

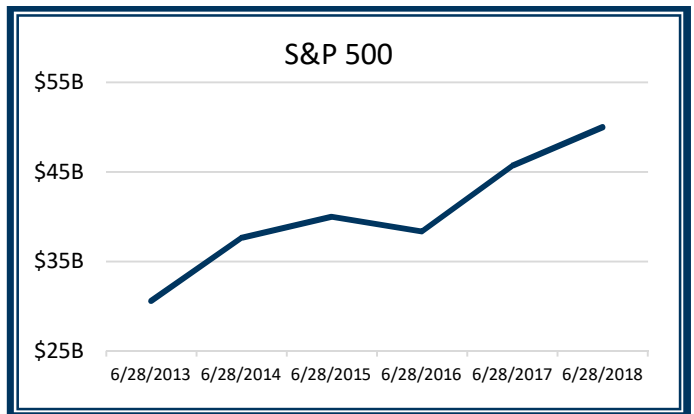
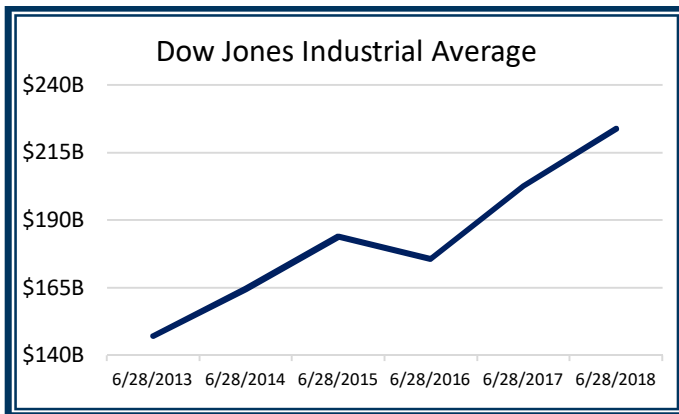
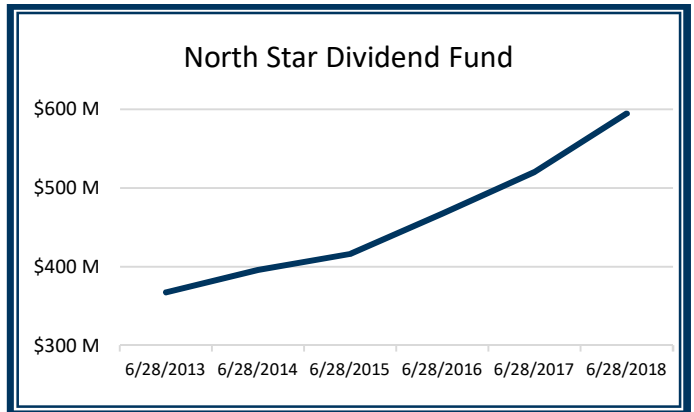
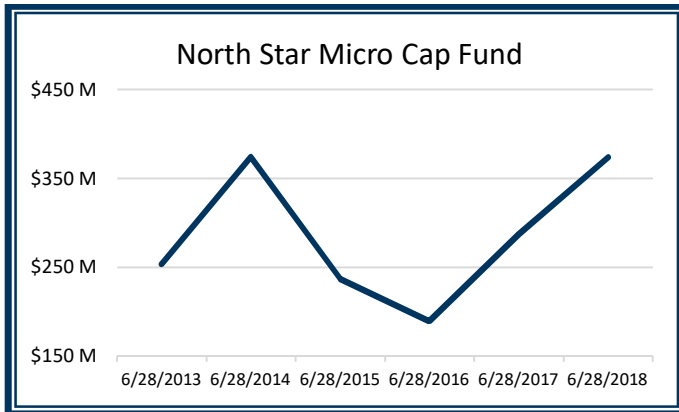


July 2018

Small Cap Stocks: Percent of Revenue from U.S. Higher than Large Cap Stocks

By: Eric Kuby, Chief Investment Officer

Average Market Capitalization of Holdings (USD)



(Source: Bloomberg)

Current Trade Tensions

The United States recently introduced protectionism trade policy that tries to boost domestic production by placing tariffs on imports. However, these steel and aluminum tariffs have angered many international trading partners. The White House specifically targeted China, subjecting the country to additional tariffs beyond steel (Source: [Harvard Business Review](#) as of June 7, 2018). The European Union retaliated to US steel and aluminum tariffs by issuing 25% tariffs on imports from the US such as “tobacco, Harley Davidson motorcycles, cranberries and peanut butter” and “50 % duty on goods such as footwear, some types of clothing, and washing machines” (Source: [BBC](#) as of June 22, 2018). It is difficult to tell what will result of these escalating tensions. However, we can analyze current exposure instead of trying to predict the immediate and/or lasting consequence of these trade wars.

