

Navigating the Municipal Market, Tactically

Sierra Tactical Municipal Fund



 **SIERRA**
M U T U A L F U N D S

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What are Municipal Bonds?

Municipal bonds are debt obligations issued by public entities that use the proceeds to fund public projects such as the construction of schools, hospitals, and highways. General obligation bonds, also referred to as GO bonds, are issued by municipalities that pledge to repay investors using their broad power of taxation. Revenue bonds are backed by the revenue that a specific project is expected to generate, such as public highway tolls, airport expansions, or utility fees, to cover the costs of water or sewer projects.

Why invest in Municipal Bonds?

- The dividends from Municipal Bonds are generally exempt from Federal taxation.
 - The taxable-equivalents yield may be attractive.
- Historically lower default rates than comparable corporate bonds.

Table Source: MainStay Investments

	MOODY'S ¹		S&P	
	Municipal	Corporate	Municipal ²	Corporate ³
Aaa/AAA	0.00	0.37	0.00	0.83
Aa/AA	0.02	0.78	0.04	1.03
A/A	0.11	2.10	0.09	1.79
Baa/BBB	1.13	3.70	1.79	4.27
Ba/BB	3.65	15.48	4.67	14.40
B/B	17.91	34.28	10.92	26.37
Caa-C/CCC-C	25.75	48.23	40.47	56.57

¹ Moody's Investor Service, U.S. Municipal Bond Defaults and Recoveries, 1970-2018 (Corporate Ratings Represent Global Corporates) ² S&P USPF Cumulative Average Default Rates 1986-2018 ³ S&P U.S. Corporate Average Cumulative Default Rates 1981-2018

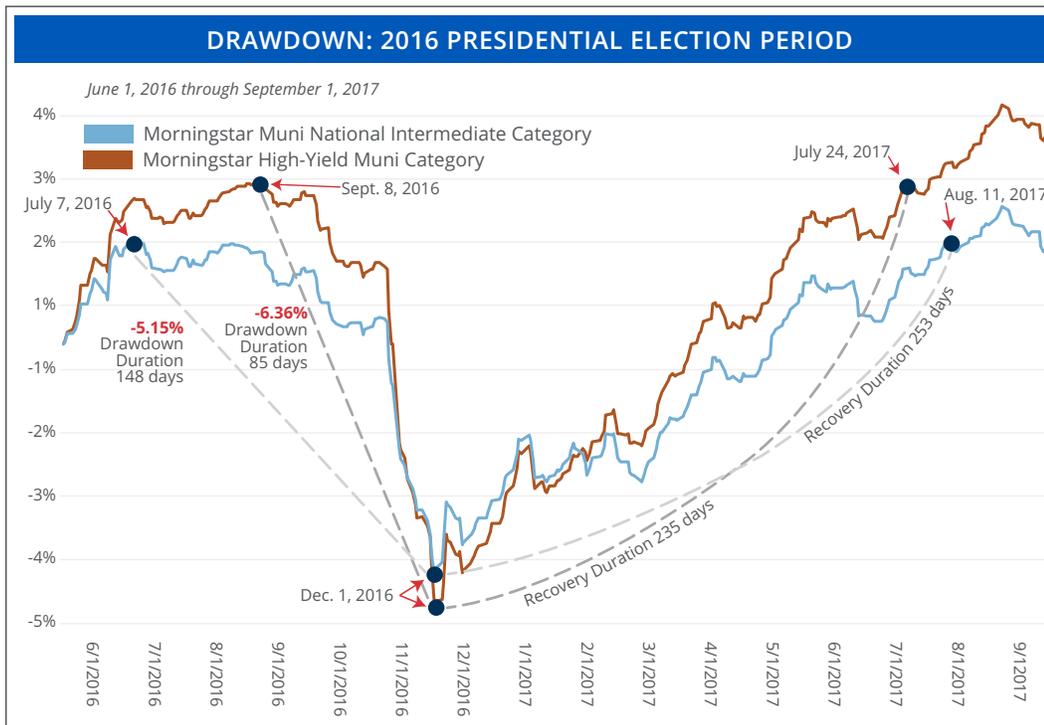
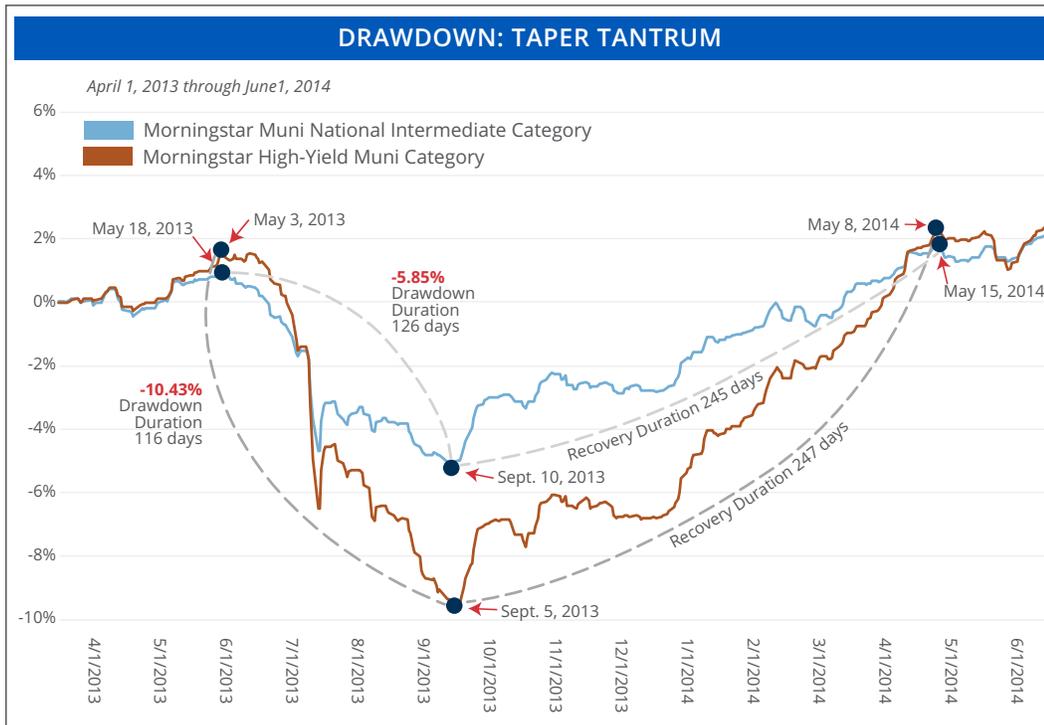
Credit Ratings: S&P rates borrowers on a scale from AAA to D. AAA through BBB represent investment grade, while BB through D represent non-investment grade. Moody's rates borrowers on a scale from Aaa through C. Aaa through Baa3 represent investment grade, while Ba1 through C represent non-investment grade. Past performance is no guarantee of future results.

