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## DECEMBER 12, 2017

## CENTERSTONE INVESTORS SEMI-ANNUAL WEBCAST & CONFERENCE CALL TRANSCRIPT

**OPERATOR:** Good day ladies and gentlemen and welcome to today's Centerstone Investors Semi-Annual Webcast & Conference Call. To ask a question during the webcast please click on the ask a question button at the bottom of your screen. It is now my pleasure to turn the floor to Phil Santopadre. Sir, the floor is yours.

**PHIL SANTOPADRE:** Thank you. Good afternoon everyone and thanks for joining us for Centerstone Investors Semi-Annual Webcast & Conference Call. My name is Phil Santopadre, Managing Partner and I am joined today by Abhay Deshpande, our Founder and Chief Investment Officer. We're excited to be with you and appreciate the trust and interest you have placed with Centerstone.

Today's webcast will cover many topics including an update on the Firm, our operating principles, where we're finding current opportunities and portfolio positioning. Once Abhay has concluded his portion of the webcast, we will open it up to Q&A via the chat box on your screens or through pre-email questions. Before we begin, I'd like to give a brief update on our Firm and the Funds.

Centerstone offers two mutual funds, the Centerstone Investors Fund (CENTX) which is the global multi-asset Fund and the Centerstone International Fund (CINTX), which is the non-US equity subset of the Investors Fund, both launched on May 3, 2016. As a Firm, we currently manage over $350 million in total assets, with approximately $225 million in the Investors Fund and $125 million in the International Fund. It has been an interesting second half of the year, both in the markets as well as here at Centerstone. Performance for the one-year period and since inception date can be found on the slide deck presentation, on pages 16 and 17. Please review them at your leisure. Abhay will also touch on performance later in the webcast. For additional performance information, please visit our website at www.centerstoneinv.com.

A quick word on the Funds' recent distributions. Dividends went ex and were paid out early last week. Although we don't have an official tax efficient mandate here at Centerstone, we do take a proactive approach to mitigate tax liabilities if it makes sense to do so. The Centerstone Investors Fund class I shares (CENTX) distributed a little over 13 cents a share in ordinary income and capital gains, while the Centerstone International Fund class I shares (CINTX) distributed about 20 cents per share in ordinary income and capital gains. More details can be found on our website.

Without further ado, I will hand it over to our Founder and Chief Investment officer, Abhay Deshpande. Abhay?

**ABHAY DESHPANDE:** Thanks, Phil and thanks everyone for joining us today. It's our third ever Semi-Annual call, as we're just a bit over 18 months old now. First off, I'd like to begin with my thoughts on Bitcoin — just kidding. I'm sure like all of you, we wish that bubble would burst already and we go back to obsessing over Russia. Last year at this time, the Centerstone Funds were hardly six months old and we had about $64 million in assets under management. One year later that's grown to over $350 million. I'm pleased to say although that sounds like a lot of growth, it's actually a very moderate pace. It's what our goals were, more or less. It's hard to thread that needle of not growing too quickly, yet growing quickly enough, but we've been able to do it so far which I think is a testament to our sales team.

