DEER PARK
Total Return Credit Fund

Investment Commentary

Fourth Quarter 2016

DPFNX | DPFAX

The Deer Park Total Return Credit Fund (the "Fund") returned 2.44% in the fourth quarter, 11.07% for the year and has an annualized rate of return of 11.48% since the Fund's inception on October 16, 2015. This compares to the performance of the Barclay's Aggregate Bond Index of -2.98% for the fourth quarter, 2.65% for the year and 1.34% since inception of the Fund. The Fund made its quarterly distribution at the end of December, and for the year distributed approximately $0.56/share which equates to a yield of approximately 5.15%.

The Fund's distribution policy is to make quarterly distributions to shareholders. The level of quarterly distributions (including return of capital) is not fixed. However, this distribution policy is subject to change. Shareholders should not assume that the source of a distribution from the Fund is net profit. A portion of the distributions consist of a return of capital based on the character of the distributions received from the underlying holdings. The final determination of the source and tax characteristics of all distributions will be made after the end of the year. Shareholders should note that return of capital will reduce the tax basis of their shares and potentially increase the taxable gain, if any, upon disposition of their shares. There is no assurance that the Fund will continue to declare distributions or that they will continue at these rates.

	Q4 2016	Year-to-Date	Inception through 12/31/2016*
DPFNX Class I (NAV)	2.44%	11.07%	11.48%
DPFAX Class A (NAV)	2.38%	10.81%	11.14%
DPFAX Class A (Max Load)	-3.51%	4.48%	5.83%
Barclays Aggregate Bond Index	*-2.98%*	*2.65%*	*1.34%*

*Inception date is October 16, 2015.

Returns for periods longer than one year are annualized. 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 that shares, when redeemed, may be worth more or less than their original cost. Past performance is no guarantee of future results. The Fund's investment advisor has contractually agreed to waive management fees and to make payments to limit Fund expenses until September 8, 2017. After this fee waiver, the expense ratios are 2.24% and 1.99% for the Class A and I shares, respectively. These fee waivers and expense reimbursements are subject to possible recoupment from the Fund in future years. The Fund's total annual operating expenses are 2.49% and 2.24% for the Class A and I shares, respectively. The maximum sales load for the Class A shares is 5.75%. 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 toll-free (888) 868-9501. Investors cannot directly invest in an index and unmanaged index returns do not reflect any fees, expenses or sales charges.

Market Update

Looking back over the past year we have seen a substantial shift in the legacy non-agency residential mortgage backed securities ("RMBS") market. At the end of 2015 into Q1 2016, there was a technical selloff in the market that occurred, and base case yields increased. It is important to note that this selloff occurred despite the continued improvement in fundamental performance in the RMBS space (arguably this asset class has demonstrated the best overall fundamental performance of all structured products categories, in our opinion). Delinquencies continue to decline, voluntary prepayments have moved mildly upward, home price appreciation is slightly up and deleveraging continues in these legacy bonds. Over Q2 and Q3, demand and trading activity steadily improved for legacy RMBS, and it wasn't until December that we hit the typical year-end slowdown.

Performance Update

Early in the fourth quarter and leading up to the U.S. presidential election there had been limited change in the outlook for the structured products markets. Despite the number of uncertainties surrounding the political impact of the election, most market participants viewed the anticipated outcome to be supportive of inflationary pressure for the U.S. economy, which in turn should prove supportive for the U.S. housing market. As a result, the demand for legacy RMBS continued to increase and the RMBS market showed positive trading as market participants improved bid levels for a wide variety of bonds.

Similar to prior months, the market demonstrated a strong level of interest in less credit sensitive RMBS securities that tend to be primary targets for large money managers such as mutual funds, banks and insurance companies. However, price improvements were also reflected throughout the capital structure, as bid levels migrated higher for mezzanine and subordinate tranches as well. We view the increase in demand for legacy RMBS as a positive dynamic as it continues to be supportive of overall price levels, but also reflects the underlying strength of improving collateral performance trends for the asset class. Relative to most other segments of the structured products market (and other markets for that matter) we remain constructive on the outlook for these positions

Despite the general increase in demand, the diversity of bond subtypes and unique characteristics of the market continue to provide attractive new opportunities. As has been the case in prior months, we continue to source new positions that are less suitable for auction based trading and we believe we have been able to identify more attractive price/yield levels in various limited competition transactions.

