RFXIX

RATIONAL
SPECIAL SITUATIONS
INCOME FUND

RFXAX | RFXCX | RFXIX

2020 INVESTORS CHOICE AWARDS

2020 Investors Choice Award
Event Driven Fund - Long Term Performance

2020 Top Performers Award
Event Driven Fund - Long Term Performance

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About the Fund

Key Takeaways

01. The non-agency residential MBS ("NARMBS) index has significantly outperformed the traditional fixed income indexes due to persistent demand, strong housing market fundamentals and increasing borrower credit performance.

02. The Rational Special Situations Income Fund (RFXIX), which was launched in 2009 after recognizing the opportunity in the asset class, has generated a 421.40% cumulative return since 2/1/2009 as of 06/30/2022, significantly outperforming its fixed income benchmarks.

03. RFXIX has generated these returns by providing exposure to an outperforming asset class in addition to identifying special situations within the asset class that provide optionality for significant upside while maintaining limited downside, such as structural inefficiency strategies and litigation strategies.

04. The combination of a very large asset class with years of potential and a management team with significant expertise provides the potential for strong returns for many years to come.

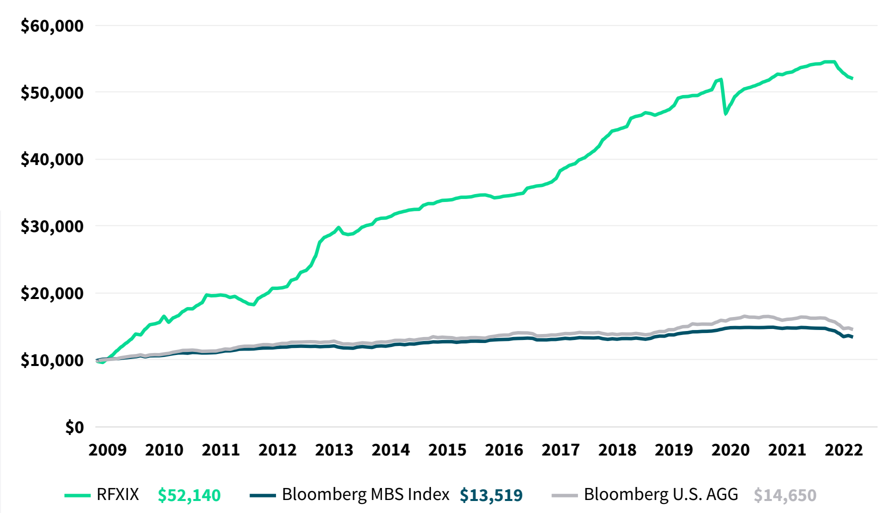
Rational Special Situations Income Fund

Executive Summary

After recognizing the compelling opportunity that existed in non-agency residential mortgage-backed securities ("NARMBS"), Dr. Eric S. Meyer founded ESM Management LLC in January 2009 and launched the Rational Special Situations Income Fund (RFXIX), which seeks total return consisting of capital appreciation and income, on February 1, 2009*. The launch of the Fund followed 11 years with Susquehanna International Group, where Dr. Meyer was involved with various fixed income strategies, including focusing on trading and investing in NARMBS since 2005.

Since launching in 2009, RFXIX has delivered investors a meaningful yield while also generating returns that significantly outperformed both the Bloomberg US Aggregate Bond TR Index and the Bloomberg US MBS TR Index, with a 13.11% annualized return as of June 30, 2022.

Growth of $10,000 Investment: Ending June 30, 2022



The long-term outperformance has resulted from the combination of an asset class with compelling long-term opportunities and a distinct and repeatable investment process from a seasoned investment team. We believe that RFXIX presents a compelling opportunity in the current environment, defined by historically low interest rates and yields that are too low for many investors to meet their long-term income needs. We believe this will be the case for many years to come.

*Prior to July 17, 2019, RFXIX operated as ESM Fund I, L.P. (the "Predecessor Fund"). See back cover for more information and risk considerations.

The Ongoing Opportunity in the Non-Agency Residential Mortgage-Backed Securities Asset Class

Why Non-Agency Residential MBS?

