LONGBOARD

2016 | LONGX yearly portfolio update and commentary

This year, driven by gains in financial, industrial and technology stocks,

The Longboard Long/Short Fund returned 2.99%

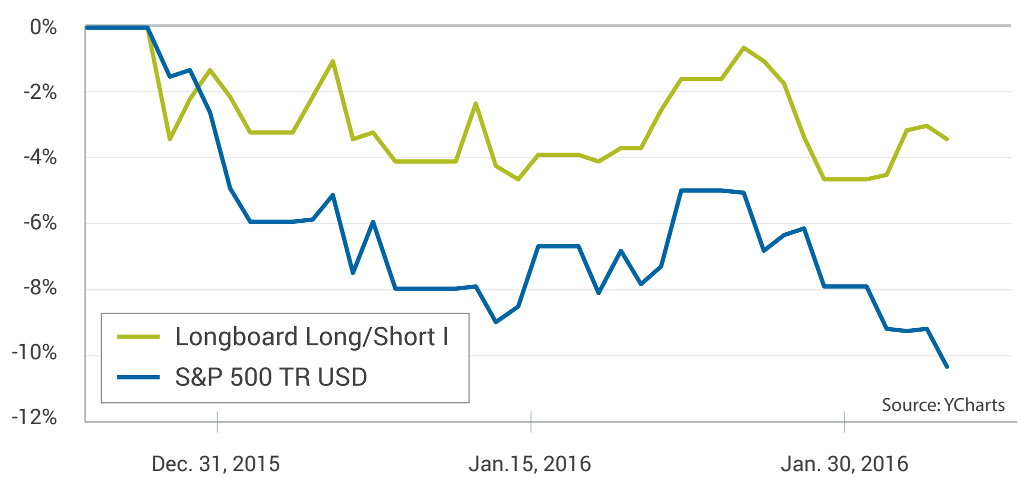
2016 marked the scene of a battle between the bulls and the bears. The bears gained ground early on as U.S. equities fell 10% to start the year, but the bulls returned a powerful salvo with the largest quarterly rebound in U.S. stock prices since the Great Depression. Ultimately, the bulls succeeded in fueling double-digit gains in the S&P 500 for the year, despite several bouts of volatility along the way.

Under the surface of the broad market indexes, even greater volatility and reversals of fortune played out among individual stocks and sectors. Diverging fundamentals and major shifts across the macroeconomic and political landscapes provided both risks and opportunities in 2016.

Defense scores an early victory

The fund started the year with a defensive posture. That enabled outperformance against a free-falling equities market through mid-February. To understand the source of that outperformance, let's review the 2015 market environment that set up the fund's positioning going into 2016.

LONGX delivers downside protection during early-year deflation
Jan. 1, 2016 - Feb. 11, 2016



The index shown is for informational purposes only and is not reflective of any investment. As it is not possible to invest in indices, the data shown does not reflect or compare features of an actual investment, such as its objectives, costs and expenses, liquidity, safety, guarantees or insurance, fluctuation of principal or return, or tax features. **Past performance is no guarantee of future results.**

2015's deterioration telegraphed the weak start to 2016

Despite flat performance in the market indexes during 2015, things looked considerably worse under the surface. A growing collection of stocks broke down against former uptrends as the year progressed. However, impressive gains among a handful of large cap stocks masked this weakness. These failing price trends corresponded with generally sluggish macro data and corporate earnings growth. Further, weakness in the broader market caused investors to increasingly concentrate among the narrow group of large cap stocks still generating solid earnings growth (like the FANGs). Together, these developments caused a major divide between a deteriorating broader market and serious outperformance among a handful of large cap stocks. When the risk-off wave swept global markets early in 2016, powerful selling pressure hit the market's former glamour stocks and brought down the broader market in quick succession. U.S. stocks incurred their worst start to the year on record.

