

# AVF ATHENA VALUE FUND

Equity Performance Through Behavioral Portfolio Management

# Disclosures

*Mutual Funds involve risks including the possible loss of principal.*

*The Fund's distribution policy is not designed to guarantee distributions that equal a fixed percentage of the Fund's current net asset value per share. A portion of a distribution may consist of a return of capital, which will reduce the shareholders tax basis and potentially increase taxable gain upon disposition. Foreign investing in equity securities or notes of foreign issuers involves risks not typically associated with U.S. investments, including 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.*

*The net asset value of the Fund will fluctuate based on changes in the value of the securities in which the Fund Invests. The Adviser's and Sub-Adviser's judgments about the attractiveness, value and potential appreciation of particular asset classes and securities in which the Fund invests may not produce the desired results.*

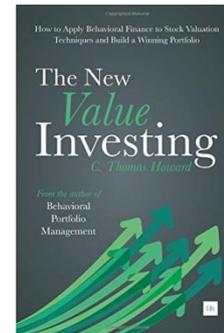
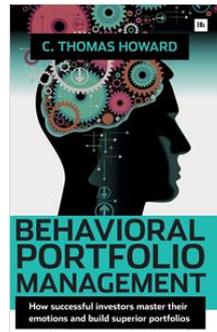
*Investments in Master Limited Partnerships ("MLPs") or MLP-related securities involve risks different from those of investing in common stock, including risks related to limited control and limited rights to vote on matters affecting the MLP or MLP-related security, risks related to potential conflicts of interest between an MLP and the MLP's general partner, cash flow risks, dilution risks and risks related to the general partner's limited call right, and are generally considered interest rate sensitive investments. If there were changes to the current tax law and any of the MLPs owned by the Fund were treated as corporations for U.S. federal income tax purposes, it could result in a reduction of the value of your investment in the Fund and lower income.*

*As a non-diversified fund, the Fund may invest more than 5% of its total assets in the securities of one or more issuers. Significant price fluctuations of these issuers could affect Fund performance. The value of small or medium capitalization company securities may be subject to more abrupt or erratic market movements than those of larger, more established companies or the market in general.*

**Investors should carefully consider the investment objectives, risks, charges and expenses of the Athena Value Fund. This and other important information about the Fund is contained in the prospectus, which can be obtained by calling 888-868-9501. The prospectus should be read carefully before investing. The Athena Value Fund is distributed by Northern Lights Distributors, LLC, member FINRA/SIPC. Princeton Fund Advisors, LLC is not affiliated with Northern Lights Distributors, LLC.**

- Behavioral Portfolio Management (“BPM”) is based on two principles:
  - Markets are not efficient
  - Investors are not rational
- Behavioral Portfolio Management seeks to take advantage of those two principles by removing emotions from investing
- We believe that when emotions are removed, investors are better able to harness price distortions and mitigate cognitive errors

- Behavioral Portfolio Management is based on research by C.Thomas Howard (Co-Portfolio Manager of the Athena Value Fund) as well as other leading academic individuals and institutions.
  - Dr. Howard has written two industry-leading books on utilizing behavioral investing concepts



- Dr. Howard and his firm, Athenainvest, are at the forefront of Behavioral Portfolio Management
  - Over 10 years utilizing BPM in making investment decisions
  - Developed and patented multiple research strategies and methodologies

We believe the following principles allow us to mitigate cognitive errors and capture mispricings in the market

– **Strategy**

- Having a strategy based on analyzing and interpreting specific fundamental data makes it easier to remove emotional biases from the investing process

– **Consistency**

- Pursuing the same investment strategy consistently throughout all market conditions without regard to emotions reduces short term cognitive errors and improves long term results

– **Opportunity**

- Analyzing the largest possible universe of investments allows for the purest implementation of the strategy without external constraints