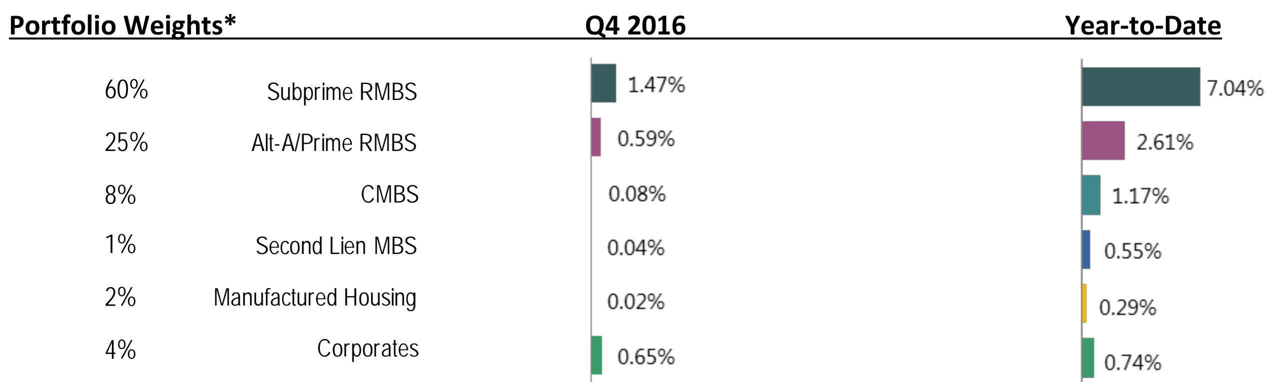
During December, trading volume slowed into the year-end as fewer market participants demonstrated a motivation to sell their bonds. This was due, in part, to the transition in market perspective toward an improving economic environment which has increased the appeal for stable credit sensitive structured products, such as legacy non-agency RMBS. This effect was observed in market prices, which have remained stable despite the rise in interest rates and the lower overall trade volume.

Rising Rates

Throughout the fourth quarter, the continued upward move in interest rates resulted in negative performance for many fixed income investments, however, the impact on credit sensitive structured products (i.e. legacy non-agency RMBS) was exactly the opposite. For this segment of the bond market, a shift in the inflation outlook is largely viewed as a positive indication for the fundamental drivers of performance and therefore a decrease to credit risk. Specifically, improving economic growth will likely translate to support for residential home price appreciation, improving employment and potentially greater wage growth. Each of which is favorable for long-term performance expectations on seasoned non-agency residential mortgage pools in particular. This dynamic was clearly evident in the market as discounted structured product spreads tightened during the quarter and largely offset the impact of rising rate expectations, ultimately resulting in modestly higher price levels overall.

Portfolio Weights & Performance Attribution

Two of the larger contributors to performance during the quarter were the Fund's holdings in Subprime and Alt-A/Prime Mezzanine RMBS. The Fund's relatively small corporate bond holding in Ocwen Financial, one of the largest non-agency RMBS loan servicers, performed particularly well as the bonds were restructured as company operations improved. Year-to-date, Subprime and Alt-A/Prime Mezzanine RMBS led the way as the largest contributors to performance and represent the largest allocations in the Fund.