Key drivers behind the continued outperformance of NARMBS have been:

- **Persistent Demand and Limited Supply:** The legacy (pre-2008) market is estimated to be around $422 billion as of September 2018 with an approximately 14% annualized runoff rate. New products are being issued, but currently at a relatively low volume.
- **Strong Housing Market Fundamentals:** Inventory remains near all-time lows with increasing household formations and continued demand for housing.
- **Low Correlation:** The NARMBS asset class continues to exhibit lower correlation to traditional fixed income investments.
- **Increasing Borrower Credit Performance:** Borrowers have experienced improved and expanded credit in a relatively favorable economic environment (low unemployment, steady wage growth, etc.). Not only has this reduced the underlying credit risk of the loans, but the paydowns also shorten interest rate sensitivity. Additionally, the underlying loans on the pre-2008 issues represent homeowners that performed on those loans throughout the last credit crisis with much less equity in their homes than they have today, reflecting much less credit risk than existed pre-crisis.

> **“Non-agency RMBS has outperformed the Barclays US Aggregate Bond Index every calendar year during the last five years, by double digits in most years.”**

These factors should allow NARMBS to continue to generate better risk-adjusted returns than other fixed income assets for many years to come. Additionally, the NARMBS that RFXIX focuses on offer a compelling opportunity for investors, including:

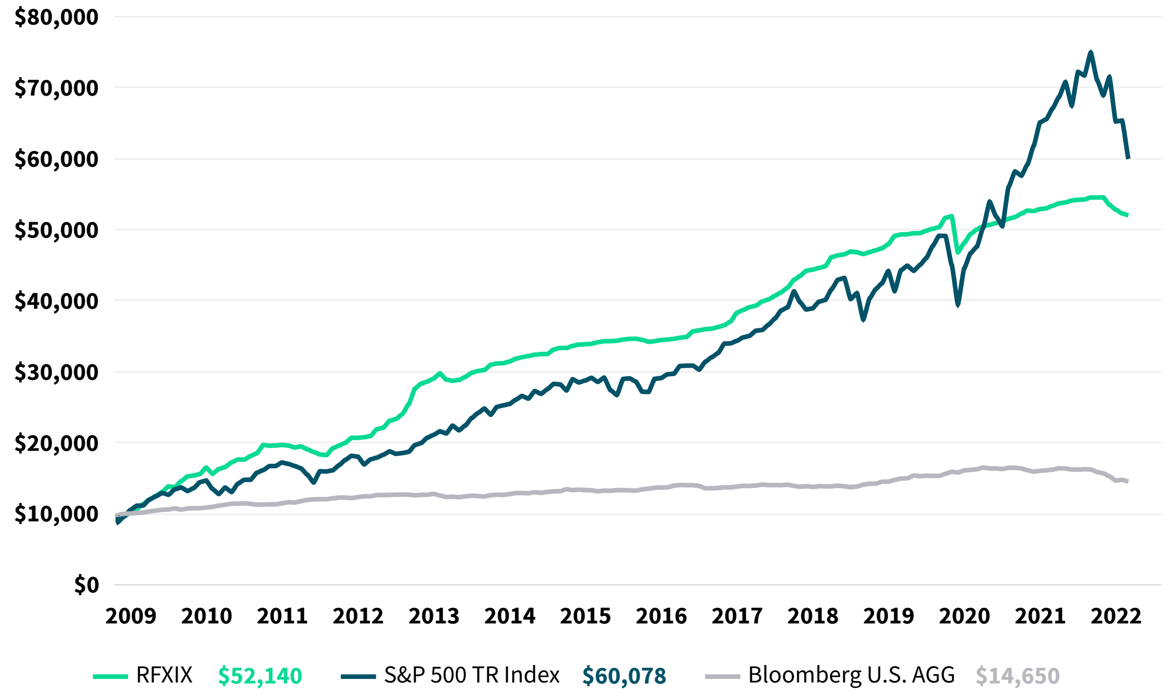
- **Yield Premium:** NARMBS offer a significant yield premium over Treasurys, and we believe they do not carry the same type of credit risk as high yield corporate bonds given the strong housing market fundamentals.
- **Senior Structure:** The securities purchased by RFXIX are typically senior in the remaining MBS structure and have the potential to mitigate interest rate risk given their short duration and attractive spreads.
- **Pre-2008 Focus:** RFXIX focuses on pre-2008 MBS, which have more predictable collateral performance given the significant age of the loans. The borrowers still in the pool have made it through one of the toughest housing markets on record and are still paying on their mortgages.
- **Large Asset Class & Limited Competition:** Non-agency MBS securities require expertise to evaluate. Competition in the space has been reduced 10 years after the crisis due to a combination of unsophisticated investors exiting the “easy trade” following 2008 and as institutions continue to be sellers of the asset following their experience in 2008.