– **Conviction**

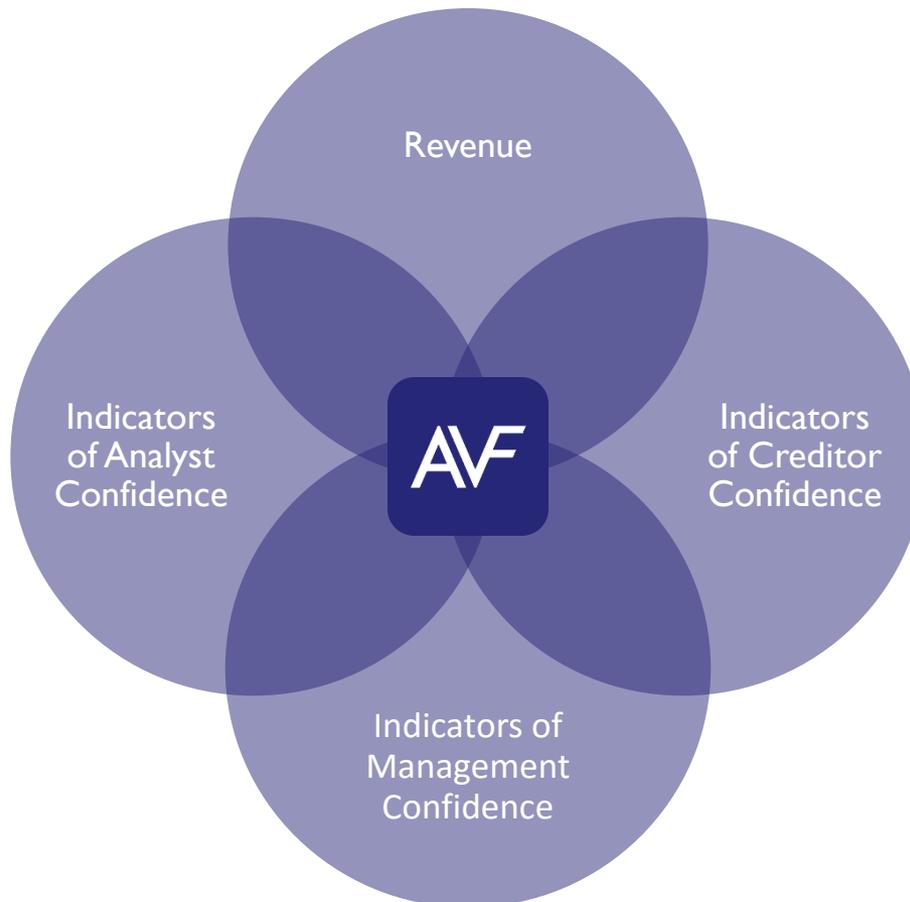
- Taking high-conviction positions in our best ideas provides increased potential for excess returns when compared to a more diluted portfolio

- The Fund's strategy is based on analyzing proprietary behavioral signals to identify confidence in a company from different areas of the market:
  - Management
  - Sell-Side Analysts
  - Creditors
- We believe these signals are often overlooked or misinterpreted by the broad market, which can lead to inefficiencies and price distortions
- By filtering out the “white noise” and focusing on specific signals from the market, the strategy seeks to identify securities which we believe have attractive valuations and offer the potential for above-average price appreciation

**By utilizing confidence signals from three distinct areas of the market, the strategy seeks to provide independent validation of each signal with respect to a specific security**

- **Management Confidence**
  - We believe the strongest signal a company's management can send to the market is paying a dividend
    - This shows that management is confident that it can continue to generate cash flow into the future
    - Due to the large negative implications for the price of a stock if a dividend is cut, management needs to be certain it can sustain or even grow future dividend payments
- **Analyst Confidence**
  - Sell-side analysts have valuable insight into the future of companies
    - This is expressed by screening for companies that analysts believe will have attractive valuations relative to earnings potential
- **Creditor Confidence**
  - Credit on a balance sheet is often misinterpreted by the market
    - Creditors spend a large amount of time analyzing a company, both before and after the debt is issued
    - Creditors would not provide financing if they did not believe in the strength and stability of the company
    - Creditors continuously evaluate the company's financial strength as part of the debt covenants and look for companies with the financial strength and cash flow to service debt payments

The strategy focuses in on select fundamental data and behavioral signals that have shown to be indicative of the confidence sought when selecting securities



