Lyons Tactical Allocation Strategy

A Different Approach to Tactical

LYONS WEALTH MANAGEMENT, LLC

Objective

Equity portfolio with tactical risk management

Key Investment Objectives

- **Greater long-term upside capture through sustained bull market participation and full equity allocations for multi-year, continuous time periods**
- **Less whipsaw by making fewer defensive shifts**
- **Capital preservation in bear markets**
- **Risk hedging against short-term market weakness and whipsaw**
- **Alpha potential from active stock investing**

A Different Approach to Tactical

How we are different

Offense:

- Individual stocks
- No style mandate – invest where greatest growth opportunity is perceived
- Large cap focus
- Long-only
- No leverage
- No ETFs – no ETF fees

Defense:

- Designed to protect against large, prolonged market declines only
- Seeks to reduce frequency of whipsaw
- U.S. Treasuries – crisis safe haven

Short-term Risk Management:

- Designed to address short-term periods of market weakness not anticipated to trigger defensive shift
- Volatility buffer
- Long options on market indexes
- Also to mitigate whipsaw risk following an allocation shift between stocks and Treasuries

A Different Approach to Tactical

Active stock investing

We take an active approach to our tactical strategy, seeking to deliver alpha while on offense instead of relying on defensive shifts for performance. We systematically seek out high-performing companies with capital appreciation opportunity and an attractive price relative to that opportunity.

Seeking:
Performance at attractive prices
Optimal combination of performance and price
Preservation of capital when risk outweighs available value opportunities

We are not:
A managed ETF portfolio
Passive index investors
Sector rotators
Momentum chasers

Focus on Sustained Declines

Large declines matter most

- Small declines recover quickly and have little impact on the long-term investor
- Large declines happen only twice per decade, on average, but are far more harmful to investors
- A defensive strategy focused on large declines may reduce the potential for whipsaw

S&P 500 Bear Markets
Since 1950

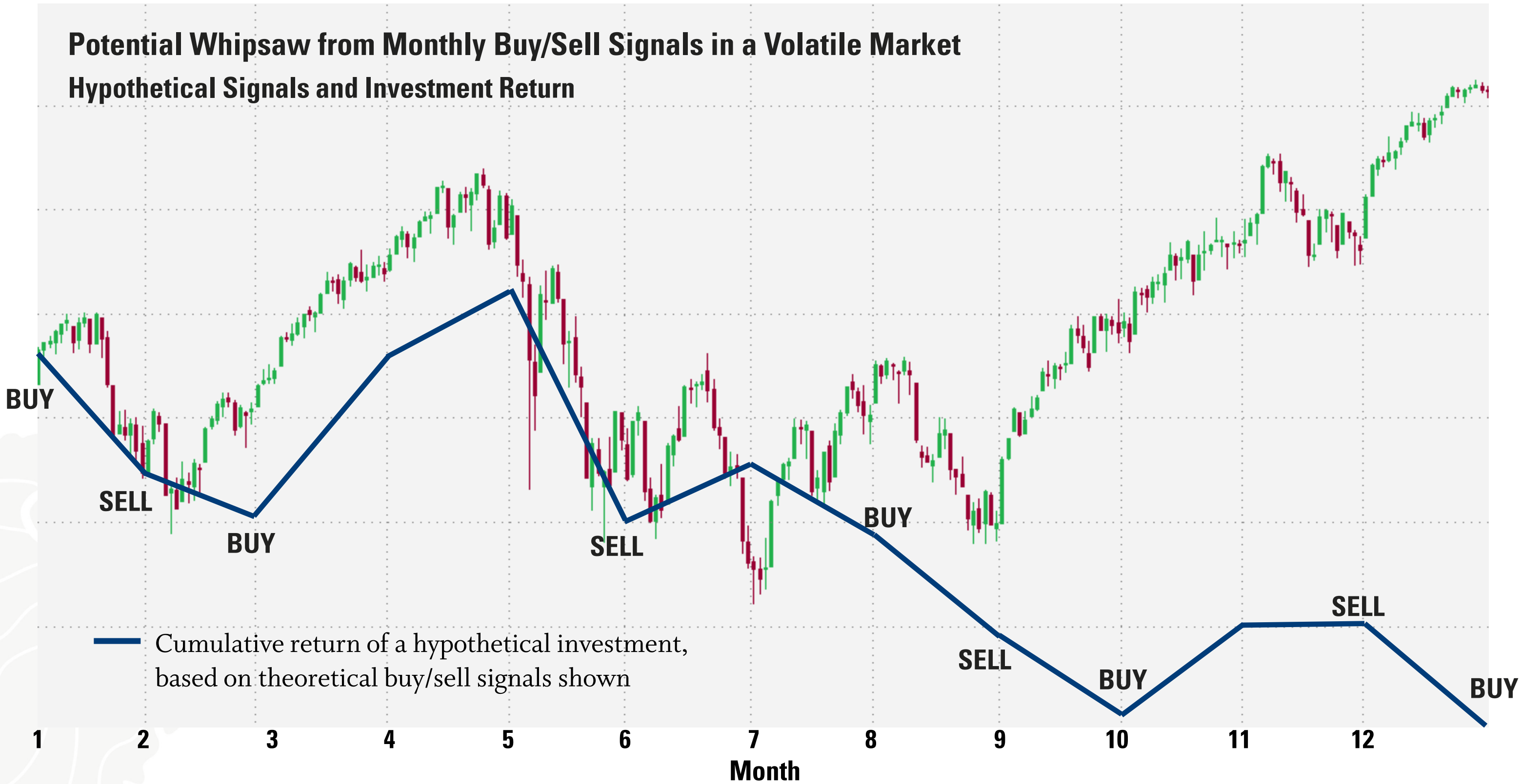
Decade	Number of Bear Markets	S&P 500 Decline
1950s	1	-22%
1960s	3	-28%, -22%, -36%
1970s	2	-48%, -19%
1980s	2	-26%, -34%
1990s	1	-20%
2000s	2	-48%, -55%
Average:	**2 per decade**	**-33%**

