historically dividends have provided positive equity return contributions, especially during periods of weak price appreciation in the broad market. According to data gathered by professors Fama and French, from 1928 to 2014, dividend-paying stocks had an annual total return of 10.4%, versus 8.5% for those without payouts. Additionally, those yields were a lot less volatile, with a standard deviation of 18.3% versus 30.1% for the non-dividend payers (Source: Barron's). There is an opportunity for long-term price appreciation that can be associated with dividend-paying stocks. The North Star Dividends fund seeks to benefit from dividend paying companies, as well as the long-term performance of small market capitalization companies.

Measuring Volatility

There are two general ways to measure volatility of a given security: sigma and beta values.

Beta values are calculated by taking a regression of an index on the x-axis versus a security on the y-axis. A security price moves with the market if a beta value of a security is 1. A beta of less than



1 implies that the security is theoretically less volatile than the market. If it's greater than 1, it's more volatile.

For example, if an ETF's beta is 0.7, it is theoretically 30% less volatile than the market. An analysis from Bloomberg HRH using monthly return data from 05/31/2013 to 01/01/2018 shows that the North Star Dividend Fund has a historical (raw) beta of 0.544 using the S&P 500 Index as the benchmark, and 0.522 using the Russell 2000 Index. So NSDVX was less volatile when compared to the market as a whole, and when compared to small-cap companies that compose the Russell 2000.

Analysis of Sigma and Monthly Return

One method of calculating sigma is by taking the standard deviation of monthly price return, allowing the study to capture more data points that make up price fluctuation. The data source for the indices we are comparing to the North Star Dividend Fund comes from the Bloomberg API, capturing about eight years' worth of data, from February 2010 to December 2017.

Bloomberg historical data was used to harvest Index data. North Star Dividend Fund returns are Net-of-Fees.

The more a fund's returns fluctuate from month to month, the greater its sigma value. For example, if Fund A always returns 1%, and Fund B always returns -1% for every month for 7 years. Both Fund A and Fund B have a sigma value of 0% because the monthly return rates did not change, meaning 100% of the time returns were 1% or -1%. Since they share the same standard deviation, it is important to also consider the average return as well. A more complex example is if sigma is 3% with an average monthly return rate of 1%. This example means that the fund had a historical monthly return of -2% to 4% about 68% of the time. The way standard deviation works make this return $1\% \pm 2*3\%$ or -5% to 7% about 95% of the time.

In summary, ***sigma captures the volatility in monthly returns***. With 0% sigma meaning no volatility, and 3% sigma meaning a stock's monthly returns ranged from -6% to 6% around its average 95% of the time.

Historical: High Reward with Low Risk

We conducted a study following the above example, looking at the average monthly returns and calculating the sigma of those monthly returns. Investments that have a high return typically come with massive risk. One example is the Nasdaq Index. From February 2010 to December 2017, it had an average monthly return rate of 1.82%. While this is the highest average in this study, it came at a significant cost. It was the riskiest return with a sigma of 5.86%.

The table below is a comparison of *monthly return data* for different indices. For example, RTY can be compared to NSDVX since their holdings are composed of companies with small market captlization

Ticker	Name	Average	Sigma	Average/Sigma
NSDVX	North Star Dividend Fund	1.13%	3.00%	0.376
INDU	Dow Jones Industrial Average Index	1.00%	3.33%	0.301
NDAQ	Nasdaq Index	1.82%	5.86%	0.309
RAY	Russell 3000 Index	1.04%	3.56%	0.292
RTY	Russell 2000 Index	1.10%	4.78%	0.230
SPX	S&P 500 Index	1.02%	3.43%	0.297

Indices from Bloomberg Historical Data (2010-2017)