Why invest in a Municipal Bond fund?

- Diversification – there are approximately 1 million municipal bond securities in the marketplace, so why limit your exposure to a handful of positions?
- Inefficient marketplace – while there are a large number of individual securities available to investors, very few of them trade on a daily basis, creating opportunities for active managers.
- Professional money management – the managers of municipal bond funds may be able to identify areas of opportunity and take advantage of dislocations in the market.

Drawdowns: Depth, Duration, and Recovery

While widely considered to be a “safer” low volatility investment, municipal bonds are not without risk or sudden periods of destructive drawdowns and elongated recovery. The 2013 Taper Tantrum and the 2016 Presidential Election periods were both instances where intermediate-term and high yield municipal bonds were dramatically impacted by a multitude of economic and political events. Investors didn’t recover from those drawdown periods until months after.

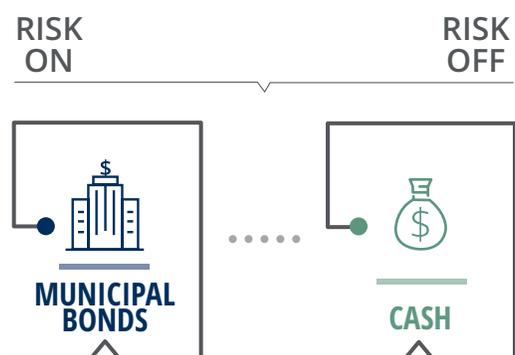


Source: Morningstar Direct

Investors cannot invest in an index. Past performance is no guarantee of future results.



The **Sierra Tactical Municipal Fund** employs a truly tactical, rules-based approach to managing one of the most sensitive & complex asset classes – municipal bonds.