We responded to the market's deteriorating internals by paring back the fund's exposure throughout 2015. The remaining portfolio became increasingly concentrated in outperforming defensive stocks, like utilities and consumer staples. Further, because the fund weights stocks by their volatility, not their market cap, the large cap stocks driving the bulk of risk in the S&P 500 commanded only a small weighting in the fund's portfolio. When the risk-off selling hit the large cap stocks hard early in 2016, the fund's more balanced risk exposure provided investors with an important reduction in downside risk.

The great reflation

In a familiar theme for 2016, market conditions quickly shifted. After their worst start to the year on record, U.S. equities staged a powerful v-shaped recovery. Many of the previously beaten down stocks among the energy, materials and mining stocks led this rebound. The former outperforming defensive sectors lagged during this risk-on rotation.

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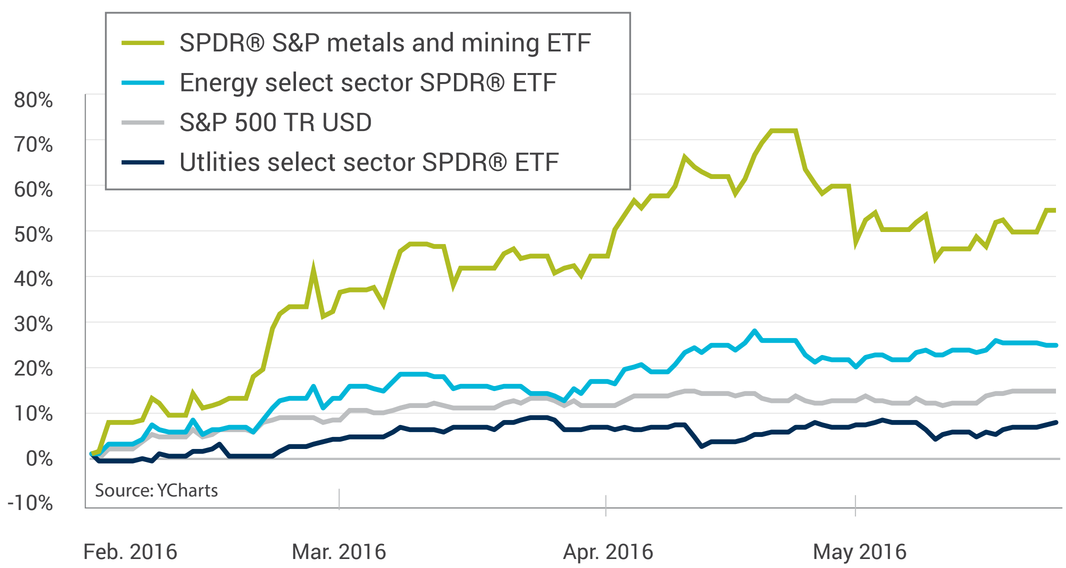
Former deflationary downtrends reverse, defensive uptrends stall

Feb. 11, 2016 - June 1, 2016



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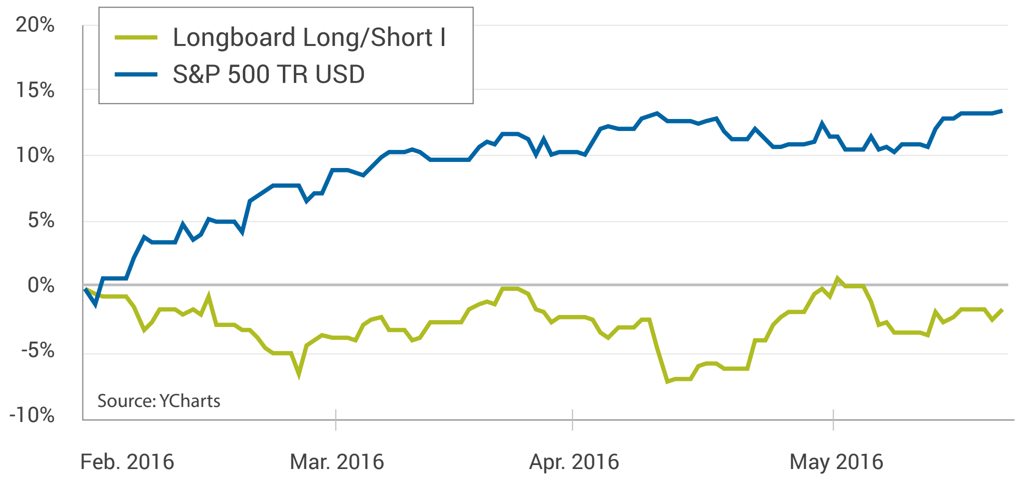
This reflation trade caused market indexes to soar off their February lows. However, these countertrend price movements caused underperformance for the fund's trend following strategy, caused by our lack of exposure to the reflating sectors.

