How Real Diversification Beats a Lying Crystal Ball

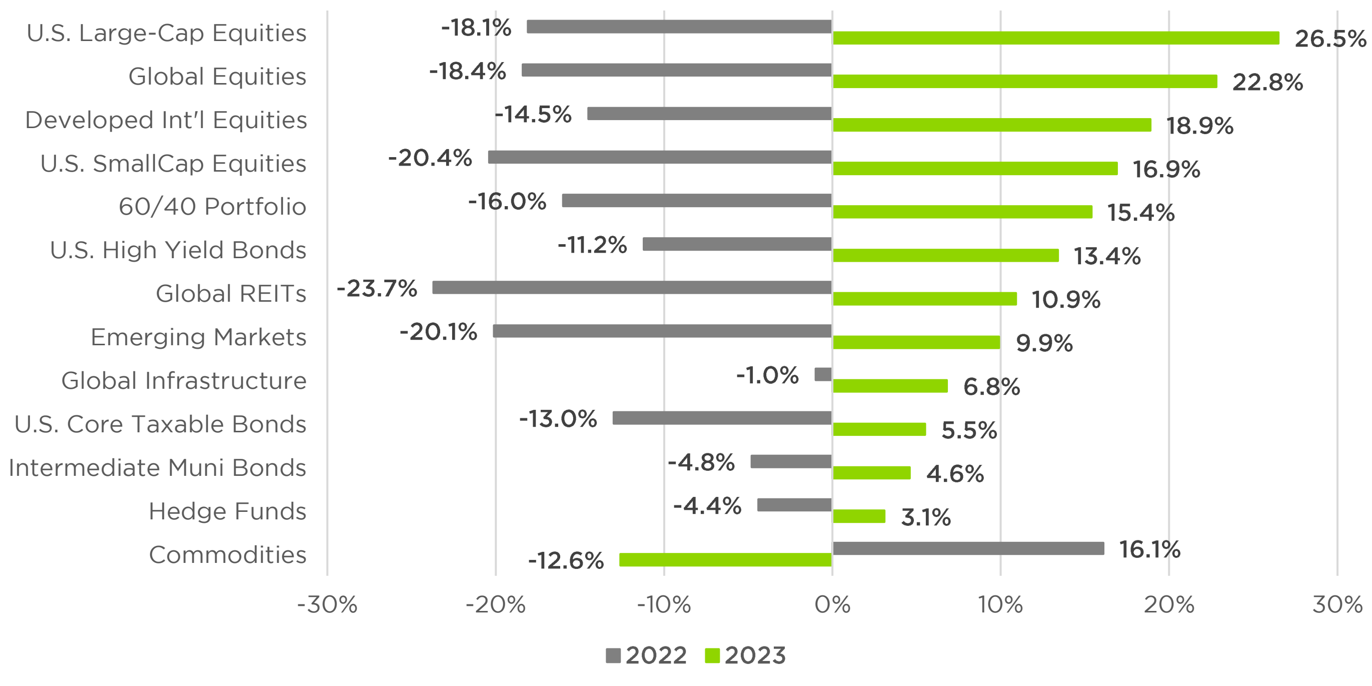
"Challenging," is how we've heard several investors describe the post-COVID investment landscape. Many investors have been caught wrong-footed over the past few years – failing to predict 2022's sharp rise in interest rates, then wrongly anticipating a continuing decline in asset prices in 2023. Finally, to start 2024, markets reflected expectations for a round of six rate cuts. Now in month eight, we have yet to see a single cut, and expectations have been reduced to one or two cuts by the end of the year.

Investment professionals (including us at Counterpoint) like to remind themselves and their clients that they "don't have a crystal ball" - that there is no reliable way to predict big moves in interest rate markets and the economy. The past three years almost make things seem worse – it's as if investors do have crystal balls, but they're pointing in exactly the wrong direction at every major turn.

If you have an evil crystal ball, you should throw it away. But that's easier said than done when markets are going through major shifts, and traditional strategic allocations are struggling.

