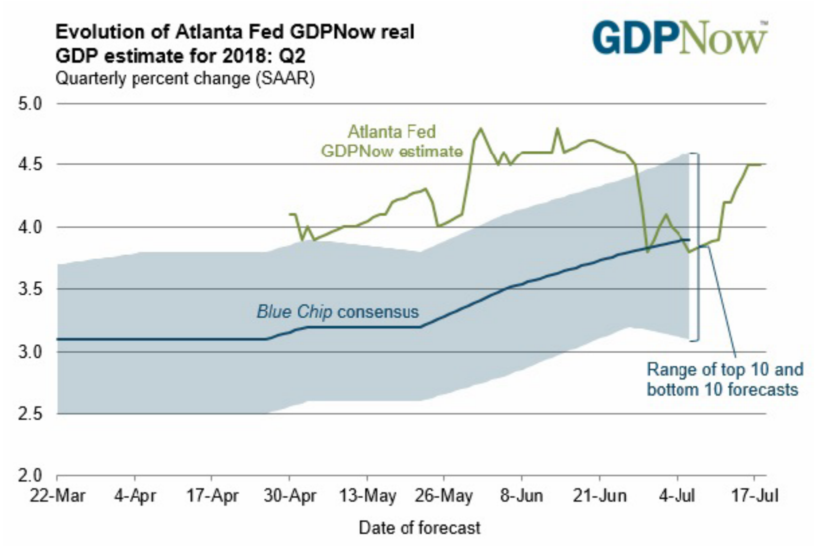
Market Commentary – 2nd Quarter 2018

It was a roller coaster ride for traditional markets during the quarter, with US economic growth and strong fundamental earnings adding to stability while global political risks and inconsistent international economic data created volatility. The S&P 500 Index finished up almost 3% while the Barclays US Aggregate Bond Index continued to lose ground, off another 16 bps for the quarter.



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

This information is reflective of a particular time period and is provided for illustrative purposes only. There can be no assurance that the forecast will be achieved

Let's start with the US economy. What can we say? Results have been impressive and forward-looking indicators remain strong – most optimistically, for most of the quarter, the Atlanta Fed's estimate of 2nd quarter GDP was 4.5%. Unemployment rates remain anchored around 4.3%; participation rates headed higher, and wages are showing signs of upward momentum. Consumer and business confidence remain very positive, despite bouts of idiosyncratic uncertainty. Recession probabilities remain consistently low at less than 0.38%.

In short, the US economy is the envy of the world, and we do not expect that to change in the coming months. Another positive is the fundamental results being delivered by US public corporations. In the first quarter, US companies generated 12.8% revenue growth and 23.3% earnings growth as a group – we haven't seen this kind of performance since Q3 2010. Naysayers have contended that first quarter results are more of a "one time" phenomenon – the short-term impact of favorable tax changes – and cannot be extrapolated to future quarters at these levels. Maybe so. But that ignores capital repatriation, increased capital spending and investment and a much lower regulatory burden that is creating momentum that may truly be sustainable. Even considering this perspective, estimates for 2Q earnings call for 9.1% revenue growth and 19.4% earnings growth – more impressive results if realized.

Seems like a rosy picture—what could go wrong?!?! Plenty. Global trade tensions seemed to take the center stage: US with China, US with European Union, US with NAFTA partners. Is the plan to fight on all fronts at the same time? In terms of conflicts of all types, history would say that would be unwise. There seems to be unanimity about the need for change in America's trade relationships around the world, especially with respect to China. Further, most seem to agree that the current administration is going about it all the wrong way. Yet, few offer credible alternative strategies and historical paths have been well trod and seldom productive. So how will it all end? We don't know, but likely not in the way the consensus believes and along the way, average volatility should move steadily higher until signs of real resolution emerge. There are signs that European economies are slowing rather abruptly, most notably in Germany, compounding matters. Politically, things are a mess: Brexit, threats of Italy leaving the EU, tests to Merkel's reign in Germany, instability with the G7 and NATO, and another Greek bailout. All created headwinds for Europe and lead the ECB to suggest that monetary normalization wouldn't come for another 18 months.