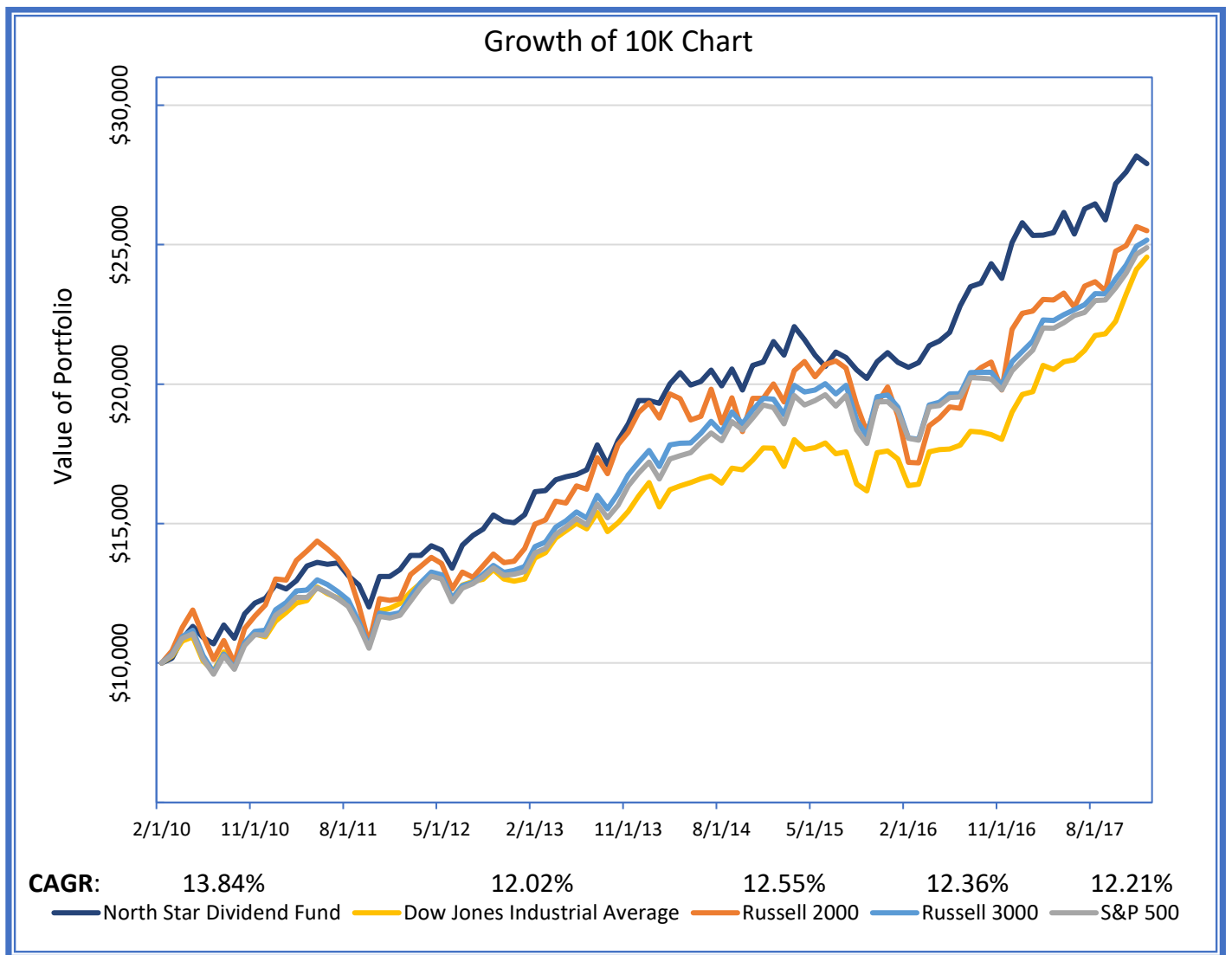
Key Findings:

- The North Star Dividend Fund had an average monthly return rate of 1.13% with a sigma of 3.00%. The Russell 2000 Index had an average return of 1.04% and was 1.59 times more volatile.
- In this study, NSDVX had the highest average return per sigma, meaning it had high monthly return per unit of risk relative to all indices.

More Stable Returns, Better Long-term Growth

The benefit of high yet stable monthly returns can be seen in a Growth of 10K chart.

This graph used the same monthly return data as above, and assumes \$10,000 was invested in each security in the beginning of February 2010 to December 2017. Respective compound annual growth rates are shown above each security. NSDVX had the highest CAGR values of 13.84%.



Dividends as Potential to Mitigate Downside Risk

A history of consistent dividend policy is another important condition that we look for when investing through the North Star Dividend Fund. We generally find that corporations that have a long history of paying dividends may be more attentive to managing capital structures appropriately in order to maintain dividend payments. In the North Star Dividend Fund, the average company has had a consistent dividend policy for over 15 years. In particular, The York Water Company, 1.37% of the Fund's portfolio as of 1/1/18, has paid a dividend since 1816!

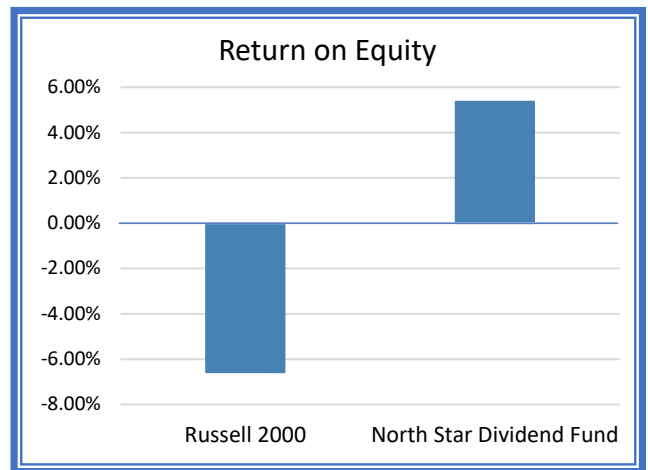
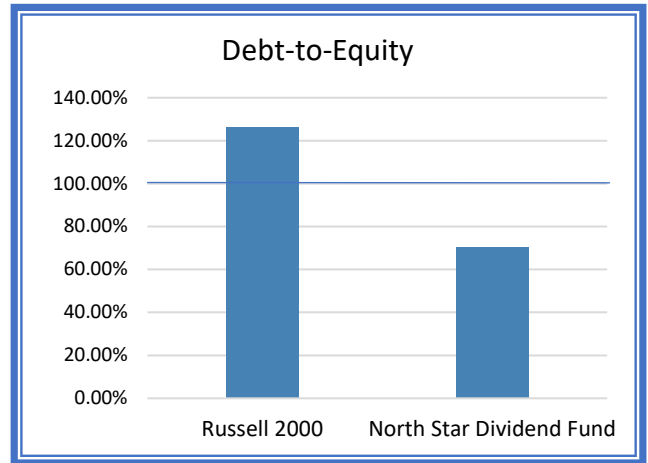
Companies held in the fund may reduce or eliminate dividend payments at any time.

