

Catalyst/MAP Global Total Return Income (TRXAX)

A Mutual Fund Observer 'Star in the Shadows' Fund

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On whole, the discipline here is not very complicated which helps explain why it works. And it does work.

Objective and strategy The manager attempts to preserve capital while generating a combination of current income and moderate long-term capital gains. The portfolio has four sleeves:

- ✓ 40-75 global equity positions constituting 30-70% of the portfolio depending on market conditions. Over the past five years, the range has been 54-62%.
- ✓ Income-generating covered calls which might be sold on 0-30% of the portfolio. Of late they have not been worth owning.
- ✓ Short-term bonds, generally rated B+ or better and generally with an average maturity of around a year.
- ✓ Cash, which has traditionally been 5-15% of the portfolio.

The portfolio is unconstrained by geography, credit quality or market cap. The manager is risk conscious, looking for securities that combine undervaluation with a definable catalyst which will lead the market to recognize its intrinsic value.

Adviser Catalyst Capital Advisors LLC. Founded in 2006, Catalyst specializes in bringing alternative managers, folks with distinctive strategies which focus on risk and volatility management, to retail investors and advisors. Catalyst advised one fund in 2006 and 27 in 2015. It works with ten investment management firms and has more than \$2.5 billion in assets under management.

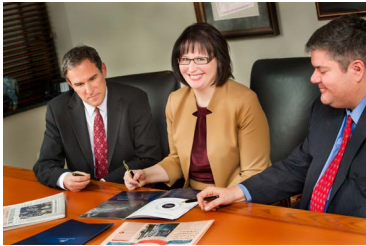
Manager Michael Dzialo, Peter Swan and Karen M. Culver. Mr. Dzialo is the founder and president of Managed Asset Portfolios, LLC (MAP). Mr. Swan and Ms. Culver are portfolio managers at MAP. The trio has worked together for nearly 20 years and average nearly 27 years of industry experience. They currently manage \$440 million in assets in two mutual funds and a thousand separate accounts. Their work is supported by two research analysts.

Strategy capacity and closure Mr. Dzialo puts the firm-wide capacity at between \$3-4 billion with current assets under half a billion. He's committed to closing the fund at any point that asset growth, either the total level of assets or the rate of inflow, impedes their ability to execute the strategy.

Management's Stake in the Fund The managers are lightly-invested in their two funds. While that's not ideal, it is understandable. They presented these strategies in separately-managed accounts a decade before the funds launched. As a result, their investment in the strategy appears primarily through such accounts.

Opening date July 29, 2011

Minimum investment \$2,500 for Institutional, A and C shares, reduced to \$100 for accounts established with an automatic investing plan.



MAP has been doing their work, and doing it very well, for 15 years. We're impressed by their consistent performance and even more impressed by their focus.

Expense ratio 1.25% for the Institutional shares and 1.55% for “A” and “C” shares, on combined assets of \$23 million. Catalyst has contractually agreed to waive fees and/or reimburse expenses to maintain the Fund’s total annual operating expense ratio at 1.30% (A & C shares) and 1.25% (I Share) excluding 12b-1 fees through October 31, 2016. Gross expense ratios for the fiscal year ended 6/30/15 were 1.76%, 2.51% and 1.51% for Class A, C and I shares respectively.

Comments Some firms are all about flash and headlines. Other firms are all about carefully, repeatedly executing their strategies. MAP appears to represent the latter group.

Since 1991, Mr. Dzalio and team have offered three strategies: U.S. equity, global equity and global balanced. The mantra behind all of those strategies is the same: the process must be transparent, disciplined and repeatable.

Portfolio construction begins by winnowing down the 15,000 securities available to the 40-60 in the portfolio. They run quantitative screens to immediately eliminate overvalued securities. That drops them to about 5000. They then target securities that will benefit from one of a handful of global themes they’ve identified; for example, they’ve been convinced since 2007 that excessive public and private debt will constrain growth. That drops them to about 1000. They next look at business quality (down to 200) and then for identifiable catalysts which will unlock the value in these well-run, well-positioned, undervalued securities. That leaves them with a portfolio of 40-65 names.

