



Mortgage and Asset Backed Securities  
Investment Strategy

## 1. Experienced Team

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Deer Park Road Management, LLC (“Deer Park”) is an SEC registered investment advisor founded in 2003 by Michael Craig-Scheckman. The firm has approximately \$3.1 billion in assets under management and is responsible for managing the Fund’s investment portfolio.

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### Deer Park’s deep investment team has combined over 100 years of investment experience



**Michael Craig-Scheckman**  
*CEO, Portfolio Manager*

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Mr. Craig-Scheckman, the founder and lead portfolio manager at Deer Park, was a Senior Portfolio Manager for Millennium Partners headquartered in New York from 1993 - 2010. Millennium Partners is one of the largest and most recognized hedge funds in the world.

In 2008, Mr. Craig-Scheckman launched the STS Partners Fund (“STS”), Deer Park’s flagship investment fund, which now has approximately \$1.5 billion of assets under management.



**Scott Burg**  
*CIO, Portfolio Manager*

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Mr. Burg, along with Mr. Craig-Scheckman, is responsible for the management of the firm’s portfolios and portfolio risk management.

Mr. Burg joined Deer Park in October 2010, and has over 18 years’ experience in the MBS/ABS sector. Prior to joining Deer Park, he was a Principal at General Capital Partners and Pursuit Partners, a \$550 million fixed income hedge fund where his focus was on analyzing ABS opportunities.

#### **Harry Murray, CFA, Portfolio Manager**

Mr. Murray joined Deer Park in 2012 as a member of the investment team. Previously, he spent 3½ years in New York at Foegel Neale Partners as an Associate Portfolio Manager focused on fixed income and equity management.

#### **Hao Li, CFA, Associate Portfolio Manager**

Prior to Deer Park, Mr. Li managed the pricing of a \$1 billion non-agency MBS portfolio and a \$3 billion consumer ABS portfolio at J.P. Morgan. Previously he was at Millennium Partners in New York and HSBC in Shanghai, China.

#### **Kiva Patten, Associate Portfolio Manager**

Mr. Patten brings more than 18 years of experience to Deer Park. Previously, he was a Senior Mortgage Trader at Great-West Life and spent over 12 years at Merrill Lynch most recently as Director of Subprime Trading.

## 2. Investment Strategy

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The Deer Park Total Return Credit Fund seeks income and long-term capital appreciation.

### Investment Philosophy

- **Deep Value**
  - Focus on undervalued, deeply discounted, high-yielding MBS/ABS
  - *Objective:* Limit downside risk
- **High Cash Flow**
  - Create a portfolio of high cash flow bonds that seeks to generate approximately 6-8% cash flow per year
  - *Objective:* Provide liquidity and pricing stability throughout market cycles
- **Short Duration**
  - Shorter-term portfolio that seeks an effective duration of 2-6 years
  - *Objective:* Reduce pricing volatility and interest rate risk
- **Buy and Hold**
  - Typically hold bonds to term, but will trade out of a security if market conditions dictate
  - *Objective:* Protects from having to liquidate a security in a market decline
- **Interest Rates**
  - Portfolio construction typically minimizes the impact of changes in interest rates, however, the portfolio may be positioned to take advantage of rates moving either up or down
  - *Objective:* Reduce pricing volatility and interest rate risk

**The Fund invests in discounted, high cash flow fixed income securities believed to be significantly undervalued**

There is no assurance that the Fund will achieve its investment objective.

# Investment Process

The investment process, a product of Deer Park's combined 70+ years' experience, consists of 5 primary elements:



## Deal Flow

- Extensive dealer network developed over two decades
- Sees 200-400 bonds per day, bids on 25-50, success ratio: 1 out of 25 bids

## Proprietary Valuation Process

- Valuations of MBS/ABS are based on future assumptions – Often participant opinions of those assumptions vary widely creating inefficiency and opportunity
- Deer Park looks for bonds believed to be attractively priced and have:
  - high cash flow
  - short duration
  - diversification across the MBS/ABS spectrum
  - high degree of optionality, i.e., potential additional upside gain, minimal additional downside risk
  - seasoned (i.e., older) bonds with extensive payment histories

## Trading

- Most securities are held to term – but adjustments are made opportunistically to take advantage of current market conditions

## Portfolio Management & Monitoring

- The portfolio is constructed and monitored to meet certain cash flow, duration and diversification requirements

## Risk Management

- Continuous and extensive risk management and risk mitigation techniques

### 3. Performance

As of 6/30/2024	One Year	Three Year	Five Year	Since Inception <sup>1</sup>
DPFNX Class I	4.24%	-1.52%	0.67%	3.63%
DPFAX Class A	3.99%	-1.77%	0.42%	3.37%
DPFCX Class C	3.22%	-2.51%	-0.33%	1.25%
Index <sup>1</sup>	2.63%	-3.02%	-0.23%	1.14%
Class A (Max Load)	-2.00%	-3.69%	-0.77%	2.67%