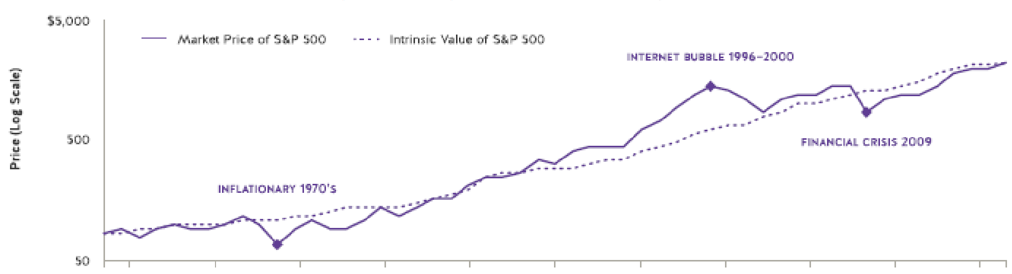
Along with the growing AUM, we've also grown our team with the addition of an analyst who will start with us at the beginning of the year. I should probably go through our hiring process for you. It was no easy task to find a fifth member of our investment team. Although the hiring process seems simple enough, we're just looking for good people who are good investors. But it's Wall Street, so it's a hard combination to find. Much like our research process, the hiring process is bottom-up, also organic, meaning that the entire investment team is involved. That helps us avoid potentially making a mistake and to correct for each other's biases. The goal is also to find someone who adds to the team's intellectual armory. Maybe someone smarter or more knowledgeable than us as a whole or someone who adds a different perspective. Sometimes these types of people are kind of quirky, which I like, or accept. Usually, I know when a candidate submits a test case if he or she is the right person. It's because I'm taught something about a subject that I thought I already knew well. Without intellectual growth, we move backward and slowly we'll lose our competitive advantage. That's why I've hired hopefully smarter and better versions of me, but the downside to this rigorous process was that it takes a while to find someone. I think we sifted through over 1,600 resumes before we interviewed maybe a couple of dozen candidates over the last 18 months and then that boiled down to one person.

Ex Date is the date which the distribution amount is deducted for a fund's net asset value (NAV)

Looking ahead I think we're well staffed on this five-person investment team with a long-term framework. Our low portfolio turnover means that there's no need for a conveyor belt of new ideas so to speak. As a smart person once said it's not always the biggest battalion that wins. As our team has grown, our Centerstone extended family has also grown with the addition of a baby girl. Centerstone's first one and possibly more on the way from what I understand. We have a number one in place now, as of yesterday, so that's some good news to share.

On the subject of financial markets and the economy it's also been a good year. From my observations from the middle of last year, that despite the "media version" of the economy, as I traveled around the country and around the globe I saw a global economy and an American economy that looked pretty solid. Even with some signs of over construction in certain cities and what not, but I certainly didn't see the negativity that anyone else saw. I think that 18 months later what I see now is maybe some caution is in order. You've had synchronous global upswing and I hear a lot more about labor shortages, I see quite a bit of speculative behavior (obviously Bitcoin) and what I think were yellow flags maybe a little while ago, I think maybe the flags are more amber than yellow now. The below chart shows the intrinsic value of the S&P 500 versus market price. It's basically our estimate using the tools and methodology we use to calculate the intrinsic value of an individual business which we applied to the S&P 500 and came up with what we think is its intrinsic value. You can see since the financial crisis, for the most part, we've been under intrinsic value until the end of last year when we're virtually at intrinsic. Then with the rally this year now, we're about 15% above. It's not egregiously overvalued or anything, but as I'm seeing some signs of peakiness and in the face of Federal Reserve which seems intent now in raising interest rates through at least the middle of next year. That environment is one in which I've often found it's best to just be a little cautious. Maybe it makes sense to take stock of one's actual risk tolerance or your client's actual risk tolerance. On that note, I'd like to review our operating principles.

INTRINSIC VALUE OF S&P 500 VS MARKET PRICE OF S&P 500




Source: Bloomberg, Centerstone Analysis

Past performance does not guarantee future results. Investors are not able to invest directly in the index referenced in this illustration and unmanaged index returns do not reflect any fees, expenses or sales charges. The referenced index is shown for general market comparisons and is not meant to represent the Funds. Please refer to page 18 for additional disclosure.

Centerstone's investment approach is global, absolute value and long-term in nature. We believe that a long-term horizon is a competitive advantage in a market which is basically dominated by gamblers who speculate and often shoot first and ask questions later. But it's that cycle that provides us with opportunities, it allows us to sift through discarded merchandise to find the gems that were thrown out too. When analyzing any business, we fall back on common sense: what is true worth, what is the price today, intrinsic value and margin of safety. Simply defined, intrinsic value is the price a knowledgeable buyer would pay in cash to buy a business or an asset.