**Stocks must meet the threshold for all of these criteria in order to be included in the portfolio**

## **In order for an investment strategy to work we believe it must be implemented consistently and opportunistically:**

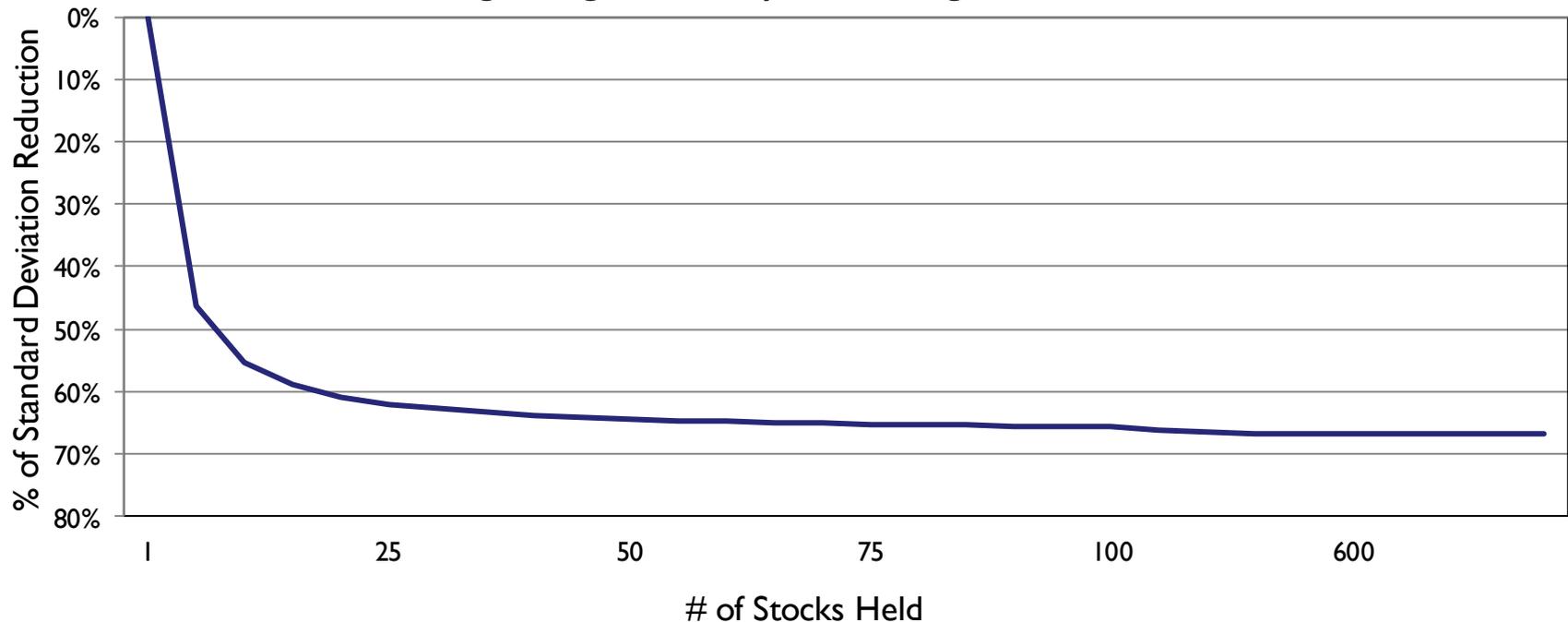
- Throughout all market conditions
  - This allows the strategy to operate outside of irrational decision-making
- Throughout the largest possible universe of potential investments
  - This allows for consideration of the largest set of opportunities and investment in the best ideas generated by the strategy without external constraints