When asset class performance can swing so dramatically from year to year, it's important to have diversified portfolios to help cope with market "whiplash." Unfortunately, as a new interest rate environment emerged over the past few years, nearly every major asset class moved in the same direction – negative returns in 2022 and positive returns in 2023.

Performance by Traditional Asset Classes – 2022 & 2023



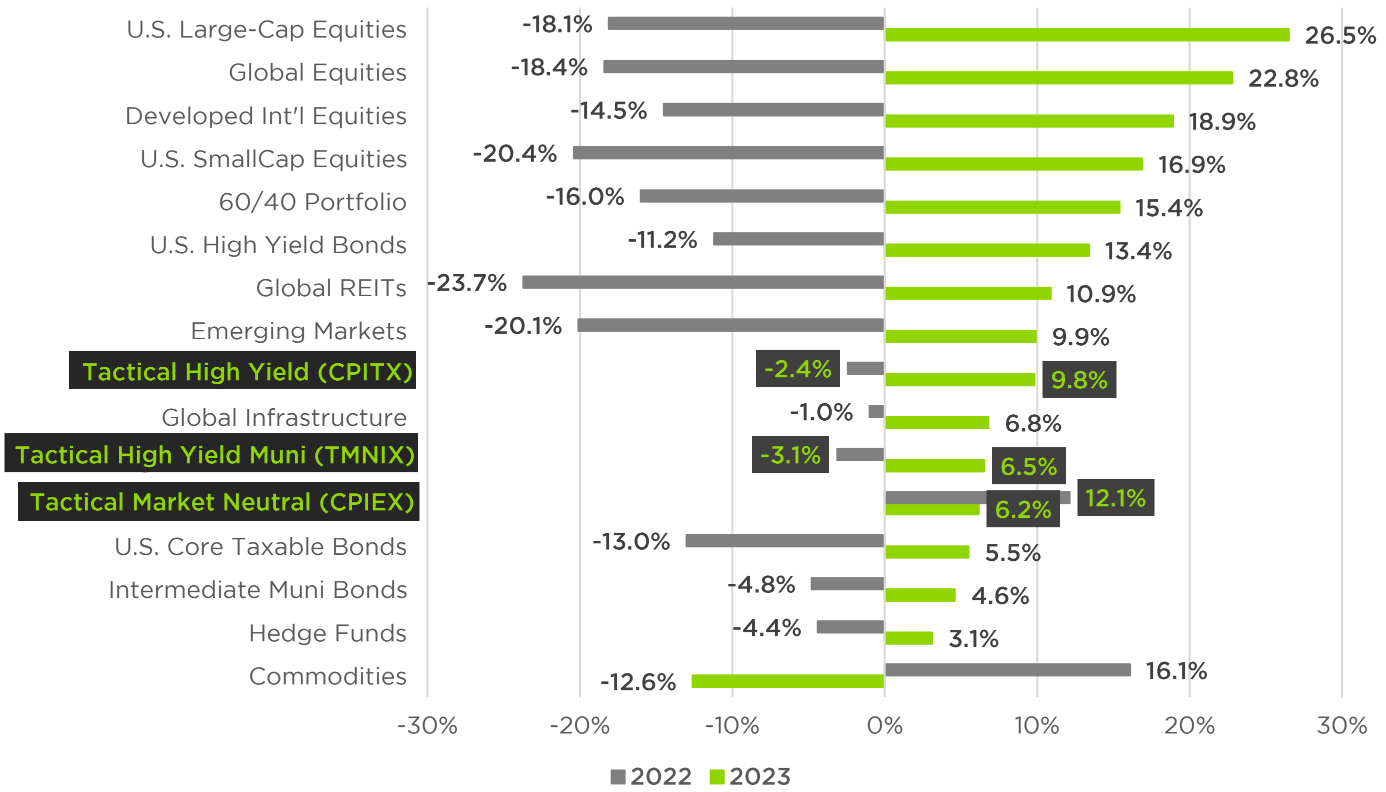
Source: Bloomberg. Total Return Year End as of 12/31/2022 and 12/31/2023.

The indices shown above are for informational purposes only and are not reflective of any investment. It is not possible to invest an index. The data shown does not reflect or compare features of an actual investment, such as its objectives, costs and expenses, liquidity, safety, guarantees or insurance, fluctuation of principal or return, or tax features. Past performance is no guarantee of future results.