Against this backdrop, we have the US Federal Reserve. We have spoken before about the high degree of difficulty for the Fed involved in normalizing monetary policy from emergency conditions. Do these things make it easier? Not likely. However, it's hard to argue that the Fed hasn't been largely correct so far. Sure, they could have tightened earlier or more aggressively. But looking back, do inflation statistics really suggest that this would have been warranted? Not really. Inflation is still struggling to sustain itself above 2% on a consistent basis, barely achieving the Fed's target. The latest potential policy mistake that has captured the imagination of the market is a flattening yield curve leading to an inversion, which has an almost perfect record of predicting recessions 12-18 months hence. As indicated by Chairman Powell, the Fed is keenly aware of the signal that such an event would send to the market and has no intention of causing that result (to the extent it can influence more than the short end of the curve, which is debatable). Nonetheless, the US2-10 year spread started the quarter at 48 bps and steadily drifted lower, finishing the quarter at 43 bps.

Throughout most of the quarter, concerns about an overheating US economy and the Fed's potentially aggressive response were exacerbated by the US administration's preferred trade conflict tool – the tariff – which portends higher input costs and ultimately higher prices for consumers in the US and around the globe. As a result, for most of the quarter, commodities rallied strongly (Bloomberg Commodity Index up 3.3% through May) until June when concerns about the trade tensions impacting demand from China overwhelmed the perceived benefit of inflationary momentum and resulted in a give-back of all of the earlier gains.

The US dollar continued to rally strongly, up over 5% during the quarter, as a result of diverging monetary policies among the US compared to the rest of the globe, higher inflation expectations for the US economy, and global uncertainty. This has created credit issues throughout emerging economies in countries that have issued dollar-denominated debt to finance their deficits. In addition, the Chinese Yuan devalued significantly relative to the US Dollar by more than 5.1% as capital searched for a temporary home outside of China due to worries of a slowdown and negative government intervention. The damage in these equity markets was substantial with Emerging Markets (MSCI Emerging Markets Index) down 7.9% in Q2 and Chinese H-shares (Hang Seng Index) and Chinese A-shares (FTSE China A50 Index) down 3.8% and 7.0%, respectively.

Performance

Alternative asset classes in general made a strong comeback led by MLPs and REITs, while hedge funds and commodities continued to struggle. Part of this move was a relative value play – buy the laggards – and part of it was technical as both MLPs and REITs have been substantially oversold. In addition, as we pointed out in a previous monthly commentary, REITs were trading at historically high discounts to both underlying NAVs and private real estate, so a correction was expected. Fund performance benefited from opportunistic increased liquid REIT allocations made during the quarter to take advantage of this temporary disconnect.

The Fund had a solid quarter, up 2.43%, 1.08% higher than its benchmark, the Morningstar US Closed-End Multi-Alternative Index.