Countertrend rallies boost S&P 500, but cause LONGX underperformance
Feb. 11, 2016 - June 1, 2016



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This environment highlighted a key feature of our fund's performance: when the broader stock market is led by sectors rebounding against longer-term downtrends, the fund will naturally underperform. This underperformance is the inevitable cost we incur to guard against downside scenarios—like we saw in early 2016. In our view, this short-term underperformance is an acceptable tradeoff in exchange for the risk reduction benefits achieved by avoiding stocks in protracted downtrends. While many strategies take on more risk as prices move lower, we prefer to take risk on stocks that are moving higher. This difference in risk creates the unique performance profile of long-term trend following.

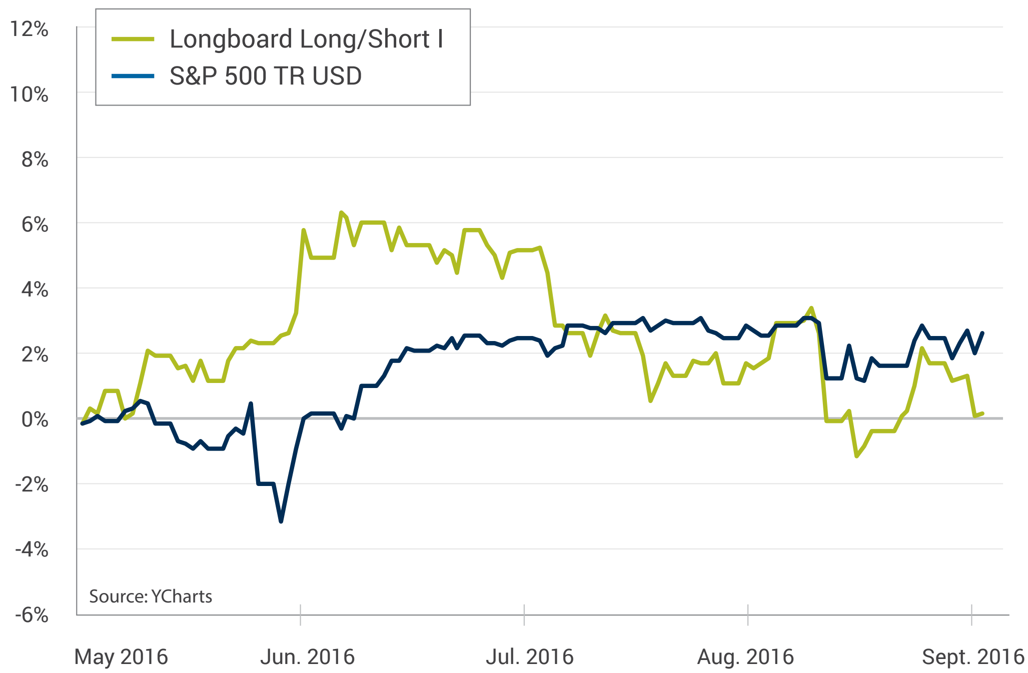
A summer of change

In the lead-up to the summer, the fund maintained low exposure to downward trending cyclical stocks and elevated exposure to the defensive sectors. When the Brexit panic struck, the fund's defensive portfolio resisted plunging global risk assets, generating positive returns during the week of the Brexit.

