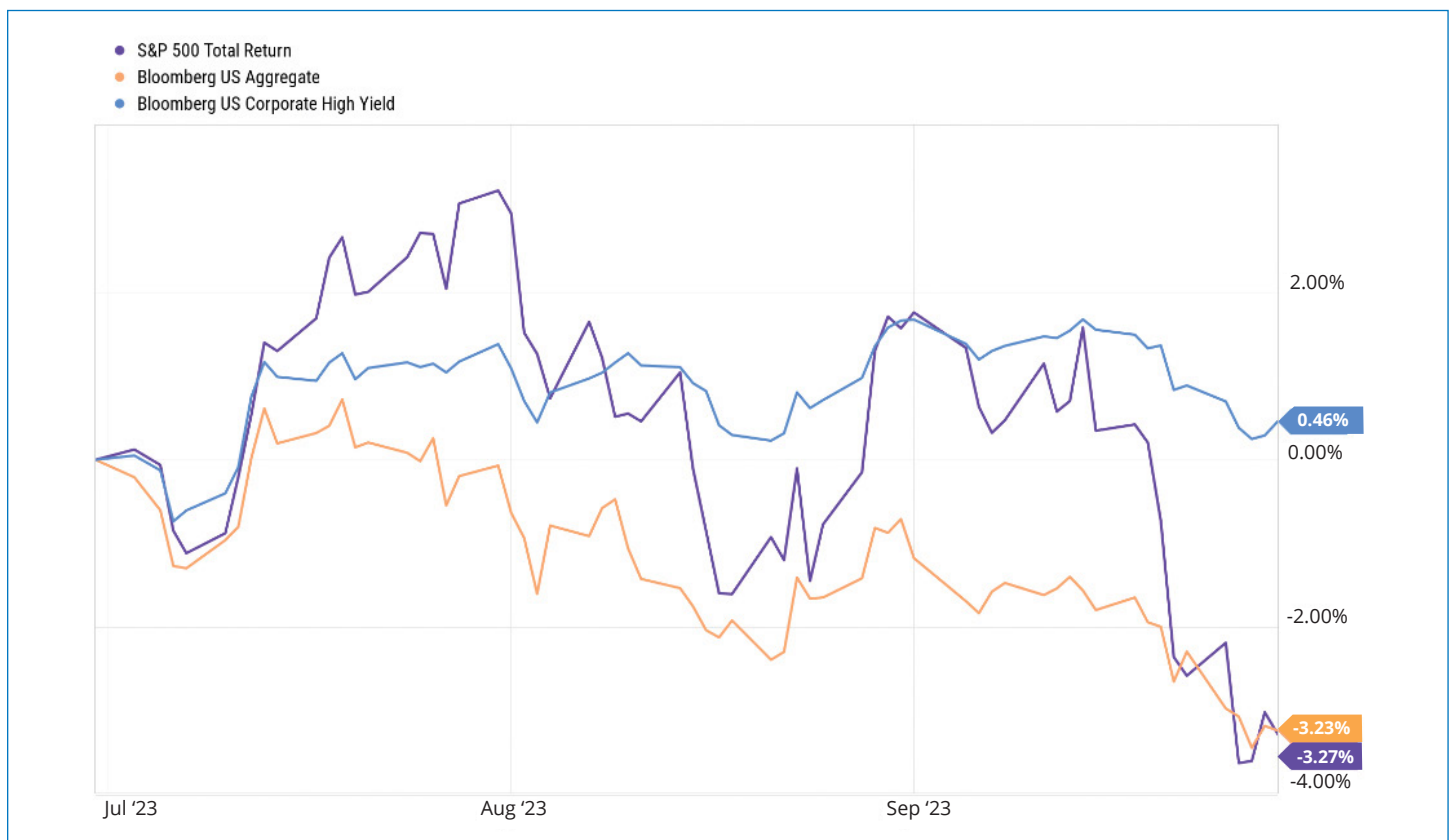


# Disciplined Risk Management

## WHAT HAPPENED: THIRD QUARTER 2023

Financial markets were mixed in the third quarter as long-term interest rates moved higher, in part due to concerns that higher interest rates may lead to a recession. High yield corporate bonds had modest positive returns while high quality bonds and equities fell during the third quarter. 10-Year Treasury yields ended the quarter at 4.59% — 0.78% higher than at the beginning of the quarter.