You'll note, that there are three important points to that statement: cash, today and knowledgeable buyer. As we calculate intrinsic value, we try to apply some common sense there as well. Margin of safety simply refers to the difference between what we think is intrinsic value and the market price. That's the literal definition but margin of safety can also refer to the elements of the business that provides for its durability, that makes a long duration franchise, things of that nature as well. As absolute value investors follow this path whether here or when I was at my previous firm and there is a reason for that. I think that the absolute value approach has been a survivor. I've been doing this for about 25-26 years now and I cannot point to any other approach that has survived as long as my career or even before that. Before that, you point to Warren Buffet obviously and his long career and the person who was often credited with the elements of this approach, Ben Graham.

It's a long-lived process that's survived lots of different speed bumps. On the flipside though, the approach can provide muted upside at times. Cash can be a drag, highly priced stocks can become more highly priced and Mr. Market can often find itself racing ahead beyond reason.

Over time though the nature of the market is to correct excess and in those moments our approach may help at least partially shield investors from the worst of the storm. The approach (though common sense) isn't always easy. In fact, many times we find ourselves operating in this "grey area" where risk and reward are more tightly bound than usual. For instance, these days there are many industries that had been suffering despite how well the market has done. Grocery stores, auto parts distribution, industrial distribution, obviously retail. The common thread here seems to be the so-called "Amazon threat." I'm not downplaying the severity of the threat by any means, but I think the market does sometimes have difficulty distinguishing between secular and cyclical problems. I'll give you two examples that fall into this bucket.

Absolute return is the return that an asset achieves over a certain period of time. This measure looks at the appreciation or depreciation, expressed as a percentage, that an asset achieves over a given period of time. Absolute return differs from relative return because it is concerned with the return of a particular asset and does not compare it to any other measure or benchmark.

The first one is Target[1]. Target is not a small company by any means. Sometimes though even large companies can be misvalued and misanalyzed and I think this is a case where the street has it wrong. It may just be because my time horizon is longer than Wall Street's three-month time horizon, but in any case, Target is a leading big box retailer. Predominantly just an American company now. They have very large free-standing stores which are important, so they're not relying on mall traffic to drive people to the store. It's a destination store and they sell everything from apparel to groceries.

At Centerstone, we try to analyze businesses looking through three lenses. One is looking at business quality, one is looking at a company's balance sheet quality and one is looking at a company's management quality. As far as Target's business quality, I think it's clearly a market leader if not "the leader" but a market leader in big box retailing. The clear competitor is Walmart. Target generates very solid profitability and cash flows. The balance sheet is very strong — investment grade rating. They own the majority of their stores and the land on which the stores are located. Finally, as for management, I'd say are more neutral than anything else. They made a big mistake with an expansion in Canada and I would say that there was a credit card breach several years ago that also dented their credibility. Granted, even the SEC got hacked, but still, it did dent their credibility. But they've exited Canada, they refocused on the core US market and I think most importantly in terms of management quality the business generates a tremendous amount of free cash flow. They distribute it all to us in dividends and buybacks — virtually all of it. In fact, the dividend yield on the stock is 4%. The free cash flow on the yield on a trailing basis is 13%.

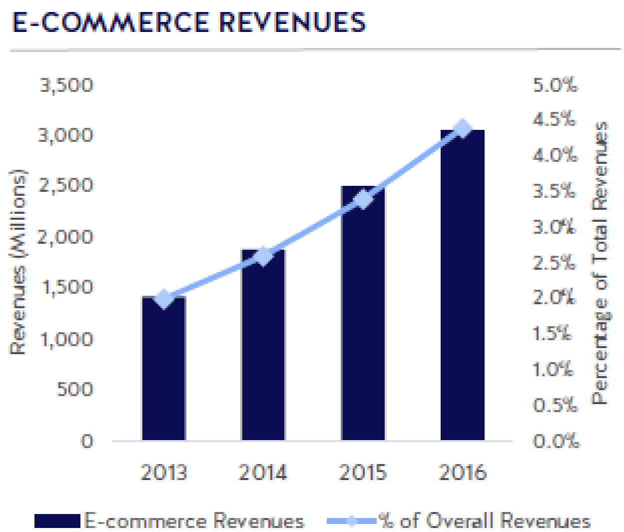
Obviously, the stock is down for a reason, people believe that earnings power will not be stable for the next several years. The blame is really laid at the feet of Amazon, which obviously has some impact of course. Now, generally speaking, I'm not a big fan of retail. It's generally not a great business, highly competitive, very low margins. Don't mistake this as a case for retail, generally speaking — this is a very specific case for Target.