However, the panic proved short-lived. Global risk assets quickly recovered and staged the familiar v-shaped recovery off the panic lows. This time, the rebound was more robust, broad-based and sustained compared with the year's earlier rallies. Many cyclical stocks entered new long-term uptrends for the first time in 2016, suggesting a change in fundamental market conditions. At the same time, economic indicators and corporate earnings estimates turned higher, and inflation ticked higher in both the U.S. and Europe. Conversely, defensive stocks weakened and failed against previous uptrends as interest rates rose across the globe. Continued »

Defensive uptrends boost LONGX during Brexit, then reverse through the summer

June 1, 2016 - Sept. 30, 2016



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When the fund incurred reversals across its positions in defensive stocks, we redeployed capital into new uptrends among financial, technology and industrial stocks. We incurred another period of underperformance as we turned over the portfolio, but performance picked back up as these new positions in cyclical stocks trended higher in late summer and into the fall.

Because of the fund's long-term nature, we rarely see such a complete change in portfolio composition over the course of a year. When we do see this level of portfolio turnover, however, it often signals a paradigm shift in financial markets. While many were prepared for the shift from bull to bear market, very few predicted what actually happened next. The good news is, you didn't have to.

Trend following anticipates the Trump rally

As the U.S. presidential election drew near, conventional wisdom and expert opinions agreed that a Donald Trump win was nearly impossible and that a surprise victory would likely spell doom for financial markets. With the benefit of hindsight, we now know both forecasts could not have been more wrong. After an initial panic, financial markets rebounded and U.S. stocks staged their largest, post-election rally in history. Panic buying quickly replaced panic selling. Underinvested and underperforming active managers flooded into the market to avoid falling further behind their benchmarks into year end.

For many discretionary investors, there was little choice but to reduce risk ahead of the election. Few were willing to get caught on the wrong side of what the media suggested could be a potential Brexit-like black swan event should Trump score an upset victory. Widespread pre-election caution was evident from the selling pressure leading into the election and elevated volumes of protective option purchases. But as it often happens in financial markets, the actual outcome was the one that many investors were the least prepared for—upside gain in stock prices. Continued »

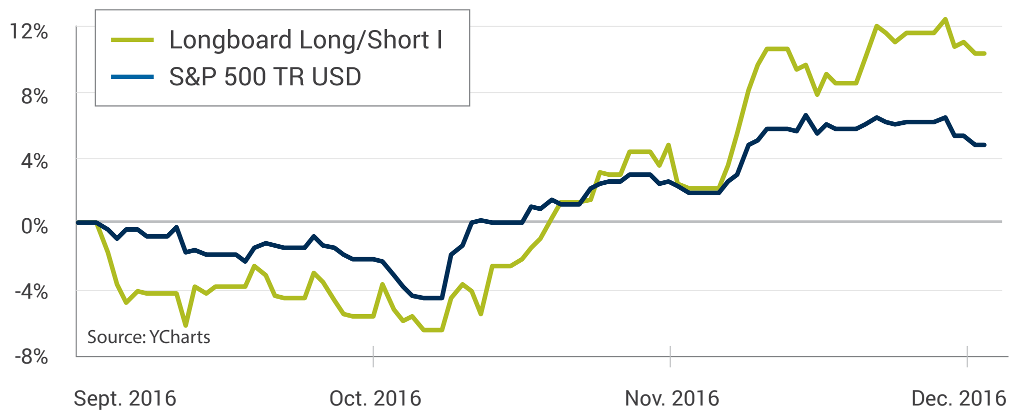
The hidden wisdom leading up to the U.S. election was found in the market's long-term price trends. Beginning in the summer, previous downtrends across the cyclical areas of the market reversed into long-term uptrends nearly across the board. We responded by significantly rearranging the fund's portfolio in line with new cyclical uptrends.

Two factors in the fund's portfolio construction process enabled it to outpace the S&P 500 as the risk-on rally accelerated in the fourth quarter.

1 **Following trends:** By overweighting the upward trending cyclical stocks and underweighting downward trending defensive stocks, the fund outperformed the broader market indexes that contained exposure to all sectors.