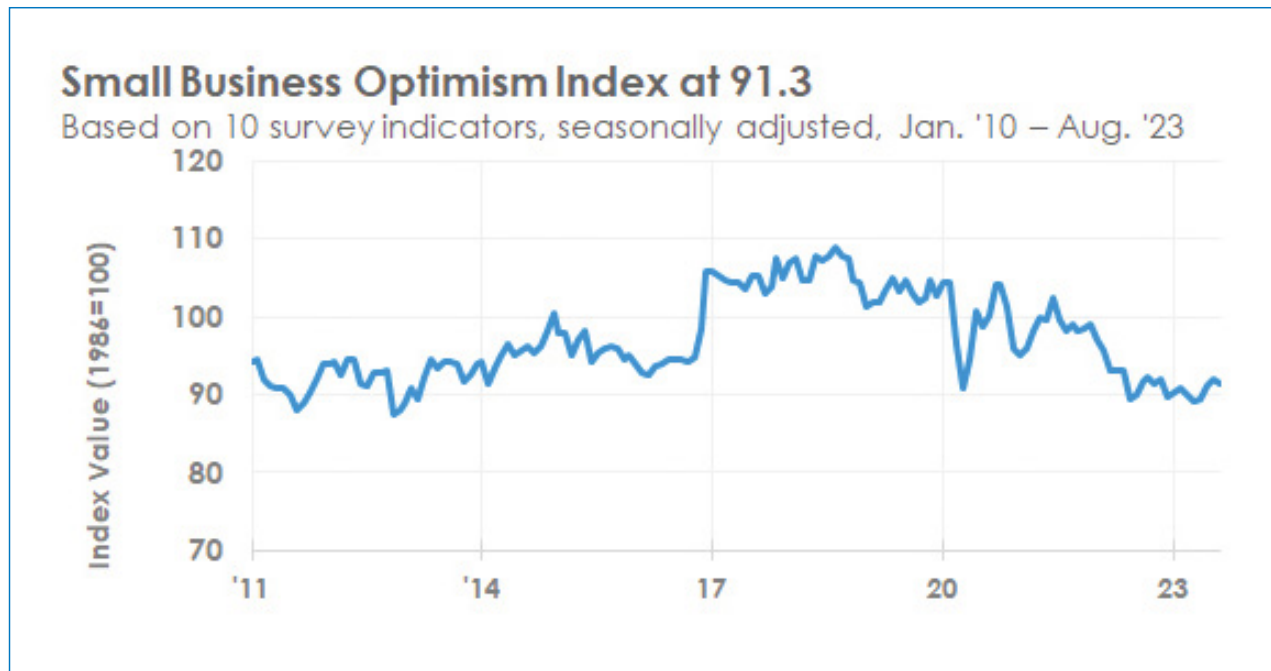


Source: Ycharts, Accessed 10/2/2023

Consumers' outlooks for the future fell in the last two months of the quarter according to surveys from the Conference Board. Consumer's expectations for income, business, and the labor market fell to a level that historically signals a recession within the next year. High gas prices, resumption of student loan payments, and union strikes are some of the headwinds that have dampened consumer spending.

Consumers are very confident in their current financial situation, but much less so about the short-term outlook for income and labor markets. In fact, most consumers believe that a recession

is likely at some time in the next 6 to 12 months. Bond volatility also decreased during the quarter but remains at elevated levels.



Source: NFIB

Small business owners are also concerned about future sales growth and business conditions, according to NFIB's Small Business Optimism survey. The number of small business owners expecting better conditions in the next six months fell to a net negative 37%. Inflation is small business owners' largest concern but the difficulty in filling open positions also contributed to a weak outlook from small business owners.

### NAVIGATING THE THIRD QUARTER

The Sierra Tactical Bond and Sierra Tactical Municipal Bond Funds started the quarter fully invested. The remaining Sierra Mutual Funds started the quarter with cash positions between 8% and 17%, primarily due to the lack of buy signals in high grade U.S. bonds and intermediate-term bonds.

The Sierra Tactical Core Income Fund had positive contributions to returns from floating rate bonds and high yield corporate bonds. These were more than offset by losses in high grade U.S. bonds, intermediate term bonds, and other fixed income categories.

High yield corporate bonds were one of the few asset classes with positive returns during the quarter. This benefited the Sierra Tactical Bond Fund, which had a modest, positive return for the quarter.

The Sierra Funds that invest in equities had positive contributions to returns from their equity holdings, with the exception of the Sierra Tactical All Asset Fund. But, losses in high grade U.S. bonds, intermediate-term bonds and preferred stock more than offset the gains from equities in all cases.

### OUTLOOK

As we enter the last quarter of 2023 we believe financial markets are on shaky ground. The Fed's strong focus on reducing inflation by maintaining high interest rates may weigh on economic growth and foster an unusually uncertain outlook for investors.

Fortunately, Sierra has implemented its process consistently for more than thirty five years, including periods of downturns, whether they are shallow or deep. We cannot control what will happen in the near-term. But what we can control is our investment disciplines, which we will consistently implement in both rising and falling markets.

**Past performance does not guarantee future results and there is no guarantee that any investment strategy will achieve its objectives, generate profits, or avoid losses.**

**Investors should carefully consider the investment objectives, risks, charges, and expenses of the Sierra Mutual Funds. This and other information about the Fund is contained in the prospectuses and should be read carefully before investing. The prospectuses can be obtained by clicking visiting [sierramutualfunds.com](https://sierramutualfunds.com) or by calling toll free (844) 727-1813. The Sierra Mutual Funds are distributed by Northern Lights Distributors, LLC, member FINRA/SIPC.**

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