Risks to fund performance include mortgage prepayment risk, interest rate risk, and the state of the housing market and the economy in general.

Rational Special Situations Income Fund Performance.

Since inception, RFXIX has generated returns that compare favorably to both fixed income and equity asset classes. The Fund is not designed to generate equity-like returns but rather to offer asymmetric upside potential from its fixed income investments.

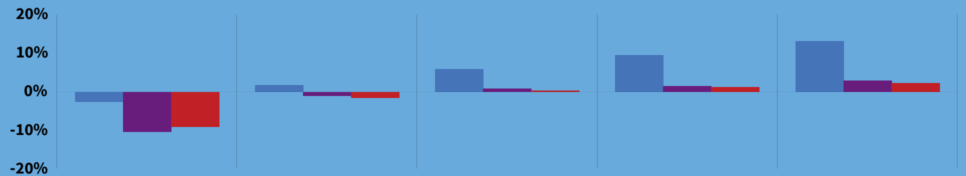
Growth of $10,000 Investment: June 30, 2022



Strong Performance

Since 2009

PERFORMANCE (%): ENDING JUNE 30, 2022



	1 Year	3 Years	5 Years	10 Years	Inception*
Class I	-2.52	1.79	5.87	9.49	13.11
Bloomberg US Agg TR Index	-10.29	-0.93	0.88	1.54	2.89
Bloomberg MBS TR Index	-9.03	-1.44	0.36	1.18	2.27
Class A	-2.76	1.53	5.61	9.22	12.83
Class C	-3.48	0.77	4.81	8.41	11.99
Class A w/ Sales Charge	-7.36	-0.11	4.59	8.69	12.42

**Inception: 02/01/2009. The performance shown prior to July 17, 2019 is that of the Predecessor Fund, which reflects all of the Predecessor Fund's actual fees and expenses adjusted to include any fees of each share class.*

PERFORMANCE & RISK STATISTICS: 2/01/2009 - 06/30/2022

	RFXIX	BLOOMBERG US AGG TR	BLOOMBERG MBS TR
Cumulative Return	421.40%	46.50%	35.19%
Annualized Return	13.11%	2.89%	2.27%
Standard Deviation	7.28%	3.35%	2.55%
Sharpe Ratio	1.57	0.36	0.24
Alpha (vs. Agg)	11.04%	-	-0.21%
Beta (vs. Agg)	0.32	-	0.67
Correlation (vs. Agg)	0.15	-	0.89
% of Positive Months	84.5%	62.7%	65.8%
Maximum Drawdown	-9.76%	-11.91%	-9.80%

**Inception: 02/01/2009 (I Share) & 07/17/2019 (A & C Shares)*

The performance data quoted here represents past performance. Current performance may be lower or higher than performance data quoted above. Investment return and principal value will fluctuate, so that shares, when redeemed, may be worth more or less than their original cost. Past performance is no guarantee of future results. To obtain the most recent month end performance information or the fund's prospectus please call 800-253-0412 or visit www.RationalMF.com.

Maximum sales charges for Class A 4.75%. Maximum Deferred Sales Charge of 1.00% on Class C Shares applies to shares sold within 12 months of purchase. Total annual fund operating expenses are 1.78%, 2.04%, and 2.75% for Class I, A, and C shares, respectively. Results shown reflect the waiver, without which the results could have been lower. A fund's performance, especially for very short periods of time, should not be the sole factor in making your investment decisions.

How Did RFXIX Achieve its Strong Performance?