2 **Position sizing:** The fund's volatility-weighted position sizing enabled greater exposure to the outperforming small cap stocks, which the large cap-biased S&P 500 naturally underweights.

LONGX outperforms by capturing cyclical uptrends in the forth quarter
Oct. 1, 2016 - Dec. 31, 2016



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The contrarian nature of trend following

On the surface, trend following may sound like a consensus investment approach. However, 2016 confirmed a phenomenon we've observed many times in financial markets: the often counterintuitive and contrarian nature of long-term trends. Notable examples this year included the fund's bullish trends before the U.S. presidential elections, and defensive trends going into the start of the year and in the lead up to the Brexit. In each case, ignoring the "expert" opinions and consensus views while simply responding to longer term price trends proved to be the best course of action.

As we look back on 2016, we believe the fund achieved its primary objective of taking on a different kind of risk compared to traditional equity strategies. We also believe investors will continue to benefit from a rules-based, trend following approach as we head into what could be an equally turbulent and unpredictable 2017.

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Outlook

Entering 2017, the fund's portfolio is positioned with the broad-based uptrends across the cyclical sectors. In particular, a majority of the fund's risk exposure is concentrated in financial stocks, followed by an approximately equal distribution among the technology, industrial and consumer discretionary sectors. We're currently underweight in the defensive areas of the market, including consumer staples, telecoms and REITs. The portfolio also maintains healthy diversification between small, medium and large cap stocks, which should provide a tailwind to performance if the current trend of small cap outperformance continues.

One can imagine a variety of scenarios playing out in financial markets in 2017. From the bullish perspective, some believe the so-called "Trump Rally" could just be getting started. They cite the elixirs of reduced regulatory burdens and lower tax rates, which could meaningfully add to the bottom line of corporations and consumers across the board. These changes, plus higher interest rates, could provide even greater runway for financial stocks. Finally, major infrastructure spending could jumpstart economic growth in the real economy. In terms of historical precedent, some suggest we could be in the middle innings of a secular bull market, similar to the long-term advance in equities from 1982 through 2000.

On the other hand, the bears claim the recent rally is built on optimistic expectations that may never materialize. The incoming Trump administration could ace Democratic resistance on tax/regulatory reductions. Plus, Republicans could balk at stimulus infrastructure spending—something many conservatives resisted for the last eight years. But even in the optimistic scenario where Trump gets everything he wants, the implied increase in deficits could usher in an era of higher interest rates that may prove self-defeating for asset prices and growth. Finally, there's always the threat of the natural business cycle turning from expansion to recession, which historic precedent suggests is highly likely in the next several years.

That said, the past year proved nothing if not the futility of trying to forecast the future. By no means is the outlook confined between the clear cut bull and bear case. A wide range of alternative scenarios remains, including a stagflationary environment that creates a bifurcated market. It's plausible that some sectors could benefit from inflation and/or higher interest rates, while others suffer. Alternatively, major legislative changes may create major tailwinds for some sectors at the expense of others. Ultimately, we can't offer any special insights into what the future may hold, nor how to invest based on such insights. Instead, what we can provide is the promise of following our disciplined, time-tested approach of responding to the market's long-term price movements. While this type of process may seem less exciting than guessing the future, we believe this approach can potentially deliver equity-like returns with significantly less risk over a full market cycle. And that's a prospect we believe investors can feel excited about going forward.

Performance
As of Dec. 31, 2016

CLASS	I (NAV)	A (NAV)	A (MaxLoad)***
TICKER	LONGX*	LONAX**	LONAX**
1 Month	6.28%	6.35%	0.24%
3 Month	8.29%	8.25%	2.03%
6 Month	-0.01%	-0.14%	-5.89%
1 Year 12/31/2016	2.99%	2.74%	-3.15%
Since Inception 12/31/16	1.96%	1.44%	-4.08%

*INCEPTION DATE: 3/19/15 **INCEPTION DATE: 12/09/15 ***Inclusive of maximum sales load of 5.75%

The total annual fund operating expenses for the Longboard Long/Short Fund class I and A are 2.99% and 3.24%, respectively. 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 with fluctuate, os that shares, when redeemed, may be worth more or less than their original cost. Past performance is no guarantee of future results. For performance information current to the most recent month-end, please call toll-free 855.294.7540.