When nearly everything moves together like this (or, in finance-speak, when asset class correlation increases), investors struggle to manage risk.

Fortunately, there are strategies that are specifically designed to move differently. Counterpoint manages a few, and they showed potential to help amid recent big market moves – very limited downside (or even positive performance) in 2022, coupled with positive performance in 2023.

Performance by Traditional Asset Classes vs. Counterpoint Diversifier Strategies – 2022 & 2023



Source: Bloomberg. Total Return Year End as of 12/31/2022 and 12/31/2023.

The performance data displayed here represents past performance, which is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please review the fund's prospectus for more information regarding the fund's fees and expenses. For performance information current to the most recent month-end, please call toll-free 844-273-8637.

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In recent years, stocks and bonds have moved in the same direction more often – undermining the traditional stock-and-bond strategic allocation and leaving some investors thinking more short-term: How much interest rate risk or credit risk should I take in the next year? Can I pick up tailwinds from Fed rate cuts?

We believe a more reliable approach is to diversify portfolios with systematic strategies that do not necessarily move like stocks and bonds. These parts of a portfolio are designed to support portfolios when traditional asset classes are struggling, reducing investors' reliance on a crystal ball that has been worse than worthless in recent years.

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As of July 31, 2024			As of June 30, 2024			
	Return Since Fund Inception (Annualized)	Return YTD	Return Since Fund Inception (Annualized)	1 Year Return	3 Year Return	5 Year Return
Counterpoint Tactical Equity Fund (CPIEX)[1]	5.50%	26.07%	5.60%	31.38%	29.43%	10.01%
Morningstar US Fund Long-Short Equity Category[1]	4.95%	8.94%	4.82%	12.58%	3.89%	6.90%
Blended Index[1]	8.15%	9.81%	8.03%	14.90%	6.89%	8.87%
Counterpoint Tactical Income Fund (CPITX)[2]	5.12%	3.85%	5.04%	8.24%	3.08%	4.71%
Morningstar US High Yield Bond Category[2]	3.87%	4.47%	3.76%	10.16%	1.44%	3.22%
Bloomberg US Aggregate Bond Index[2]	1.47%	1.61%	1.24%	2.63%	-3.02%	-0.23%
Counterpoint Tactical Municipal Fund (TMNIX)[3]	4.22%	4.23%	4.07%	7.07%	1.96%	3.69%
Morningstar US High Yield Muni Category[3]	2.37%	4.17%	2.24%	6.61%	-1.41%	1.32%
Bloomberg Municipal Bond Index[3]	2.20%	0.50%	2.07%	3.21%	-0.88%	1.16%

[1] Counterpoint Tactical Equity Fund inception date is November 30, 2015

[2] Counterpoint Tactical Income Fund inception date is December 4, 2014

[3] Counterpoint Tactical Municipal Fund inception date is June 11, 2018

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Important Risk Information

Mutual Funds involve risk including the possible loss of principal. The use of leverage by the Fund or an Underlying Fund, such as borrowing money to purchase securities or the use of derivatives, will indirectly cause the Fund to incur additional expenses and magnify the Fund's gains or losses. Derivative instruments involve risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. 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. Past performance is no guarantee of future results. There is no assurance the Fund will meet their stated objectives.

Investments cannot be made in an index. Unmanaged index returns do not reflect any fees, expenses, or sales charges. Past performance is no guarantee of future results. There is no guarantee that any investment will achieve its objectives, generate positive returns, or avoid losses. The Adviser's reliance on its strategy and judgments about the attractiveness, value and potential appreciation of particular securities and the tactical allocation among investments may prove to be incorrect and may not produce the desired results. No level of diversification can ensure profits or guarantee against loss.