01

Returns from Non-Agency RMBS Asset Class

+

02

Optionality from Special Situations Investing

=

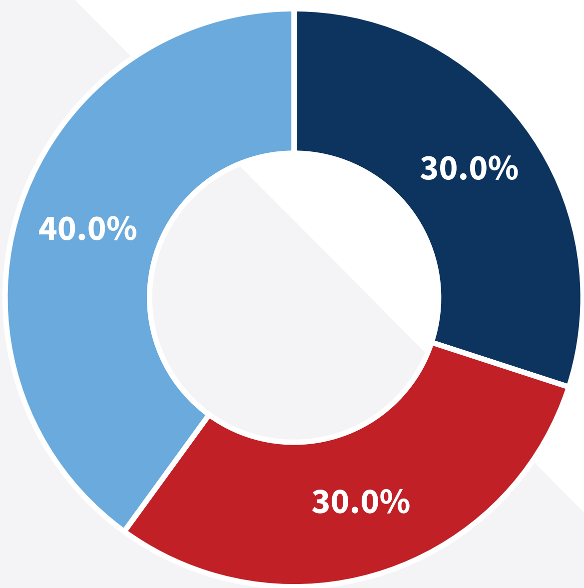
03

Potential for Yield and Above-Average Returns

The legacy non-agency RMBS asset class has performed incredibly well due to the factors described previously, and we believe this will continue for many years to come. Just investing in this asset class would have delivered investors better risk-adjusted returns than traditional fixed income investments.

Furthermore, because many of the securities were originated prior to 2008 (an environment when some terms were literally copied and pasted without much careful review), there are number of opportunities that exist for excess return. These essentially serve as options with limited downside risk.

"Outperformance Driven by a Distinct Investment Approach."



Targeted Allocations

Structural Inefficiency & Incremental Yield Strategies

The portfolio managers find products in which the inner workings are extremely complex, often introducing optionality that is either not considered or not properly priced by the market.

Litigation Strategies

The managers identify products in which either the cash flows are not being directed properly by the trustee or the managers believe there are significant errors of this type that are likely to occur.

Core Income Holdings

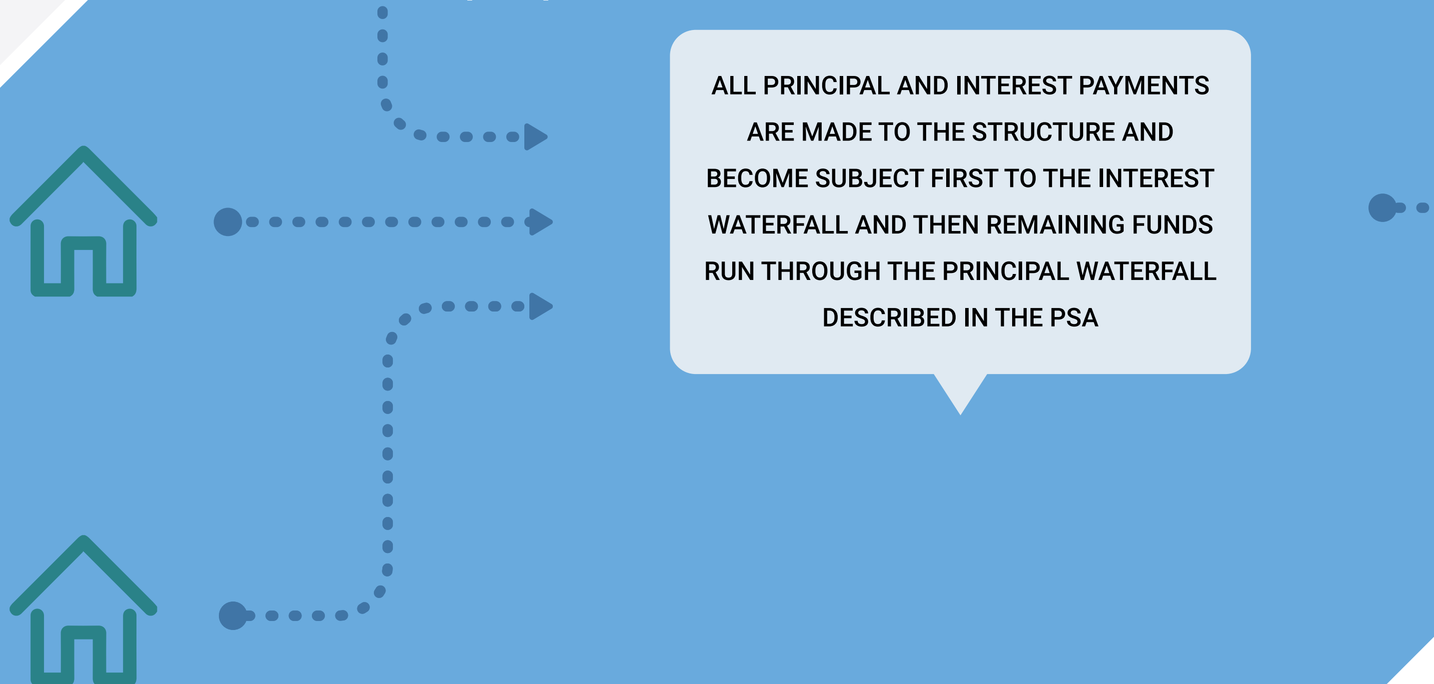
This includes holdings that provide a baseline yield. The managers believe that non-agency bonds provide a yield that is in excess of the yields from more traditional fixed income products with similar credit profiles.