Source: Fund Evaluation Group® and Zephyr StyleADVISOR
The referenced indices are shown for general information purposes and are not meant to represent the Fund. Investors cannot invest directly in an index; unmanaged index returns do not reflect any fees, expenses, or sales charges.

The Risk of Frequent Defensive Shifts

The whipsaw effect

- Many tactical investment strategies shift frequently between asset classes based on relative performance
- Making numerous defensive shifts to avoid small declines often leads to whipsaw, which may be magnified substantially by leverage



Source: Graph created by Lyons Wealth Management

Graph depicts daily price movements of the S&P 500 Index from January 1, 2010 – December 31, 2010, hypothetical buy/sell signals and the hypothetical cumulative return of an investment based on the buy/sell signals shown. The buy/sell signals and cumulative return are purely hypothetical and do not represent actual trading by LWM or any other manager. The buy/sell signals and cumulative return are shown for general information purposes and are not meant to represent actual performance of any strategy or investment.

The Lyons Approach

Lyons Tactical Allocation Strategy

Based on our belief that equities offer a favorable risk/reward trade-off over time, and that short-term market fluctuations do not warrant frequent defensive shifts

Offense First, Defense Next

Individual stock investing with a Systematic, model-based methodology

Quantitative Risk Indicator (QRI) – downside protection

Options hedging – short-term risk management

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

Offense First

Stock selection

We seek to buy high performing companies available at relatively low prices

- **Concentrated portfolio**
- **Large cap concentration**
- **Unconstrained factor mandate**
  - **Company strength, fundamentals and prospects supersede style box and other factor premia**
- **Systematic screening and ranking process forms selection basis**
- **Quarterly rebalancing**