That element of the portfolio is complemented by short-term bonds, selective use of covered calls and cash. As with stocks, they tend to look for misunderstood bond issuers; by way of example, while JC Penney’s intermediate term bonds might reasonably be rated as “junk,” they have sufficient capital and cash flow to cover their short-term bonds. The fact that Penney is “a junk bond issuer” can then lead to mispricing their short-term debt. In periods of high volatility, the managers can sell covered calls on up to 30% of the portfolio. That strategy seeks to generate consistent income. In steadier markets, the strategy is scarcely worth the effort and its role in the portfolio dwindles. Finally, they hold 5-15% cash depending on whether there’s an attractive opportunity set now or the prospect of a more attractive set in the near future.

On whole, it’s not very complicated which helps explain why it works.

And it does work. The Global TRI fund is one manifestation of MAP’s balanced strategy. That strategy dates to 2001. Since then MAP’s Balanced Composite, the collective measure of all of its separate accounts which use the strategy, has returned 6% per year compared to 3.9% for its global benchmark. Over time, that compounds to a significant advantage: \$1000 invested in the balanced composite at inception would be worth \$2400 as of June 30, 2016. A similar investment in its passive benchmark would have grown to \$1700.

Similarly, \$10,000 invested at the inception of the mutual fund would have grown to \$13,100 by June 30 while its average world allocation peer would have returned \$11,200.

More importantly, the Global TRI strategy has produced higher returns while exposing its investors to less volatility. Over the long term, the MAP Balanced Composite has a beta of just 0.69 compared to its benchmark and captures just 53% of the benchmark’s downside. The Composite has been around for 144 rolling 36-month periods (Jan. 2001—Dec. 2003, Feb. ’01—Jan. 04, and so on). It has never lost money over any 36-month period while its passive benchmark has had 22 negative periods.

Though we don’t have precisely the same calculation for the mutual fund, all of the measures of risk and risk-adjusted returns we track show the Global TRI fund beating its peers.

	APR %/yr	MAXDD %	Recvry mo	STDEV %/yr	DSDEV %/yr	Ulcer Index	BMDEV %/yr	Bear Rating	Sharpe Ratio	Sortino Ratio	Martin Ratio
TRXAX	4.4	- 5.5	12	6.9	4.1	1.9	3.4	3	0.63	1.05	2.32
Flexible Portfolio	3.9	-13.3	15	9.3	6.1	4.7	4.8	6	0.43	0.72	1.21

Translation: TRXAX has higher annual returns, a lower maximum drawdown, lower standard deviation, lower bear deviation, smaller Ulcer Index (a measure the factors in both size and duration of a loss), higher bear market rating, and higher Sharpe, Sortino and Martin ratios.

That's really good.

*MAP's mantra? A
successful investment
process must be
transparent, disciplined
and repeatable.*

Bottom Line MAP has been doing their work, and doing it very well, for 15 years. I'm impressed by their consistent performance and even more impressed by their focus; they've added no new managers, branched off into no new strategies, undertaken no splashy asset-gathering gambits. They seem proud to serve their 500 clients—family offices, institutions, and others, many of whom have been with them for the long haul. It's a disciplined process rather than a flashy strategy which is, we believe, an enormous strength. Folks interested in maintaining some equity exposure but anxious about the distortions imposed by giddy central bank policies and corporate managers obsessed about the short term, should spend some serious time learning about these folks.

Fund website Catalyst doesn't provide pages dedicated to their individual funds. Instead there's sort of a [pick-up spot where you can grab literature](#) on all of the Catalyst products. [MAP's website](#), while not primarily dedicated to fund investors, is infinitely more interesting. Go there.

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Fund Performance: Ending June 30, 2016 (not annualized if less than 1 year)

Share Class	YTD	1 Year	3 Years	Since Inception*
Class A	2.97%	1.00%	5.07%	5.68%
Class C	2.56%	0.16%	4.30%	4.88%
50% MSCI ACWI/50% ML A-AAA 1-3yr US Corp	1.88%	-0.22%	4.34%	4.32%
Class A with Sales Charge	-2.93%	-4.80%	3.03%	4.42%

* Inception: 07/29/2011

Related Performance

Related Performance: Ending June 30, 2016 (not annualized if less than 1 year)