Litigation Strategy Trade Example

that Exists in Legacy Non-Agency RMBS Asset Class

The non-agency residential MBS asset class requires expertise in the following areas: a) the fundamentals of the bonds, b) the legal structure of the bonds with a high level of proficiency in law, and c) the mathematical ability to model complex structures. Because so few managers possess all of these skillsets, there are a number of special situations opportunities in the asset class. ESM's distinct position of being experts in all of these areas has contributed to their long-term success in the space by identifying investments with favorable optionality (i.e., downside typically limited to asset class performance and the potential for significant upside).

This particular structure was an "available funds" structure whereby all principal and interest payments were pooled together. The trustee then paid out through the interest waterfall first, followed by the principal waterfall. ESM's court filing challenged the trustee's determination of the priority of payments in the principal waterfall.



We identify a bond where we believe the service provider was not correctly interpreting the payout and was instead paying the interest to an insurance subrogation before the senior tranches of the bond. We bought the senior bonds and challenged the service provider.

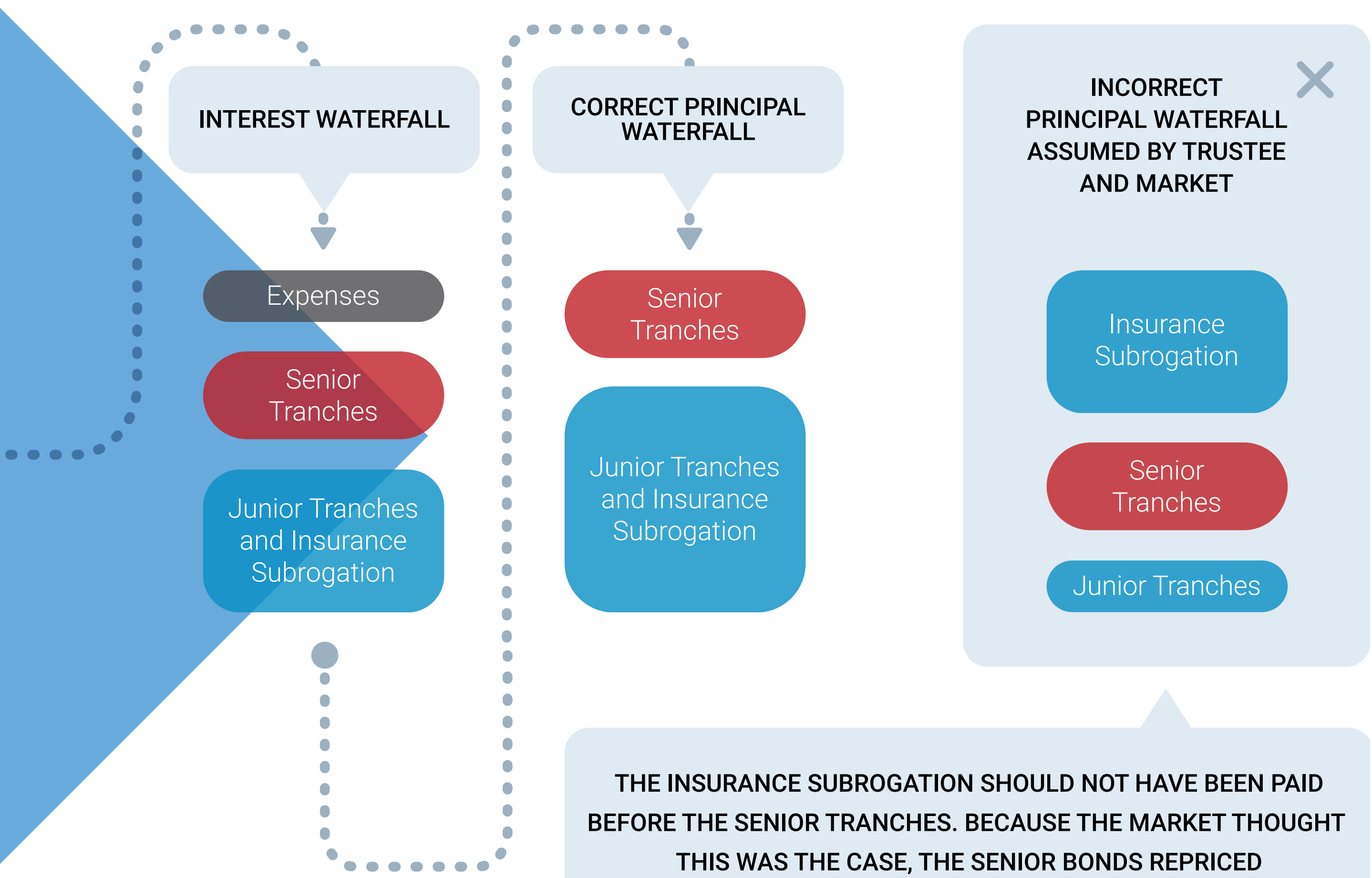
Outcome #1 (Limited Downside):