High Quality Small Caps...Even Better!

North Star Dividend Fund also seeks to invest in higher quality businesses, which we define as lower than average leverage ratios as well as higher than average ROEs. As of December 31, 2017, the Fund's Debt to Equity ratio is 70.22% versus 126.36% for Russell 2000 (RTY), and the Fund's average ROE of 5.36% versus -6.57% for the Russell 2000. Higher ROEs provide for higher long term price return potential in addition to the dividend component of the Fund. In addition to lower than average leverage ratios and higher than average return on equity ratios, the North Star Dividend Fund primarily seeks to invest in stocks whose characteristics are inherently stable, which we think is synonymous with quality in a dividend portfolio. For example, 10.39% of the Fund's exposure was to the Utility sector.

Our Formula Matters

We stick to a few basic principles that have driven long term performance in the North Star Dividend Fund including finding stocks whose market capitalizations are under \$1 Billion, businesses whose capital structures that appear to support long-term dividend payment and growth potential, management teams whose interest align with shareholders, and business models that have historically generated high returns on equity. We believe these characteristics may combine to provide return characteristics that can generate lower volatility in a volatile market.



ANNUALIZED RETURNS OF FUND unaudited (net of fees) 12/31/17

	1-YR	3-YR	5-YR	Inception
North Star Dividend Fund	8.27%	9.17%	12.51%	13.29%
Morningstar Small-Cap Value Category	9.10%	8.50%	12.44%	12.51%

**The MS Small-Cap Value Fund measures the performance of small-cap segment of the U.S. equity universe.*

Current performance may be lower or higher than the performance data quoted above. For performance information current to the most recent month-end please call toll-free (855) 580-0900. Performance shown before June 1, 2013 is for the Fund's predecessor limited partnership (North Star Dividend Fund, LP). The prior performance is net of management fees and other expenses, but does not include the effect of the performance fee. The Fund has been managed in the same style and by the same portfolio manager since the predecessor limited partnership's inception on February 1, 2010. The Fund's investment goals, policies, guidelines and restrictions are, in all material respects, equivalent to the predecessor limited partnership's investment goals, policies, guidelines and restrictions. From its inception on February 1, 2010 through the date of this prospectus the predecessor limited partnership was not subject to certain investment restrictions of the 1940 Act of the Code, which if they had been applicable might have adversely affected its performance. Performance of the predecessor fund is not an indicator of future results. Investment value will fluctuate, and shares, when redeemed, may be

worth more or less than original cost. Performance quoted is past performance and is no guarantee of future results. Current performance may be lower or higher. Please call (855) 580-0900 for more current performance data. Total annual fund operating expenses are 1.49 for Class I shares.

Investments cannot be made in an index. Unmanaged index returns do not reflect any fees, expenses or sales charges. Past performance is no guarantee of future results.

Average market capitalization of the fund's holdings may increase from potential price appreciation and/or from changes in a company's share structure through buy-backs or capital reductions.

Mutual Funds have investment risks including loss of principal. There is no guarantee the fund will meet its objective. In general, the price of a fixed income security falls when interest rates rise. There is a risk that issuers and counterparties will not make payments on securities and other investments held by the Fund, resulting in losses to the Fund. The Fund may invest in high yield securities, also known as "junk bonds." High yield securities provide greater income and opportunity for gain, but entail greater risk of loss of principal. Foreign common stocks and currency strategies will subject the Fund to currency trading risks that include market risk, credit risk and country risk. Municipal securities are subject to credit risk where a municipal security might not make interest and principal payments as they come due. The Advisor follows an investing style that favors value investments. At times when the value investing style is out of favor, the Fund may underperform other funds that use different investing styles. Investments in lesser-known, small and medium capitalization companies may be more vulnerable than larger, more established organizations. As with any investment, there are risks associated with REITs. Investments in lesser-known, small and medium capitalization companies may be more vulnerable than larger, more established organizations. The Advisor does not attempt to keep the portfolio structure or fund performance consistent with any market index. Increased portfolio turnover may result in higher brokerage commissions, and other transaction costs may result in taxable capital gains.

Investors should carefully consider the investment objectives, risks, charges and expenses of the North Star Funds. No-Load Mutual funds are sold without sales charge; however, they have ongoing expenses, such as management fees. This and other important information about each of the Funds are contained in the prospectus, which can be obtained at www.nsinvestfunds.com or by calling (855) 580-0900. The prospectus should be read carefully before investing. The North Star Funds are distributed by Northern Lights Distributors, LLC member FINRA/SIPC. 3254-NLD-2/27/2018.