The Counterpoint Tactical Equity Fund's (CPAEX) maximum sales charge for Class A shares is 5.75%. The Fund's adviser has contractually agreed to waive its fees and reimburse expenses of the Fund, at least until February 1, 2025 to ensure that Total Annual Fund Operating Expenses After Fee Waiver and Reimbursement but does not include: (i) any front-end or contingent deferred loads; (ii) brokerage fees and commissions, (iii) acquired fund fees and expenses; (iii) borrowing costs (such as interest and dividend expense on securities sold short); (iv) taxes; and (v) extraordinary expenses, such as litigation expenses (which may include indemnification of Fund officers and Trustees, contractual indemnification of Fund service providers (other than the Adviser)) do not exceed 2.00%, 2.75% and 1.75% of average daily net assets attributable to Class A, Class C, and Class I shares, respectively.

The Total Annual Fund Operating Expenses for the Fund (CPIEX) are 2.06%, 2.81% and 1.81% for Class A, C and I shares, respectively. The Counterpoint Tactical Income Fund's A shares (CPATX) have a Front-End Sales Charge commission or "load" of 4.50%, with lower rates for accounts over $25,000, and 12b-1 distribution fee of 0.25% per year. The total annual fund operation expense ratio, gross of any fee waivers or expense reimbursements, are 2.28%, 3.03% and 2.03%, for Class A, Class C, and Class I shares respectively.

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The Counterpoint Tactical Municipal Fund's A shares (TMNAX) have a Front-End Sales Charge (commission or "load") of 4.50%, with lower rates for accounts over $25,000. The total annual fund operating expense ratio, gross of any fee waivers or expense reimbursements, is 1.89%, 2.64%, and 1.64%, for Class A, Class C, and Class I shares respectively. Please review the fund's prospectus for more information regarding the fund's fees and expenses. For performance information current to the most recent month-end, please call toll-free 844-273-8637.

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Index Definitions

The **Bloomberg Barclays US Aggregate Bond Index** is made up of the Barclays US Government/Corporate Bond Index, Mortgage- Backed Securities Index, and Asset-Backed Securities Index, including securities that are of investment grade quality or better, have at least one year to maturity, and have an outstanding par value of at least $100 million. As it is not possible to invest in the index the data shown does not reflect or compare features of an actual investment, such as its objectives, costs and expenses, liquidity, safety, guarantees or insurance, fluctuation of principal or return, or tax features. Indexes do not include management fees.

The **Bloomberg Barclays Capital High Yield Municipal Bond Index** is an unmanaged index made up of bonds that are non-investment grade, or unrated by Moody's Investors Service with a remaining maturity of at least 1 year.

The **Bloomberg Barclays US Corporate High Yield Bond Index** measures the USD-denominated, high-yield, fixed-rate corporate bond market.

The **Morningstar US Fund High Yield Bond Category** is made up of U.S. high-income debt securities where at least 65% or more of bond assets are not rated or are rated by a major agency such as Standard & Poor's or Moody's at the level of BB (considered speculative for taxable bonds) and below. The Morningstar US Fund High Yield Bond category is made up of U.S. high-income debt securities where at least 65% or more of bond assets are not rated or are rated by a major agency such as Standard & Poor's or Moody's at the level of BB (considered speculative for taxable bonds) and below.

The **Morningstar US High Yield Muni Category** is made up of portfolios that typically invest a substantial portion of assets in high-income municipal securities that are not rated or that are rated at the level of or below BBB (considered high-yield within the municipal-bond industry) by a major ratings agency such as Standard & Poor's or Moody's.

CPIEX's **Blended Index** is a composite of 50% of the S&P 500 Total Return Index and 50% of the Bloomberg 1-3 Month U.S. Treasury Bill Index. Index returns assume reinvestment of dividends. Investors may not invest in the Index directly. Unlike the Fund's returns, the Index does not reflect any fees or expenses.

The **Morningstar US Long-Short Equity Category** is made up of portfolios that take a net long stock position, meaning the total market risk from the long positions is not completely offset by the market risk of the short positions. Long-short equity funds' total return, therefore, is a combination of the return from market exposure (beta) plus any value-added from stock-picking or market-timing (alpha).

Definitions

Return is the percentage change in the value of an investment, and/or cash flows which the investor receives from that investment, such as interest payments, coupons, cash dividends, stock dividends or the payoff from a derivative or structured product, over a specified time period.

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