## **Possible Benefits of Consistency and Opportunity**

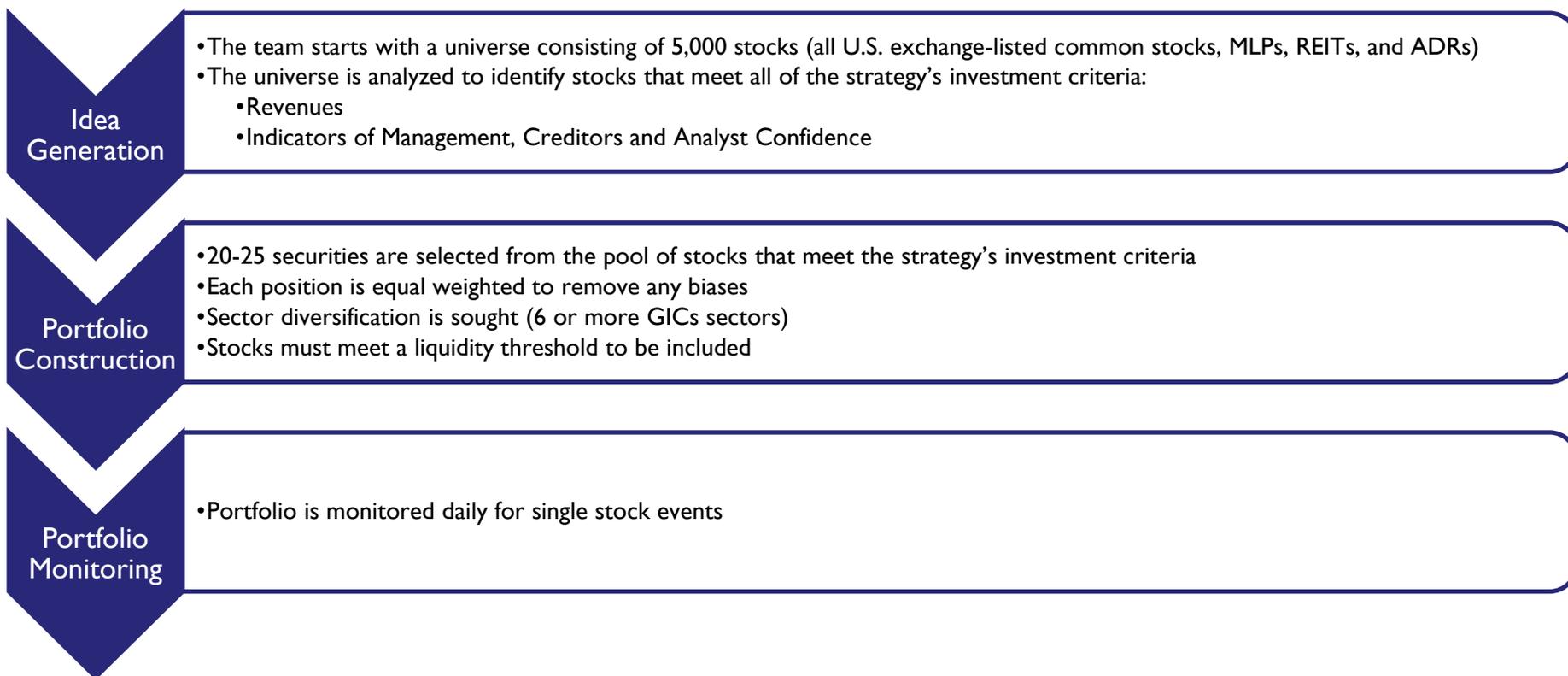
- Being able to apply the same strategy throughout the investment universe can be a key driver of performance
  - Allows for the best ideas to be included in the portfolio
  - Allows for avoidance of potentially inferior stock picks made to stay within portfolio constraints

- Research shows that a relatively small number of stocks (20-25) provide the majority of a portfolio's diversification
- We believe adding more stocks to a portfolio dilutes the best ideas and reduces potential for outperformance

## Diminishing Marginal Utility of Adding Stocks to a Portfolio



Assumes stock standard deviation of 45% and inter-stock correlation of 0.33. Based on Evans, J.L., and S.H. Archer (1968), **Diversification and the reduction of dispersion: an empirical analysis**, *Journal of Finance*, 23, 761-767.



## Sell Discipline

Stocks are sold immediately if:

- A loss of confidence is shown by management or sell-side analysts no longer view the stock as having an attractive valuation
- A stock fails to meet more than one of the other investment criteria

Stocks may be sold if:

- Any one of the investment criteria is not met and there is another security that meets all of the criteria



AthenaInvest is an industry leader in Behavioral Portfolio Management with a patented research process built on a deep academic foundation developed over 35 years of interaction with leading academics and institutional managers by C. Thomas Howard, PhD, CEO and Director of Research. AthenaInvest identifies and analyzes persistent and predictive behavioral factors. These behavioral factors are used to build innovative investment solutions. AthenaInvest has received recognition from PSN, Barrons and Morningstar.



Princeton Fund Advisors, LLC serves as Advisor to the Fund. Princeton Fund Advisors, LLC together with its affiliates, manages approximately \$2.0 billion of assets for institutional and private clients worldwide. Princeton Fund Advisors, LLC is a Registered Investment Advisor (“RIA”) with the SEC. The firm’s two Investment Committee Members contribute more than 60 years of alternative asset management experience to the portfolio construction and management process. The company has offices in Denver, Colorado and Minneapolis, Minnesota.

## **C. Thomas Howard, PhD, CEO and Director of Research**

Dr. Howard oversees Athena's ongoing research which has led to a number of patents, industry publications and conference presentations. Dr. Howard is a Professor Emeritus at the Reiman School of Finance, Daniels College of Business, University of Denver where he taught courses and published articles for over 30 years in the areas of investment management and international finance. Professor Howard's thought leadership in Behavioral Portfolio Management has generated significant interest across the country with record downloads of his Behavioral Portfolio Management white paper and presentations at the Investment Management Consultants Association® (IMCA®) 2013 Annual Conference and Financial Advisor Magazine's 4th Annual Innovative Alternatives Conference. Articles by Dr. Howard have been among the most widely read on sites such as AdvisorPerspectives.com, CFainstitute.org and FAmag.com. Dr. Howard has published two books, *Behavioral Portfolio Management* and *The New Value Investing*.