		PERFORMANCE					
ASSET CLASS	INDEX	JUNE 2018	QTR	YTD	1 YEAR	SINCE INCEPTION	SHARPE RATIO
MSGI	Multi-Strategy Growth & Income Fund (Class A)[1]	0.8%	2.4%	-0.8%	1.1%	5.0%	1.08
Non-Traditional							
Multi-Asset Class	Morningstar US Closed-End Multialternative Index[2]	-1.2%	1.4%	-5.4%	-8.9%	1.1%	0.17
REITs	FTSE NAREIT All Equity REITs	4.2%	8.5%	1.3%	4.9%	9.5%	0.76
Mortgage REITs	FTSE NAREIT Mortgage REITs	1.5%	4.7%	0.5%	3.8%	9.0%	0.72
BDCs	Wells Fargo BDC	-0.6%	4.9%	1.4%	-2.0%	6.3%	0.61
MLPs	Alerian MLP	-2.3%	9.6%	-6.4%	-11.6%	-5.5%	0.08
Hedge Funds	UBS ETF HFRX Global HF	-0.6%	-1.7%	-3.5%	-1.5%	-1.0%	-0.02
Commodities	Bloomberg Commodity Index	-3.4%	-0.1%	-1.1%	5.8%	-6.8%	-0.60
US Dollar	Bloomberg US Dollar Spot Index	0.7%	5.0%	1.9%	-0.2%	2.5%	-
Volatility	Chicago Board Options Exchange SPX Volatility Index	19.5%	-19.4%	64.7%	43.9%	0.6%	0.39
Traditional							
Bonds	Barclays US Aggregate Bond	-0.1%	-0.2%	-1.6%	-0.4%	1.8%	0.60
Equities	S&P 500 Index	-0.6%	2.9%	0.8%	12.2%	9.6%	1.32

1. Inception date for Multi-Strategy Growth & Income Fund (Class A) is 3/16/2018.

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 and Income Fund. It is not possible to invest directly in an index. Index performance does not reflect the deduction of any fees or expenses. 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. Past performance is no guarantee of future results.

On a relative basis, it was a good quarter for real estate related investments. The most significant contributor to performance over the quarter was CLNC, Colony Credit Real Estate, a liquid holding that resulted from the public listing of a former non-public investment in February 2018. During the quarter CLNC was up 11.69%, recovering substantially from a rough initial two months.

Bouncing back from a challenging first quarter, REITs like Northstar Healthcare Income and Hospitality Investors Trust that focus on the healthcare and hotel sectors had a good quarter as oversold conditions from the first quarter indicated that the market had overreacted to concerns about economic growth. In addition, we are starting to see some solid operating performance from the portfolio's select-service hotel portfolio. As evidenced by the Clarion Lion Industrial Trust, institutional-quality stabilized real estate continue to deliver significant value to the portfolio despite based largely upon strong underlying net operating income and favorable occupancy trends from portfolio holdings.

Finally, generally benefitting from higher market volatility, the Collins Masters Access Fund, a diversified and risk managed group of 10 individual hedge fund investments, proved a steady contributor during the quarter. It was up 0.87% during the quarter with Point 72 the biggest contributor and Greenlight Capital the biggest detractor.

In large part, negative performance was the result of security-specific challenges during the quarter. As part of our short-term opportunistic trading portfolio, Applied Materials was the biggest detractor. While fundamentals remain strong and valuations are attractive, sentiment was consumed by trade fears and the impact on global supply chains and capital spending in the technology sector. Steadfast Income REIT bucked the positive real estate trend due to an increase in property cap rates and a decrease to its NAV. The negative contribution from AIM Infrastructure MLP Fund was related to the write-off of a specific portfolio investment that had seen significant declines in operating metrics. Levine Leichtman Capital Partners, a recent investment in the portfolio focused on private equity investments with an income component, was down slightly due solely to a management fee call. The Credit Suisse X-Links Gold Shares Covered Call Strategy, is an ETF held in the liquid portfolio that generates income by trading options around a core position in gold. It was down directionally with gold as the US dollar strengthened during the quarter.

Q2 2018 Top 5 Positive Attribution

NAME	CLASSIFICATION
Colony Credit Real Estate Inc.	Traditional Equity
Collins Masters Access Fund, Ltd	Hedge Strategies
Hospitality Investors Trust	Real Assets
NorthStar Healthcare Income	Real Assets
Clarion Lion Investor Trust	Real Assets

Q2 2018 Bottom 5 Negative Attribution

NAME	CLASSIFICATION
Applied Materials	Traditional Equity
Steadfast Income REIT	Real Assets
Levine Leichtman Capital Partners	Private Equity/Credit/VC
CS X-Links Gold Shares Covered Call	Real Assets
AIM Infrastructure MLP Fund II	Private Equity/Credit/VC

Asset Allocation

We have been discussing the Fund's investment approach which is modeled after the Endowment Model in utilizing alternative and illiquid investments to enhance return and lower volatility. We believe the best example of this approach in the Yale Endowment, headed by David Swensen. You'll see below how different Yale's asset allocation is relative to its peers (Educational Institution Mean).