Fund Statistics (Nov 2015 - June 2024)	DPFNX	Index <sup>1</sup>
Standard Deviation	6.71%	5.11%
Sharpe Ratio	0.27	-0.11
Correlation to Index	0.31	1.00
Up Capture to Index	70%	100%
Down Capture to Index	27%	100%

As of 6/30/2024	
Weighted Average Life	8.90 Years
# of Holdings	504
Total Fund Assets	\$272 Million
% Floating Rate	90%

Daily Statistics	DPFNX	Index <sup>1</sup>
Positive/Flat Days	1725	1161
Negative Days	463	1027
% Positive/Flat Days	79%	53%
% Negative Days	21%	47%

Time Period: Inception through June 2024

<sup>1</sup>Index Shown is the Bloomberg U.S. Aggregate Bond Index

\*Inception date for the I and A share classes is 10/16/2015 and the C share class is 4/6/2017. 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. For performance information current to the most recent month-end, please call toll-free (888) 868-9501.

The Fund's total annual operating expenses are 2.30%, 3.05%, and 2.05% for the Class A, C, and I shares, respectively. The Fund's investment advisor has contractually agreed to waive management fees and to make payments to limit Fund expenses until at least January 31, 2026. After this fee waiver, the expense ratios are 1.82%, 2.57%, and 1.57% for the Class A, C, and I shares, respectively. These fee waivers and expense reimbursements are subject to possible recoupment from the Fund in future years. 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.

### 4. The Need for Alternative Fixed Income

Adding the Deer Park Total Return Credit Fund to a traditional fixed income portfolio may help reduce risk and increase total return

100% Bloomberg U.S. Aggregate	
Annualized Return	1.22%
Volatility	5.07%
Maximum Drawdown	-17.18%

90% Bloomberg U.S. Aggregate 10% DPFNX	
Annualized Return	1.46%
Volatility	4.85%
Maximum Drawdown	-15.80%

80% Bloomberg U.S. Aggregate 20% DPFNX	
Annualized Return	1.72%
Volatility	4.67%
Maximum Drawdown	-15.02%

Data: November 2015 – June 2024. Source: eVestment. Past performance is not indicative of future results. Investors cannot directly invest in an index and unmanaged index returns do not reflect any fees, expenses or sales charges.

### Why use Deer Park? The Fund attempts to do the following:

- Provide low correlation to high yield and investment grade fixed income
- Generate high cash flow and attractive total returns
- Substantial size of the MBS/ABS markets creates inefficiencies leading to underpriced and overlooked bonds
- Provide attractive returns regardless of interest rate movement

### Deer Park's Edge:

- MBS/ABS bonds are traded “over the counter” – Having built relationships with dealers for over two decades is believed to be a significant advantage for Deer Park
- Approximately 90% of bonds purchased by Deer Park are “without competition”, meaning Deer Park is often the first call from a dealer
- Deer Park is considered a potentially attractive buyer by dealers because they manage significant assets, purchase a wide range of bonds and are buy-and-hold investors

### Where does Deer Park fit within a portfolio?

- Potentially complement or replace high yield fixed income or floating rate bonds
- Part of the “Alternative” allocation due to its low correlation to high yield, traditional fixed income and equities
- For clients seeking current cash flow

***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. The Fund is an actively managed dynamic portfolio.

**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.

**Weighted Average Life** is the average number of years for which each dollar of unpaid principal on a loan or mortgage remains outstanding. Once calculated, WAL tells how many years it will take to pay half of the outstanding principal. **Modified Duration** provides a measure of interest-rate sensitivity. Longer duration means more sensitivity to interest rate shifts. **Yield to Maturity** is the percentage rate of return paid if the instrument is held until its maturity date, expressed as an annual rate. The calculation is based on the coupon rate, length of time to maturity, and the market price. It assumes the coupon interest paid over the life of the instrument is reinvested at the same rate. **Average Price** is the weighted average price of the portfolio holdings. **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 Bloomberg U.S. Aggregate Bond Index** provides a measure of the performance of the U.S. investment grade bonds market. **The U.S. Bloomberg Corporate High Yield Index** covers the universe of fixed rate, non-investment grade debt. **Standard Deviation** measures the average deviations of a return series from its mean. **Gain Deviation** is the Standard Deviation of all positive returns. **Loss Deviation** is the Standard Deviation of all negative returns. **Sharpe Ratio** is a statistical measure that uses standard deviation and excess return over a risk-free rate of return to determine reward per unit of risk. A higher Sharpe ratio implies a better historical risk-adjusted performance. The Sharpe ratio has been calculated using the Citi 3-month Treasury Bill Index for the risk-free rate of return. Correlation is a statistic that measures the degree to which two return series move in relation to each other. **The Up Capture Ratio** is a measure of the manager's performance in up markets relative to the market itself. **The Down Capture Ratio** is a measure of the manager's performance in down markets relative to the market itself.