The stock is down because of the perceived threat from Amazon, but also the earnings have been under pressure really because Walmart has been much more aggressive in their pricing and that has to do partly with Amazon. It also partly has to do with the introduction of more hard discount stores from two companies called Aldi and Lidl in many of their geographies in which they've been forced to react by lowering prices quite dramatically. That's had a contagion effect on Target a little bit. The sales are not going down 5%, their like-for-likes will be flat this year, maybe plus/minus 1%. It's not the end of the world, as Target planned on this as well, so they've also lowered prices this year. That has been the source of the earnings revisions down and the stock moving down. But I believe it is a one-time rebasing. In the meantime, they've invested a lot, they really put the pedal to the metal on e-commerce and that's growing now 25-30%. Granted that's a very small base, it's 4-5% of the business.

[1] 1.47% position in the Centerstone Investors Fund as of September 30, 2017.

The security holding is presented to illustrate an example of the securities that the Fund has bought or may buy, and the diversity of areas in which the Fund may invest, and may not be representative of the Fund's current or future investments. Portfolio holdings are subject to change and should not be considered to be investment advice. This slide solely represents the observations of Centerstone Investors, LLC and is furnished to you for informational purposes only. It is not intended to form the sole basis for any investment decision. Northern Lights Distributors, LLC as a firm does not make a market in, or conduct any research on, or recommend the purchase or sale of any of the above issues.

Below, you'll see the operating improvement and efficiencies that they're hoping to get. We have this wonderful margin of safety, at least as a downside buffer for intrinsic value, in the sense that they own so much of their stores. I think if I do the math conservatively (which is typically how we do it), the real estate itself seems to be worth around between $50-$60 and the stock recently traded at $50, so there's been very little value even ascribed to the actual retail business which, again, is generating massive amounts of free cash flow.




Source: Company public filings

We're in the business of long-term investing so I have no idea what's going to happen to the stock for the next six months or year for that matter. I think that over the next five to seven years we have a chance of making a very reasonable rate of return off of this investment.

Another business we own and bought recently that falls under this "Amazon threat" spotlight is Ahold Delhaize[2]. This company may not be familiar to many of you — it's Dutch listed. However, you might recognize the brands Stop & Shop, Hannaford, Food Lion, etc. particularly if you visit or you live on the East Coast. Stop & Shop is kind of like a Kroger in the Midwest, it's a high-end grocery store. The other ones are smaller local brands, a little over half of the net income actually comes from the United States even though it's a Dutch listed business.

In the Netherlands, Ahold is the number one player, in terms of market share versus its number two player and gaining share. In the United States, they have Peapod. Peapod is an online grocery retailer. There's already an Amazon of grocery in 13 states and it's called Peapod. Incidentally, Peapod in well over a decade of operation makes money in only two of those 13 states, but it tells you that retail is tough as it is but grocery retail is really, really difficult. There are a couple of reasons for that and I will get into that momentarily.

[2] 1.02% position in the Centerstone Investors Fund and 1.51% position in the Centerstone International Fund as of September 30, 2017.

As we go through the lenses of business quality, balance sheet quality and management quality you'll see that they're number one or number two in most of their markets — the scale advantage is significant. It helps with purchasing power, spreads marketing expenses across a larger base of stores, etc. There are some benefits of scale. They recently just bought Delhaize last year, that fortifies their Atlantic Coast market position. Incidentally, it's not just number one or number two, generally speaking, but in most of its local markets (local market share is rather important in this business), they're number one or number two in most of the local markets they operate in. It's a pretty resilient business, groceries relatively perform well during a downturn — people still need to eat.