We are not able to get the service provider to change the payout, even through litigation, and the senior bonds continue to price as they were before. We do not incur any loss due to our failure to execute the strategy as it was never priced into the market when we acquired the securities. (Note other market factors, credit shifts, unexpected losses on underlying loans, etc may result in negative performance).

Outcome #2 (Great Upside Potential):

After successful litigation, the service provider begins paying out the senior tranches first, and these tranches see significant price appreciation as a result of the new structure.

(The Actual Outcome was +100% Return on Trade)



THE INSURANCE SUBROGATION SHOULD NOT HAVE BEEN PAID BEFORE THE SENIOR TRANCHES. BECAUSE THE MARKET THOUGHT THIS WAS THE CASE, THE SENIOR BONDS REPRICED SIGNIFICANTLY HIGHER AFTER THE LITIGATION AND CORRECTION.

RFXIX & Strong Performance

In General,

RFXIX has been able to generate strong returns as a result of:

01 SEEKING TO PURCHASE BONDS WITH COMPLEX STRUCTURES

Purchasing bonds with collateral types or structures for which standardized modeling tools either were not available or were materially flawed. Independent analysis and modeling work was done to evaluate underpriced securities.

02 IDENTIFYING BONDS WITH SERVICING ISSUES

We were able to improve returns by identifying bonds in which payments were being handled incorrectly or governing documents were being misinterpreted.

03 POTENTIAL LITIGATION

In a few cases, we have had to litigate in order to get issues corrected.

WE BELIEVE THE STRONG PERFORMANCE IS SUSTAINABLE:

- While smaller than immediately post crisis, there are **hundreds of billions of dollars** remaining in the asset class. New issues are starting to come to market again, though at a slower pace than pre-2008.
- With the expertise we have developed over the past **10+ years**, we continue to identify structurally flawed and mispriced securities.
- Some opportunities with significant upside potential only become available at the **end stages** of a securitization life cycle.
- Strategies developed in the legacy non-agency space **can be applied to newer issuances** of non-agency RMBS, as well as other types of asset-backed securities.
- While credit markets are at tight levels, the fund is **defensively positioned** and should be able to take advantage of a downturn in the credit cycle to **invest in oversold securities.**

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Dr. Eric S. Meyer
Co-Portfolio Manager

— Dr. Meyer has been working in finance since 1995 and he founded ESM Management LLC in January 2009. From 1997 through 2008, Dr. Meyer worked at Susquehanna International Group. His primary responsibilities included building and managing the Emerging Markets bond trading group, building and managing a fixed income arbitrage group, creating and managing tax-advantaged trading strategies, and since 2005 trading and investing in mortgage backed securities. From 1995-1997, he was a quantitative researcher in the fixed income relative value arbitrage group at D. E. Shaw & Co., a hedge fund based in New York. Before entering the financial field, Dr. Meyer was a physicist at the National Institute of Standards and Technology in Gaithersburg, MD. He received both his A.B. degree and Ph.D. degree in Physics from Harvard University.

William R. Van de Water
Co-Portfolio Manager

— William has been working in finance since 2005. Mr. Van de Water joined ESM as a RMBS analyst and trader in June 2009 and became a managing director in December 2009. In 2014, Mr. Van de Water became a co-portfolio manager at ESM Management. From 2005 through March 2009, Mr. Van de Water worked in the Boston office of Susquehanna International Group. His primary responsibility was to analyze and trade mortgage backed securities. Mr. Van de Water earned joint B.S. degrees in physics, business, economics, and management from the California Institute of Technology in 2005.