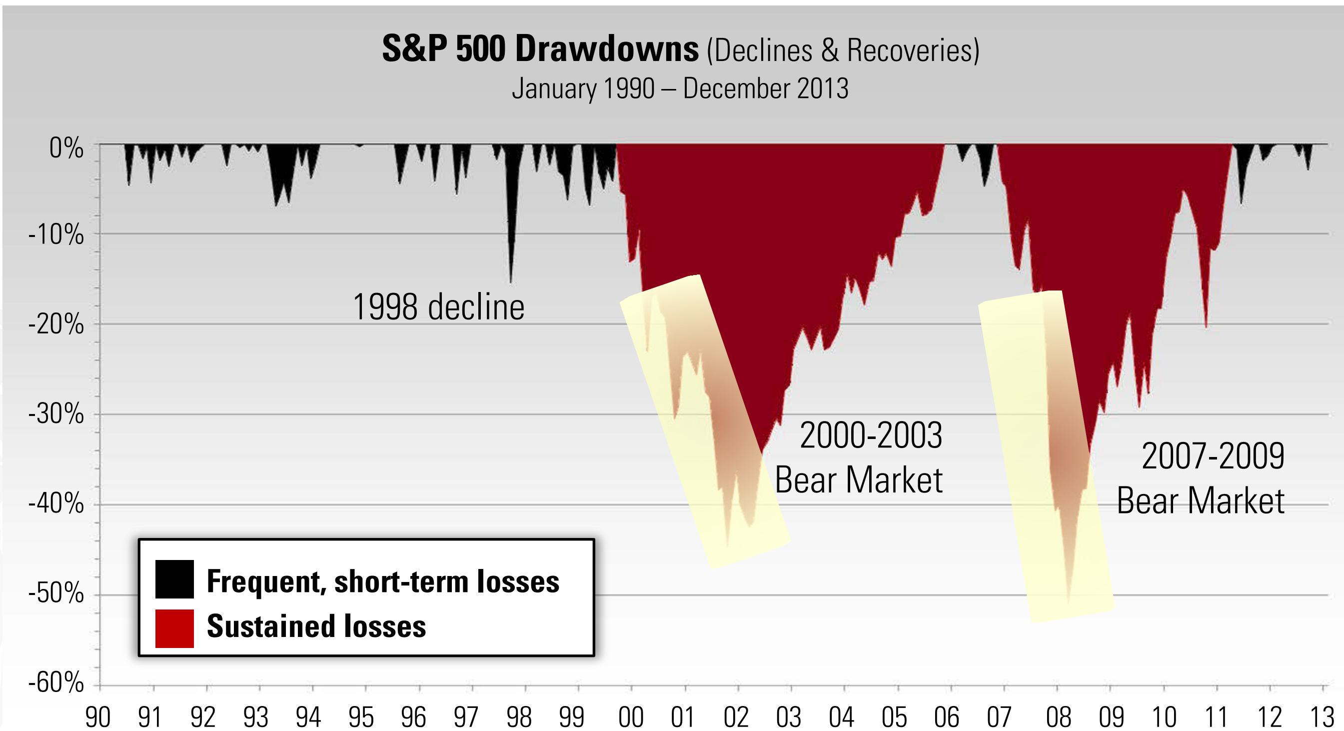
We believe quality stock selection can outperform basic indexing over time

Defense Next

Focused on large declines

It is our belief that large asset allocation changes should be reserved for potential shifts in secular market cycle

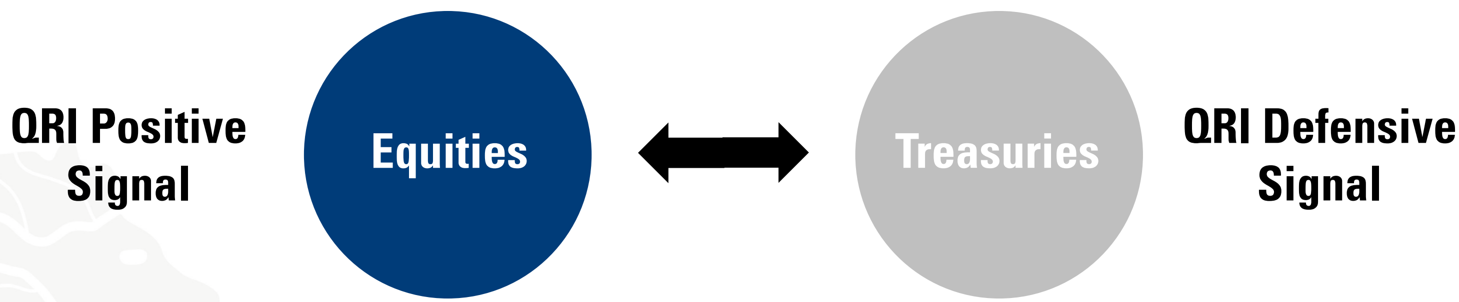
We seek to shift defensive only during sustained periods of heightened equity market risk, not short-term corrections



The Quantitative Risk Indicator (QRI)