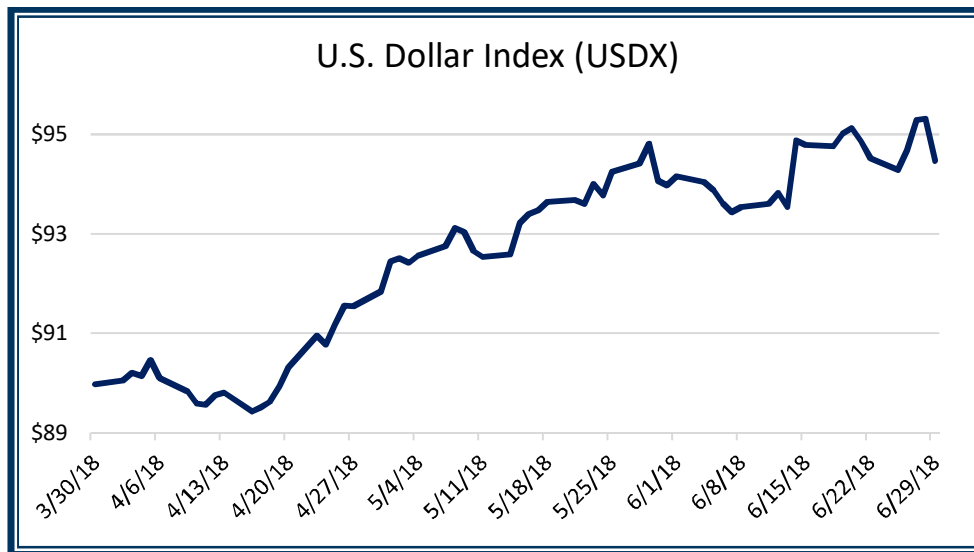
Average Revenue Stream by Geographic Location*

| Ticker | Name | % of Revenue from U.S. (Latest FY 2017/18) |
|--------------|--------------------------|--|
| NSDVX | North Star Dividend Fund | 94.53 |
| NSMVX | North Star Microcap Fund | 86.68 |
| SPX | S&P 500 | 70.37 |
| INDU | Dow Jones Ind. Avg. | 53.17 |

(Source: Bloomberg)

Revenue streams in large cap stocks like the S&P 500 and the Dow Jones Industrial Average are more likely to be exposed to international trade. On average, NSDVX and NSMVX have smaller percentage of revenue from abroad. We believe that revenue streams from the U.S. are less likely to be affected by trade tensions.

Currency Effect



(Source: Bloomberg)

The USDIX is an index which tracks the performance of the US dollar relative to the Euro, Japanese Yen, British Pound, Canadian Dollar, Swedish Krona and Swiss Franc. Since the end of Q1, the US Dollar Index has strengthened by 4.996%. This is partly attributed to the rise of interest rates and the Federal Reserve's continued path for increasing rates, while the European Central Bank not indicating change in rates. A stronger US dollar has various benefits and drawbacks, but one aspect to consider is companies with international revenue streams. A stronger US Dollar affects companies' gross margins due to lower corporate profits after adjusting for exchange rates. Furthermore, companies that export are affected by a stronger dollar since American goods become more expensive and the importer of US goods might not afford the same supply.

In conclusion, the North Star Dividend Fund and the North Star Micro Cap Funds have historically held domestic, small cap companies. In this current environment, we believe that less exports assumes less risk. Coupled with the strengthening US dollar, we believe that smaller companies are more immune to the strengthening dollar and the uncertainty around international trade.

*The process of reporting revenue by geographic location is not mandated in a 10-K, an annual report required by the U.S. Securities and Exchange Commission (SEC) for public companies. Some companies may just report "Worldwide" revenue,

grouping their sales in the US, Europe, etc. The average collects all available information on companies' revenue in the US as a percentage of total revenue.

Reduction of risk with less international revenue does not imply elimination of risk. Data analysis presented considers company risk associated with revenue streams and not consider supply chains that may or may not be affected from tariffs and geopolitical tensions. Percentage of international revenue in North Star Funds may increase at any time.

Important Risk Information:

Mutual funds have investment risks including loss of principal. There is no guarantee either fund will meet its objective.

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.

4758-NLD-7/5/2018