Our Primary Asset Class: Municipal Bonds

Municipal bonds, debt instruments that helped to construct the United States, are obligations issued by states, cities, counties or other governmental entities. The strategy's open mandate allows for the flexibility of investing in the full spectrum of municipal bonds, such as high yield, investment grade, state-specific, national, and short, intermediate and long-duration. The goal of the Sierra Tactical Municipal Fund is to be fully invested in municipal bond mutual funds when the market is trending positively.



Our Last Resort: Cash

For the occasions when municipal bonds are trending negatively, to limit downside risk, we'll shift to cash as a temporary haven until trends in the municipal bond market have reversed to positive.



Our Truly Tactical Solution

For more than 30 years, we have utilized a more sophisticated rules-based discipline for our clients. We do not practice buy-and-hold portfolio management. We also do not practice market timing, which is the act of attempting to time the market bottom or top to either enter or exit a specific holding. Our discipline is trend-following, not predictive. Our ultimate goal is to participate in a substantial part of any sustained uptrend in the municipal bond asset class for our clients.

Our downside protection solution involves placing trailing-stops under each holding and monitoring them daily so that we can decisively move client money out of risk quite early after any significant decline begins. When our buy discipline indicates the re-establishment of intermediate uptrends, we will then move money back into municipal bond mutual funds or ETFs.

Differentiating Features

- 1 Liquidity**

Rather than owning individual bond positions, we construct our portfolio utilizing open-ended mutual funds and exchange-traded funds. This allows the strategy to be liquid – potentially improving returns. When downward swings take place in the market, the Sierra Tactical Municipal Fund can quickly shift fully into a tax-free money market fund, seeking to minimize the effects of sustained downward price movement as we await the re-establishment of intermediate uptrends.
- 2 Risk Management**

The Sierra Tactical Municipal Fund’s liquidity advantage allows the investment team to sell positions rapidly when trends shift downward and trigger our trailing-stops. This seeks to mitigate the exposure to extended market losses and allows the investment team to be in “dry powder” when trends reverse upward and buy signals are triggered. In our view, the client experience is better when we attempt to keep losses small and mitigate volatility.
- 3 A Broad Investable Universe**

The Sierra Tactical Municipal Fund has the flexibility to purchase into any sub-category within the municipal bond universe. This includes high grade, short, intermediate or long duration, high yield, state-specific or national municipal bond funds.

Definition Key

Max Drawdown is an indicator of the risk of a portfolio chosen based on a certain strategy. It measures the largest single drop from peak to bottom in the value of a portfolio (before a new peak is achieved) using month-end data.

Max Drawdown Recovery Length is the number of periods it takes to reach the recovery level from the longest drawdown end date.



Invest wisely.

Investment Objectives

The Fund seeks total return, including tax-free income from the dividends of underlying municipal bond funds, while seeking to limit downside risk.

Important Fund Risks

The Sierra Tactical Municipal Fund invests in underlying funds and ETFs that may invest in tax-exempt municipal bonds, as well as municipal money market funds. "Tax exempt" refers to the exemption from federal income taxes of the dividends paid by the Underlying Funds, a benefit that will be passed through to shareholders as to ordinary dividends from the Fund. In general, the price of a fixed income security falls when interest rates rise. Underlying Fund investments in lower-quality municipal bonds, known as high-yield or junk bonds, present greater risk of default than bonds of higher quality. Municipal securities are subject to the risk that legislature changes and economic developments may adversely affect the value of the Fund's investments. Shares of ETFs may trade at a discount or a premium in market price if there is a limited market in such shares and are also subject to brokerage and other trading costs, which could result in greater expenses to the Fund. In some instances it may be less expensive for an investor to invest in the Underlying Funds directly.

Past performance does not guarantee future results and there is no assurance that any investment strategy will achieve its investment objective.

Investors should carefully consider the investment objectives, risks, charges, and expenses of the Sierra Mutual Funds. This and other information about the funds is contained in the prospectuses and should be read carefully before investing. The prospectus can be obtained on our website sierramutualfunds.com or by calling toll free 1-844-727-1813. The Sierra Mutual Funds are distributed by Northern Lights Distributors, LLC, member.

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Shareholder Services: 1-866-738-4363

National Sales Desk: 1-844-727-1813

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