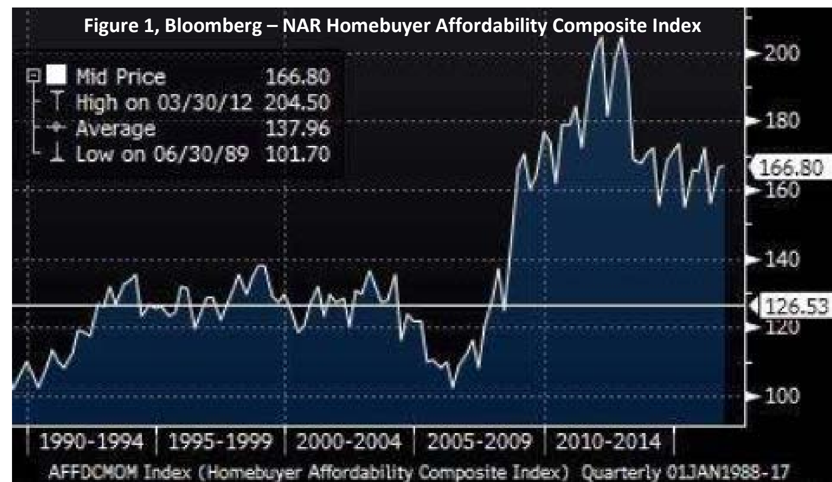
**Portfolio weights do not include cash. Past performance is not indicative of future results. The attribution data will not match the performance results of the fund as it is an estimate and does not include Fund expenses, the results of residual cash balances and other timing considerations*

Market Outlook

The final months of 2016 provided a substantial shift in perspective for many market participants. Notably, this was reflected in the recent rise in U.S. Treasury rates that began in the days after the U.S. presidential election and the subsequent Federal Reserve announcement of a 25 bps hike to the federal funds rate. While the Fed rate hike was largely anticipated, it represented a transition in the overall outlook toward higher inflation expectations. Generally, this shift has been viewed as accommodative for the U.S. housing market and for future home price appreciation rates. Specifically, in our opinion, the influence of a stronger labor market and economic growth will likely translate to stronger levels of housing demand, and potential negative implications on housing affordability will likely remain relatively minor.

To put this recent shift in interest rates in context we can examine the affordability of homes relative to historical levels. As a reference, the National Association of Realtors Homebuyer Affordability Index provides an estimate of

affordability utilizing a comparison of median home prices, median income and mortgage rates. Higher index numbers suggest homes are more affordable and lower numbers suggest homes are less affordable. As seen in Figure 1, the longer-term range for affordability has oscillated within index levels of 120-130 prior to the last recession (dropping to as low as 100 during the peak of the housing market in 2006). However, the persistent decrease in interest rates over the past decade has produced a sharp upward shift in affordability. Despite the recent increase in interest rates, the Homebuyer Affordability index is over 166, well above the long-term average, indicating that interest rates will likely be a less meaningful deterrent to further housing demand.



Looking forward to the year ahead, we continue to see the shift in economic growth expectations as a positive influence on the U.S. housing market and therefore legacy residential mortgage backed securities. That said, the recent rhetoric regarding the incoming presidency has not resolved a number of uncertainties that remain in other segments of the credit market (notably, interest rate impact on high yield corporate bonds and fundamental concerns for segments of the CMBS market). As such, we continue to focus on maintaining our core holdings in asset classes that demonstrate strong fundamental performance characteristics while avoiding areas where we see considerable risk. We believe that improving fundamentals and attractive return potential of legacy non-agency RMBS present a favorable investment alternative to the U.S. equity markets, corporate bonds, and other global investment opportunities. We believe that now is a good entry point into legacy non-agency RMBS.

There is no assurance these opinions or forecasts will come to pass and past performance is no assurance of future results.

Investors should carefully consider the investment objectives, risks, charges and expenses of the Deer Park Total Return Credit Fund. This and other important information about the Fund is contained in the Prospectus, which can be obtained by contacting your financial advisor, or by calling 1.888.868.9501. The Prospectus should be read carefully before investing. The Deer Park Total Return Credit Fund is distributed by Northern Lights Distributors, LLC member FINRA/SIPC. Princeton Fund Advisors, LLC and Northern Lights Distributors are not affiliated.