Systematic risk management model

- **Proprietary model measures market risk: Quantitative Risk Indicator (QRI)**
- **Model yields monthly signal to determine asset allocation**
- **Defensive portfolio: 100% allocation to U.S. Treasuries, a safe haven asset in times of crisis**
    - **Short- and intermediate-term concentration**
    - **Expected portfolio duration of 3-5 years**
- **Rare defensive shifts: expected 2-3 times per decade on average**

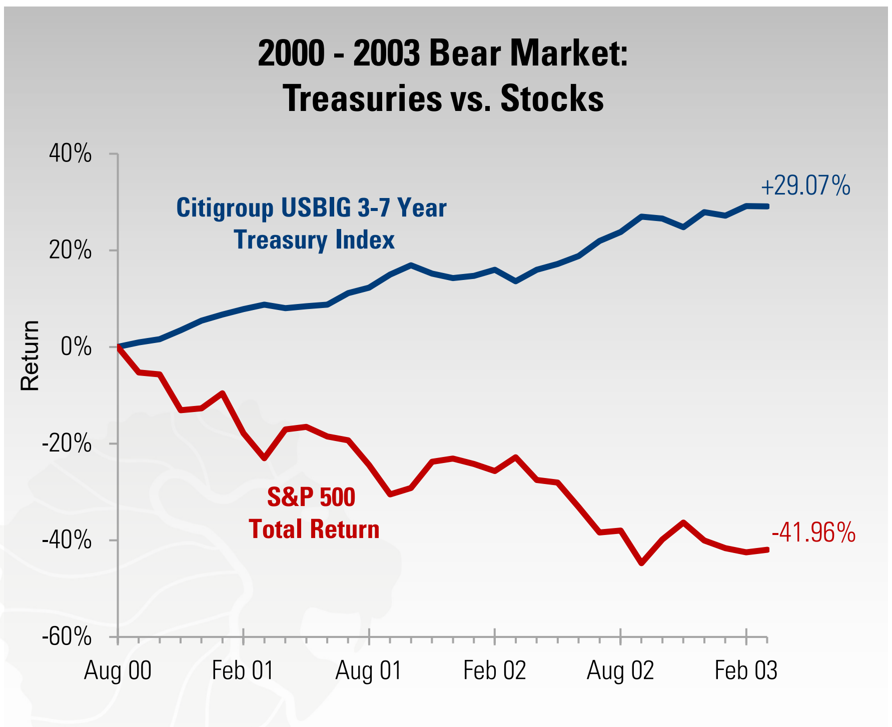


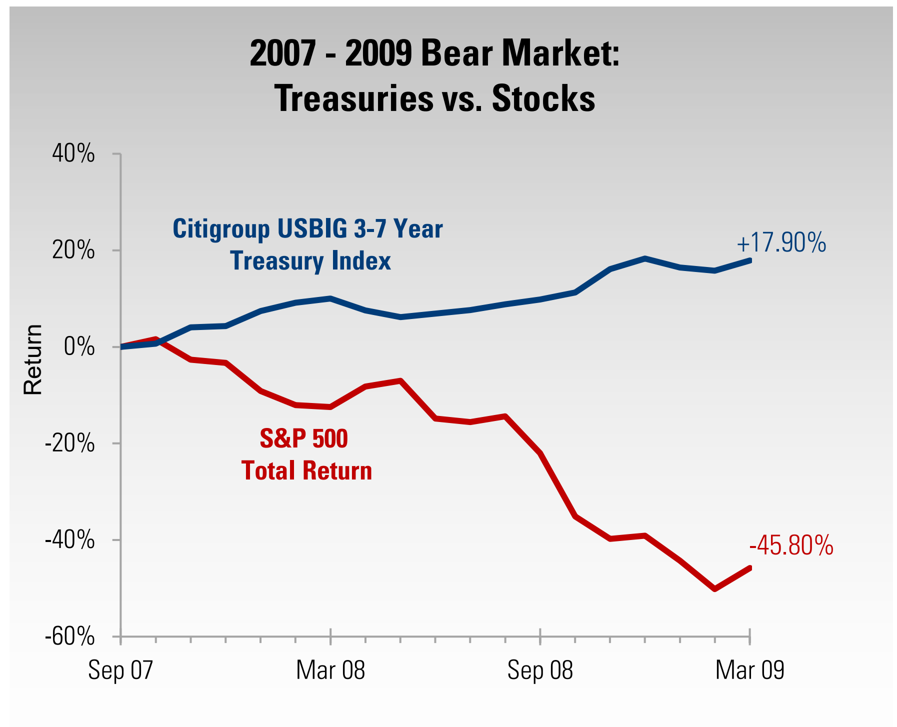
- The QRI measures market risk over multiple time periods
- Provides defensive signal when prolonged, extreme market risk is anticipated
- Slow-moving signal that seeks to reduce risk of whipsaw