Some notable comparisons with the Fund:

- Real Assets, which include investments like direct real estate,

	MSGI NOW	MSGI FULLY ALLOCATED	YALE	EDUCATIONAL INSTITUTIONAL MEAN	ENDOW INDEX
Traditional Equity	14%	11%	19%	44%	36%
Traditional Fixed Income	9%	8%	5%	9%	8%
Private Equity/Credit/VC	21%	34%	31%	10%	17%
Hedge Strategies	14%	12%	25%	22%	19%
Real Assets	42%	35%	19%	11%	15%
Other (including Cash)	0%	0%	1%	4%	5%
	100%	100%	100%	100%	100%

Source: The Yale Endowment 2017
This information is provided for illustrative purposes only. The chart depicts our prospective allocation based on proprietary models. There can be no assurance that the exact allocations or allocation forecasts will be achieved.

oil & gas, timberland and agriculture, represent the highest allocation in the Fund and Yale's third highest allocation. The Endowment Institution Mean is well below both the Fund and Yale at 11%. For the Fund, this is mostly real estate – remember, according to our prospectus, the Fund must have at least 25% of its total portfolio in real estate assets.

» The Fund's Private Equity / Credit / VC allocation at 21% is below the Yale Endowment's 31% allocation (its largest), but well above the Educational Institutional Mean. With the commitment to the Levine Leichtman Capital Partners investment called over time, as well as an additional significant commitment approved to the Stepstone Capital Partners IV LP, an institutional private equity co-investment fund,we expect the Fund's exposure to this strategy class to increase over the next several years.

» The Fund's allocation to Hedge Strategies remain below Yale's and the Education Institution Mean due largely to the fact the Fund is limited (from a regulatory perspective) to a maximum allocation to hedge funds of 15%.

» Liquid holdings, Traditional Equity and Fixed Income, are similar. However, the Educational Institution Mean is very different – most endowments have over 50% of their portfolios in traditional equity and fixed income. For the Fund, the primary purpose of this allocation is to provide liquidity over time and generate current income and capital appreciation.

	AS OF 6/30/2018								
	YTD	1 YEAR		3 YEARS		5 YEARS		SINCE INCEPTION	
	RETURN	RETURN	STD DEV	RETURN	STD DEV	RETURN	STD DEV	RETURN	STD DEV
MSFDX: Class A (NAV)	-0.77	1.06	3.73	3.06	3.93	4.38	4.30	5.01	4.26
MSFDX: Class A (Max Load)	-6.46	-4.73	3.73	1.05	3.93	3.20	4.30	4.08	4.26
MSFYX: Class L (NAV)	-1.10	0.50	3.73	2.53	3.93	-	-	1.66	4.23
MSFYX: Class L (Max Load)	-3.05	-1.52	3.73	1.23	3.93	-	-	0.70	4.23
MCFDX: Class C	-1.13	0.26	3.68	2.29	3.97	-	-	1.41	4.24
MSFIX: Class I	-0.72	1.26	3.76	3.49	4.05	-	-	2.45	4.30
Morningstar US Closed-End Multialternative Index	-5.40	-8.90	8.46	-2.00	7.25	0.54	6.43	1.10	6.53

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.

Important Risk 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.

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."

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 MultiStrategy 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 (the "Fund") is distributed by Northern Lights Distributions, LLC, member FINRA/SIPC. Destra Capital Investments LLC, member FINRA/SIPC, is a sub-distributor for the Fund. LCM Investment Management, conducting business as Lucia Capital Management, is not affiliated with either Northern Lights Distributors, LLC or Destra Capital Investments LLC.

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