Mutual Funds involve risk including the possible loss of principal. Long investing involves buying a security such as a stock, commodity or currency, with the expectation that the asset will rise in value. A hedge refers to making an investment to reduce the risk of adverse price movements in an asset. Normally, a hedge consists of taking an offsetting position in a related security, such as a futures contract. ***RMBS*** *(Residential Mortgage-Backed Securities) are a type of security whose cash flows come from residential debt such as mortgages, home-equity loans and subprime mortgages. RMBS focus on residential instead of commercial debt.* ***The Barclays Capital U.S. Aggregate Index*** *provides a measure of the performance of the U.S. investment grades bonds market.* ***The Barclays Capital U.S. High Yield Index*** *covers the universe of fixed rate, non-investment grade debt.*

ABS, RMBS and CMBS *are subject to credit risk because underlying loan borrowers may default. Additionally, these securities are subject to prepayment risk because the underlying loans held by the issuers may be paid off prior to maturity. The value of these securities may go down as a result of changes in prepayment rates on the underlying mortgages or loans. During periods of declining interest rates, prepayment rates usually increase and the Fund may have to reinvest prepayment proceeds at a lower interest rate. CMBS are less susceptible to this risk because underlying loans may have prepayment penalties or prepayment lock out periods. 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. In addition, the credit quality of securities held by the Fund may be lowered if an issuer's financial condition changes.* ***Futures, options and swaps*** *involve risks possibly greater than the risks associated with investing directly in securities including leverage risk, tracking risk and counterparty default risk.*

Option positions *may expire worthless exposing the Fund to potentially significant losses. The value of the Fund's investments in fixed income securities will fluctuate with* ***changes in interest rates****. Typically, a rise in interest rates causes a decline in the value of fixed income securities.* ***Foreign investing*** *involves risks not typically associated with U.S. investments, including adverse fluctuations in foreign currency values, adverse political, social and economic developments, less liquidity, greater volatility, less developed or less efficient trading markets, political instability and differing auditing and legal standards. Investing in emerging markets imposes risks different from, or greater than, risks of investing in foreign developed countries.* ***Lower-quality*** *fixed income securities, known as "high yield" or "junk" bonds, present greater risk than bonds of higher quality, including an increased risk of default. An economic downturn or period of rising interest rates could adversely affect the market for these bonds and reduce the Fund's ability to sell its bonds. The lack of a liquid market for these bonds could decrease the Fund's share price. Repayment of defaulted securities and obligations of distressed issuers (including insolvent issuers or issuers in payment or covenant default, in workout or restructuring or in bankruptcy or in solvency proceedings) is subject to significant uncertainties. Investments in defaulted securities and obligations of distressed issuers are considered speculative as are junk bonds in general.*

The value of a specific security *can be more volatile than the market as a whole and can perform differently from the value of the market as a whole. The value of securities of smaller issuers can be more volatile than those of larger issuers. The value of certain types of securities can be more volatile due to increased sensitivity to adverse issuer, political, regulatory, market, or economic developments.* ***Liquidity risk*** *exists when particular investments of the Fund would be difficult to purchase or sell, possibly preventing the Fund from selling such illiquid securities at an advantageous time or price, or possibly requiring the Fund to dispose of other investments at unfavorable times or prices in order to satisfy its obligations.* ***The advisor's and sub-advisors' judgments*** *about the attractiveness, value and potential appreciation of particular asset classes and securities in which the Fund invests (long or short) may prove to be incorrect and may not produce the desired results. Additionally, the advisor's judgments about the potential performance of the sub-advisors may also prove incorrect and may not produce the desired results.*

Overall equity and fixed income securities *and derivatives market risks may affect the value of individual instruments in which the Fund invests. Factors such as domestic and foreign economic growth and market conditions, interest rate levels, and political events affect the securities and derivatives markets. When the value of the Fund's investments goes down, your investment in the Fund decreases in value and you could lose money. The Fund will incur a loss as a result of a short position if the price of the short position instrument increases in value between the date of the short position sale and the date on which the Fund purchases an offsetting position. Short positions may be considered speculative transactions and involve special risks, including greater reliance on the ability to accurately anticipate the future value of a security or instrument. Underlying funds are subject to investment advisory and other expenses, which will be indirectly paid by the Fund. As a result, the cost of investing in the Fund will be higher than the cost of investing directly in an underlying Fund and may be higher than other mutual funds that invest directly in stocks and bonds. Underlying Funds are subject to specific risks, depending on the nature of the fund.*

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