Share Class	YTD	1 Year	3 Years	Since 07/31/2001
MAP Balanced Composite	3.14%	2.42%	5.74%	6.02%
50% MSCI ACWI/50% ML A-AAA 1-3yr US Corp	1.88%	-0.22%	4.34%	3.93%

Annual Returns

	MAP Balanced Composite	Index		MAP Balanced Composite	Index		MAP Balanced Composite	Index
2002	-5.54%	-7.93%	2007	9.30%	5.90%	2012	10.87%	10.44%
2003	14.90%	15.82%	2008	-13.79%	-21.05%	2013	14.16%	12.03%
2004	8.12%	5.85%	2009	12.91%	19.41%	2014	2.64%	2.97%
2005	8.49%	3.51%	2010	10.17%	10.04%	2015	0.97%	-0.15%
2006	15.97%	10.11%	2011	1.27%	-2.40%	2016	3.14%	1.88%

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Performance data quoted represents past performance and does not guarantee future results. 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 Fund may be subject to substantial short-term changes. 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 invests in the securities of foreign companies which are generally not subject to the same regulatory requirements and have different accounting, auditing and financial reporting standards from those applicable to U.S. companies. The Fund invests in lower-quality, non-investment grade bonds rated Baa or lower by Moody's or BBB or lower by S&P (also known as "junk" bonds), which involve greater risk of default. These factors may affect the value of your investment.

Definitions

Bear deviation: A fund's downside deviation during bear market months. Morningstar defines bear market months as follows: "a monthly drop below 3% for equity funds and a monthly drop below 1% for fixed income funds." MFO extended this definition for asset allocation funds to a 2.2% monthly drop.

Bear market rating: Decile rating (1 to 10 where 1 is most bear market resistant fund) of funds in given category, based on bear market deviation.

Beta: a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to a selected benchmark. By definition, the benchmark beta is 100. Funds with beta below 100 were less volatile than their benchmark for the evaluation period.

Downside deviation: a measure of fund volatility which measures only downward variation. Specifically, it measures a fund's return below the risk free rate of return.

Martin ratio: a measure of risk adjusted return which it measures excess return relative to a fund's typical drawdown.

Maximum drawdown: the percentage of greatest reduction in fund value below its previous maximum over period evaluated.

Recovery: the time, in months, taken for a fund to recover from a maximum drawdown occurrence to the original level.

Sharpe ratio: the most widely-used risk adjusted return. It is the ratio of the fund's annualized excess return divided its standard deviation. A fund's "excess return" is any amount above risk-free investment.

Sortino ratio: a measure of risk adjusted return which measures the amount of downside volatility a fund incurs. It is a modification of the Sharpe intended to address a criticism that Sharpe unfairly penalizes so-called good volatility (i.e., rising value).

Standard deviation: A measure of fund volatility. The higher a fund's standard deviation, the more its return has varied over time. Standard deviation indicates the typical percentage variation above or below average return a fund has experienced in a year's time.

Ulcer Index: a third measure of fund volatility and the most direct measure of a fund's bouts with declining (and uncomfortable, hence its name) performance. It measures both magnitude and duration of drawdowns in value. A fund with high Ulcer Index means it has experienced deep or extended declines, or both.

Investors should carefully consider the investment objectives, risks, charges and expenses of the Catalyst Funds. This and other important information about the Fund is contained in the prospectus, which can be obtained by calling 866-447-4228 or at www.catalystmutualfunds.com. The prospectus should be read carefully before investing. The Catalyst Funds are distributed by Northern Lights Distributors, LLC, member FINRA/SIPC. Catalyst Capital Advisors, LLC and Managed Asset Portfolios, LLC is not affiliated with Northern Lights Distributors, LLC.

Related performance is reported net of fees based on the actual fees (2001–2005) and the maximum fee (2006 -present). Related performance of the MAP Balanced Composite includes all fee-paying, fully-discretionary accounts invested in the strategy managed by Managed Asset Portfolios, LLC with investment objectives, strategies and policies substantially similar to the Catalyst/MAP Global Total Return Income Fund. Fees and expenses of the private accounts included in the MAP Balanced Composite are generally lower than those of the Fund and, therefore, the Fund's results would be lower than the returns reflected. Private accounts are not subject to certain investment limitations, diversification requirements and other restrictions imposed by the 1940 Act or Internal Revenue Code.