Defensive Allocation

U.S. Treasury securities as a safe haven

As a historical safe haven, U.S. Treasuries offer upside potential during periods of heightened equity market risk when investors prefer a "flight to quality"





Source: Graphs created by Lyons Wealth Management using data from Zephyr StyleADVISOR.
Defensive allocations may include cash in place of or in addition to U.S. Treasuries

Defense Next

Risk Hedging: Plugging the Gap

Considerations for defense and our capital preservation mechanism

- Rare defensive positioning means we will stay long equities during most short-term market corrections
- We did this successfully in numerous corrections spanning 2012-2018, leading to greater upside capture and bull market participation
- While this is the optimal positioning in most corrections, investors still want a solution to reduce this risk and buffer volatility

We employ a systematic risk hedging process to address short-term market weakness and plug the gap between defensive allocations

- Event-based and technical driven
- Systematic implementation requiring pre-defined scenarios
  - Headline event driving weakness in equities and investor sentiment, combined with rules-based triggers from a series of technical indicators
  - Asset allocation shift resulting from a change in QRI signal
- Constructed using options on equity market indexes
- Long options only – no margin

Investment Process

A systematic model-driven approach

1. Construct Equity Portfolio

- Build investment universe
  - U.S. listed, exchange traded equities
  - Minimum market cap of $5 Billion
  - Sector exclusions: financials and utilities
- Rank by performance and valuation measures
- Conduct review and evaluation of available investments
- Construct concentrated portfolio of 20-30 stocks, established on an equal-weight basis

2. Determine Portfolio Asset Allocation Monthly

- Based on month-end QRI signal
- If QRI generates a positive signal, maintain equity allocation
- If QRI generates a negative signal, shift portfolio defensively to U.S. Treasuries
- When QRI flips back to a positive signal from a defensive stance, shift portfolio back to equities by repeating step 1

3. Rebalance Portfolio

- When equity portfolio is held, rebalance repeating equity selection process
- Each rebalance is an opportunity for tax-loss harvesting

Disclosure & Key Terms

Investors should carefully consider the investment objectives, risks, charges and expenses of the Catalyst Funds. This and other important information about the Fund is contained in the prospectus, which can be obtained by calling 866-447-4228 or at www.catalystmutualfunds.com. The prospectus should be read carefully before investing. The Catalyst Funds are distributed by Northern Lights Distributors, LLC, member FINRA. Catalyst Capital Advisors, LLC is not affiliated with Northern Lights Distributors, LLC.

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

Investing in the Fund carries certain risks. The value of the Fund may decrease in response to the activities and financial prospects of an individual security in the Fund's portfolio. The Fund is non-diversified and may invest a greater percentage of its assets in a particular issue and may own fewer securities than other mutual funds. The performance of the Fund may be subject to substantial short-term changes. If a security sold short increases in price, the Fund may have to cover its short position at a higher price than the short sale price, resulting in a loss. There may be risks associated with the sale and purchase of call and put options. Investments in lesser- known, small and mid-capitalization companies may be more vulnerable than larger, more established organizations. These factors may affect the value of your investment.

S&P 500 Index – an unmanaged composite of 500 large capitalization companies that is considered to be generally representative of the U.S. stock market as a whole. You cannot directly invest in an index. Unmanaged index returns do not reflect fees, expenses or sales charges.

Leverage – the use of financial instruments, such as options or ETFs that invest in such instruments, or borrowed capital, such as margin, to increase the potential return of an investment. Leverage may substantially increase risk.

Derivative – a security whose price is dependent upon or derived from one or more underlying assets, and whose value is determined by fluctuations in the underlying asset.

Whipsaw – when a security's price suddenly moves in the opposite direction of a trade that was just placed by a Fund or manager, typically occurring when a trade is based on recent market momentum just prior to a reversal.

Duration – a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates, expressed as a number of years.