## **Andrew Howard, Portfolio Manager**

Mr. Howard joined AthenaInvest in October 2006. Mr. Howard designed, developed and implemented the company's patented stock and mutual fund research database. Mr. Howard is co-portfolio manager and research analyst on all Athena portfolios. Mr. Howard also provides oversight for all Athena portfolios across multiple models and platforms. Prior to joining Athena, Mr. Howard was a software development consultant to Fortune 500 firms.

Mr. Howard spent the first years of his career as a corporate financial analyst with Sony Online Entertainment, Leica Geosystems, and StorageTek. Mr. Howard earned his BS in Finance in 1999 from the Daniels College of Business at the University of Denver, where he was a Chancellor's Scholar.

## **Greg D. Anderson, *Managing Member***

Prior to founding Princeton Fund Advisors, LLC and its affiliated entities, Mr. Anderson was a Senior Vice President and Managing Director of Investment Manager Search, Evaluation, and Due Diligence at Portfolio Management Consultants, Inc. Mr. Anderson was previously employed with Deloitte & Touche where he specialized in the areas of estate planning, health care and non-profit organizations, and tax and personal finance planning for high net worth individuals. Mr. Anderson holds a B.A. degree from Hamline University in Minnesota and a J.D. from the University of Minnesota School of Law. Mr. Anderson is a Certified Public Accountant (inactive).

## **John L. Sabre, *Managing Member***

Prior to founding Princeton Fund Advisors, LLC and its affiliated entities, Mr. Sabre was a Senior Managing Director at Bear Stearns & Co. and Head of the Mezzanine Capital Group. Mr. Sabre previously served as President of First Dominion Capital, which managed \$3.0 billion of assets and is now owned by Credit Suisse First Boston. Prior to his position at First Dominion Capital, Mr. Sabre was a Managing Director and founding partner of Indosuez Capital, the merchant banking division of Credit Agricole Indosuez. Mr. Sabre holds a B.S. degree from the Carlson School at the University of Minnesota and an M.B.A. degree from the Wharton School at the University of Pennsylvania.

## **Marc E. Friedman, *Senior Vice President, Director of Research***

Prior to joining Princeton Fund Advisors, LLC and its affiliated entities, Mr. Friedman was with Bard Capital Group, a private equity firm focused on leveraged buyouts of middle market operating companies. He was responsible for acquisition due diligence and execution as well as various financial initiatives with portfolio companies. Previously, he was an investment banker in the Corporate Finance Department of Stifel Nicolaus & Company, Inc. He has experience across a broad range of industries and has led the execution of many M&A and financing transactions. Prior to Stifel, he was an Associate with Morgan Stanley. Mr. Friedman received a B.S. from the University of Colorado at Boulder and earned an M.B.A. and M.S. in Finance from the Daniels College of Business at the University of Denver.

## **Zachary R. Slater, *Vice President, Portfolio Strategy***

Mr. Slater joined Princeton Fund Advisors, LLC and its affiliated entities in 2011 to conduct research on new investment opportunities. His experience includes evaluating and monitoring long-only and alternative investment strategies. He holds a B.S. from the Daniels College of Business at the University of Denver.

Share Class	Ticker	CUSIP	Investment Minimum*	AIP/AWP & Subsequent Minimum	Redemption Fee	Management Fee	Net Expense Ratio <sup>1</sup>	Class Structure	12B-1 Fee	Inception Date
A Share	ATVAX	66538B412	\$2,500	\$100	NONE	1.00%	1.51%	5.75% Load*	0.25%	05/15/2015
I Share	ATVIX	66538B388	\$100,000	\$100	NONE	1.00%	1.26%	No Load	NONE	05/15/2015

Role	Organization
Investment Advisor	Princeton Fund Advisors, LLC
Investment Sub-Advisor	AthenaInvest Advisors LLC
Administrator/Transfer Agent/Fund Accountant	Gemini Fund Services
Outside Counsel	Thompson Hine LLP
Custodian	Union Bank, NA
Distributor	Northern Lights Distributors, LLC
Auditor	RSM US LLP

\*The load and investment minimum may be waived at the discretion of the advisor.

<sup>1</sup>The Fund's investment advisor has contractually agreed to reduce its fees and/or absorb expenses until at least August 31, 2017. Without these waivers, total annual operating expenses would be 8.57% and 8.32% for Class A and I shares. Please review the Fund's prospectus for more information regarding the Fund's fees and expenses, including other share classes.