



## The Covered Bridge Fund Quarterly Update

3/31/20

In the period of great uncertainty surrounding COVID-19 and the corresponding decline in US equity markets, we felt it was very important to give an update on the performance of the Fund and positioning going forward. During the quarter, the Fund (TCBIX) was down 19.85% in line with the S&P 500 which was down 19.60%. On the surface this seems a little disappointing as the Fund should be less volatile given the call premiums that were earned during the quarter. While this occurred, the underlying securities owned in the Fund also underperformed the S&P 500, offsetting much of the premiums received. Value stocks continued to underperform growth stocks in the quarter with the Russell 1000 Value Index down 26.73% versus the S&P 500, a continuation of a trend that has been in place for quite a few years. Therefore, while we did receive option premium income that offset some of the decline, the underlying securities continued to languish.

As we entered 2020, we also owned puts in the form of SPY Index options and these puts paid off handsomely, helping to offset some of the downside during the quarter. If you look at the Fund's performance relative to value stocks, the Fund outperformed the Russell 1000 Value Index by 6.88%! This was a function of call premiums received and the index puts. We want to remind shareholders that covered call funds only reduce the downside by the amount of call premiums received and that in quick downward moves the strategy will only cushion the move, not protect from it. The primary objective of the Covered Bridge Fund is to produce income, and on March 30<sup>th</sup> the Fund paid an income dividend in TCBIX of \$.0366 and a short-term capital gain dividend of \$.1122.

Going forward, we feel very encouraged by the opportunity that lies ahead. Volatility has returned to the U.S. equity market and should remain elevated for the foreseeable future. This may allow the Fund to generate much greater income from option premiums going forward. Given the current levels of volatility, we are taking in more than twice the premium than we had in the first three months of the year. This occurs because the CBOE Volatility Index (VIX) spiked to over 80 during March and remains over 50 at this time. The last period that the VIX was this elevated occurred in the 2008-2009 time period where it hit 80 in October of 2008 and remained above 20 for all of 2009. This spike in volatility creates higher option prices which may, in turn, generates greater income to the portfolio going forward.

We have entered what we believe to be a bear market that will take several months and /or quarters to work through and shutting down the economy while leaving markets open only creates greater uncertainty going forward. We plan to navigate this by sticking to our discipline of buying what we believe to be good large cap companies that pay above average dividends and overwriting approximately half of each position. We will also carry an above average cash position along with some downside protection in the form of index puts. This will be a long process, but we believe that sticking to our discipline should yield positive results and continue to generate income in this trying time.

If you have any questions or want to understand our process and strategy, please email us at [info@thecoveredbridgefund.com](mailto:info@thecoveredbridgefund.com) or call 651-424-0043.

Stay healthy and know we will do our best to navigate this uncertain environment.

John Schonberg, CFA | Portfolio Manager  
Michael Dashner, CFA | Portfolio Manager



	3-Month	YTD	1-Year	3-Year	5-year	Since Inception
TCBIX	-19.85%	-19.85%	-12.39%	-0.83%	2.15%	3.49%
TCBAX	-19.94%	-19.94%	-12.69%	-1.11%	1.87%	3.22%
TCBAX With Load	-24.15%	-24.15%	-17.30%	-2.86%	0.78%	2.37%
S&P 500	-19.60%	-19.60%	-6.98%	5.10%	6.73%	8.92%
Russell 1000 Value Index	-26.73%	-26.73%	-17.19%	-2.19%	1.89%	4.72%
BXM Index	-22.22%	-22.22%	-15.73%	-2.36%	1.42%	3.18%

*Maximum Sales Charge of 5.25%*

*There is no assurance that the fund will achieve its investment objectives. \*The performance data quoted here represents past performance. Current performance may be lower or higher than the performance data quoted above. Past performance 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. The Fund's investment adviser has contractually agreed to reduce its fees and/or absorb expenses of the Fund, at least until January 31, 2021, the Fund's gross total annual operating expenses would be 1.80% for Class A and 1.55% for Class I. The net annual fund operating expenses are 1.76% and 1.51% of the Fund's average daily net assets for its Class A and Class I shares, subject to possible recoupment from the Fund in future years. 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 855-525-2151.*

*Investors cannot directly invest in an index and unmanaged index returns do not reflect any fees, expenses or sales charges. There is no assurance that the Fund will achieve its investment objectives.*

*The advisor has not previously managed a mutual fund. Investments in foreign securities could subject the Fund to greater risks including currency fluctuation, economic conditions, and different governmental and accounting standards. Higher portfolio turnover will result in higher transactional and brokerage costs. Selling covered call options will limit the Fund's gain, if any, on its underlying securities. The Fund continues to bear the risk of a decline in the value of its underlying stocks. Option premiums are treated as short-term capital gains and when distributed to shareholders, are usually taxable as ordinary income, which may have a higher tax rate than long-term capital gains for shareholders holding Fund shares in a taxable account.*

*Important Definitions: The S&P 500 Index: An unmanaged composite of 500 large capitalization companies. This index is widely used by professional investors as a performance benchmark for large-cap stocks. You cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges. The Russell 1000 Index: a subset of the Russell 3000 Index, represents the 1000 top companies by market capitalization in the United States. The BXM: tracks the performance of a hypothetical covered call strategy on the S&P 500 Index. Call Option: An agreement that gives an investor the right (but not the obligation) to buy a stock, bond, commodity or other instrument at a specified price within a specific time period. Put Options: An option contract giving the owner the right, but not the obligation, to sell a specified amount of an underlying security at a specified price within a specified time. This is the opposite of a call option, which gives the holder the right to buy shares. Covered Call: An options strategy whereby an investor holds a long position in an asset and writes (sells) call options on that same asset in an attempt to generate increased income from the asset. This is often employed when an investor has a short-term neutral view on the asset and for this reason holds the asset long and simultaneously has a short position via the option to generate income from the option premium. the Volatility Index, or VIX: is a real-time market index that represents the market's expectation of 30-day forward-looking volatility.*

***Important Risk Information: Mutual funds involve risk including the possible loss of principal. Investors should carefully consider the investment objectives, risks, charges, and expenses of the Covered Bridge Fund. This and other important information about the Fund is contained in the prospectus, which can be obtained at [www.THECOVEREDBRIDGEFUND.com](http://www.THECOVEREDBRIDGEFUND.com) or by calling +1-855-525-2151. The prospectus should be read carefully before investing. The Covered Bridge Fund is distributed by Northern Lights Distributors, LLC member FINRA/SIPC. Stonebridge Capital Advisors, LLC is not affiliated with Northern Lights Distributors, LLC. 5437-NLD-4/7/2020***