An Experienced Management Team

Risk Considerations

Past Performance is not a guarantee of future results.

Investors should carefully consider the investment objectives, risks, charges and expenses of the Rational Funds. This and other important information about the Fund is contained in the prospectus, which can be obtained by calling (800) 253-0412 or at www.RationalMF.com. The prospectus should be read carefully before investing. The Rational Funds are distributed by Northern Lights Distributors, LLC member FINRA/SIPC. Rational Advisors, Inc. is not affiliated with Northern Lights Distributors, LLC.

Investing in the Fund carries certain risks. The value of the Fund may decrease in response to the activities and financial prospects of an individual security in the Fund's portfolio. The value of the Fund may decrease in response to the activities and financial prospects of an individual security in the Fund's portfolio. The Fund is a new mutual fund and has a limited history of operations for investors to evaluate. Investors in the Fund bear the risk that the Fund may not be successful in implementing its investment strategies. The Fund is non-diversified and may invest a greater percentage of its assets in a particular issue and may own fewer securities than other mutual funds; the Fund is subject to concentration risk. When the Fund invests in asset-backed securities and mortgage-backed securities, the Fund is subject to the risk that, if the underlying borrowers fail to pay interest or repay principal, the assets backing these securities may not be sufficient to support payments on the securities. Interest rate risk is the risk that bond prices overall, including the prices of securities held by the Fund, will decline over short or even long periods of time due to rising interest rates. Bonds with longer maturities tend to be more sensitive to interest rates than bonds with shorter maturities. Lower-quality bonds, known as "high yield" or "junk" bonds, present greater risk than bonds of higher quality, including an increased risk of default. Credit risk is the risk that the issuer of a security will not be able to make principal and interest payments when due. These factors may affect the value of your investment.

The Fund commenced operations by acquiring all of the assets and liabilities of ESM Fund I, L.P. (the "Predecessor Fund") in a tax-free reorganization on July 17, 2019 (the "Reorganization"). In connection with the Reorganization, investors in the Predecessor Fund received Institutional Shares of the Fund. The Fund's investment objectives, policies, guidelines and restrictions are, in all material respects, equivalent to those of the Predecessor Fund. However, the Predecessor Fund was not registered under the 1940 Act and, therefore, was not subject to certain investment restrictions, limitations and diversification requirements that are imposed by the 1940 Act or Subchapter M of the Internal Revenue Code, which, if they had been applicable, might have adversely affected the Predecessor Fund's performance. The Fund's Sub-Advisor was the investment adviser to the Predecessor Fund. The Fund's fees and expenses are expected to be higher than those of the Predecessor Fund, so if the Fund's expenses were applied to the Predecessor Fund's performance, the performance would have been lower.

Awards Methodology

All funds reporting to Allocator.com are considered for the awards.

There are two types of awards:

1. The Top Performer Awards — these are granted to the select few funds, which have outperformed their wider peer group in each category. Winners are determined purely based on quantitative risk adjusted returns. For 2020 we have extended the time period under consideration to evaluate how managers navigated both 2019 and the Covid-19 related market turbulence in early 2020. The 2020 Top Performer award winners will be chosen based on absolute returns from January 1, 2019 to April 30, 2020. The Long-Term categories consider returns from January 2017 to April 2020.

2. The Investors Choice' Awards —For each category, the fund, which receives the highest qualitative scoring by the judges receives the prestigious award. Institutional investors from around the world score the Top Performers on a range of qualitative criteria including investment processes, risk framework, transparency, team, and ability to generate alpha. The judges review manager profiles on the Allocator.com portal and independently assign a score from 1 to 10 in each of the qualitative assessment areas for each fund.

Bloomberg US Aggregate Bond TR Index: *A market capitalization-weighted index that is designed to measure the performance of the U.S. investment grade bond market with maturities of more than one year.*

Bloomberg US MBS TR Index: *Tracks agency mortgage pass-through securities.*

Effective Duration: *Provides a measure of a fund's interest rate sensitivity; the higher the value of a fund's duration, the more sensitive the fund is to shifts in interest rates.*

S&P 500 TR Index: *Represents the U.S. large-cap stock market.*

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