Long: Buying an asset such as a stock, commodity or currency, with the expectation that the asset will rise in value.

Short: Selling an asset such as a stock, commodity or currency, with theexpectation that the asset will decrease in value.

PROSPECTUS OFFERING DISCLOSURE

Investors should carefully consider the investment objectives, risks, charges and expenses of the Longboard Long/Short Fund. This and other important information about the Fund is contained in the prospectus, which can be obtained by calling 855.294.7540. The prospectus should be read carefully before investing.

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MUTUAL FUND RISK DISCLOSURE

No level of diversification or non-correlation can ensure profits or guarantee against losses.

Mutual funds involve risk including possible loss of principal.

There is a risk that issuers and counterparties will not make payment on securities and other investments held by the fund, resulting in loss. The fund's use of derivatives (including futures, forward contracts and swap agreements) involves risks different from and possibly greater than those associated with investing directly in securities including leverage risk, counterparty default risk, tracking risk and liquidity. The price of equity security fluctuates based on changes in a company's financial condition and overall market and economic conditions. Investments in ETFs may involve extra expenses and may not perform as expected and may not replicate the performance of the underlying index.

Fixed income securities could lose value due to interest rate changes. ADRs are subject to fluctuations in foreign currencies, political and economic instability, differences in financial reporting, security regulation, trading and taxation issues. The successful used of forward and futures contracts draws on the Advisor's skill and experience in predicting market movement. Risks include imperfect correlation, illiquid secondary markets, unanticipated market movements, counterparty default, and potentially selling securities when disadvantageous to do so. The success of the fund's hedging strategy is subject to the Advisor's ability to correctly assess market performance and correlation of the instruments used in the hedging strategy and the investments in the portfolio.

The fund may trade more, incurring higher brokerage fees and tax liability to shareholders. The fund has a limited history of operation and an investment entails a high degree of risk. Large Cap companies may be unable to respond quickly to new competitive challenges such as changes in consumer tastes. Small Cap and Mid-Cap companies may be volatile and vulnerable to adverse business or economic events. The fund is 'non-diversified' and changes in the value of a single security may have a significant effect on the fund's value. The fund may have investments that appreciate or decrease significantly over short periods. The value of REIT securities may be adversely affected by changes in the value of the underlying property the REIT holds. Short positions may be considered speculative and losses are potentially unlimited.

DEFINITIONS

S&P 500 TR USD: A stock market index based on the market capitalization of 500 leading companies publicly traded in the U.S. stock market, as determined by Standard & Poor's. In this presentation, the S&P 500 is presented as a total return index, which reflects the effects of dividend reinvestment.

XME: The SPDR® S&P® Metals & Mining ETF seeks to provide investment results that, before fees and expenses, correspond generally to the total return performance of the S&P® Metals and Mining Select Industry® Index. (https://us.spdrs.com/en/product/fund.seam?ticker=XME)

XLE: The Energy Select Sector SPDR® Fund seeks to provide investment results that, before expenses, correspond generally to the price and yield performance of the Energy Select Sector Index. (https://us.spdrs.com/en/product/fund.seam?ticker=XLE)

XLU: The Utilities Select Sector SPDR® Fund seeks to provide investment results that, before expenses, correspond generally to the price and yield performance of the Utilities Select Sector Index. (https://us.spdrs.com/en/product/fund.seam?ticker=XLU)

GDX: The VanEck Vectors™ Gold Miners ETF (GDX®) seeks to replicate as closely as possible, before fees and expenses, the price and yield performance of the NYSE Arca Gold Miners Index (GDMNTR), which is intended to track the overall performance of companies involved in the gold mining industry. (https://www.vaneck.com/etf/equity/gdx/overview/

3080-NLD-1/26/2017