The balance sheet is pretty good, it's a pretty stable business. They generated consistent free cash flow and not much debt, it's less than 1x of Earnings before interest, taxes, depreciation and amortization (EBITDA). Management quality is pretty good. They focused on making strategic acquisitions that improve their position in local markets (as I mentioned the acquisition of Delhaize). Management quality —they buy back stock and paid a nice little dividend of over 3%.

Let's discuss the management and the business itself. There have been several reasons the stock price has been weak over the last several years. The most important reason was that from 2016-2017, almost 18 straight months, we had deflation in food prices. Let's say the cost of milk went down — it's good for the consumer but the cost to operate the store doesn't move. That's a lot of pressure on the margins of a grocery store. Now they've been able to offset that through efficiency, so you didn't see much of the margin deterioration as you did for other smaller grocery stores, but that's really one of the main reasons that the price has been weak.

Then as you remember, Amazon bought Whole Foods. That was another shoot first, ask questions later kind of moment and the assumption was that "oh, Amazon is going to sell grocery online to everybody, no one is going to go to the grocery store anymore." Back to Peapod, what we learned as we started to look at the business is that the only way you at least breakeven is to focus on fresh products, such as fruit, vegetables, fish, meat, and not so much of the other stuff. The gross margin is about 800 basis points higher on that stuff and that is almost enough to offset the major problem with online grocery retail, which is that last mile cost. If you can imagine on a typical grocery basket of say a $100, the grocery store only makes $3, so that's 3%. That's the operating margin of these businesses. You have to somehow get that basket to somebody's house with a truck, one or two people to deliver, insurance, gas, etc. It only really works in a city like New York city where you can do 10 or 15 deliveries in an hour. Tough to really do outside of a few very dense markets like that.

Peapod, their own version has been going at it for a while and that's why we thought there's probably an opportunity here and then with just some luck, the last quarter has seen the end, at least temporarily, of the deflation in food prices. In a way, some of the margin pressures have come off. I think this is the first time I've ever invested in a grocery store, it's not like I love this business or anything but sometimes you just take what the market gives you and I think the market has given us a couple of really good businesses.

Before we get to Q&A, I'd like to talk a little bit more about positioning and performance. Below you'll see the top 10 holdings for both Funds, the Centerstone Investors Fund

(CENTX) and the Centerstone International Fund (CINTX) — essentially the positions are the same. If one is not in the top 10, maybe it's the number 12 or something like that, but there's not a lot of portfolio activity in any given six months. Not a lot of changes since the last time I spoke with you. We have added a few names now, they don't show up in the top 10 on the September 30th holdings but you might find them in the next portfolio listing. In any case, there hasn't been that much turnover.

**CENTERSTONE INVESTORS FUND**

CLASS I CENTX ◆ CLASS A CETAX ◆ CLASS C CENNX

| | % of Portfolio |
|---|---|
| Gold & Gold-Related (US) | 4.91% |
| Grainger (US) | 1.98% |
| Air Liquide (FRA) | 1.85% |
| Mosaic (US) | 1.78% |
| Colgate-Palmolive (US) | 1.72% |
| TransCanada (CAN) | 1.67% |
| Ichiyoshi Securities (JPN) | 1.61% |
| ICA Gruppen (SWE) | 1.53% |
| CVS Health (US) | 1.52% |
| Target (US) | 1.47% |
| TOTAL | 20.04% |

**CENTERSTONE INTERNATIONAL FUND**

CLASS I CINTX ◆ CLASS A CSIAX ◆ CLASS C CSINX

| | % of Portfolio |
|---|---|
| Gold & Gold-Related (US) | 4.93% |
| Air Liquide (FRA) | 3.26% |
| Mosaic (US) | 2.60% |
| TransCanada (CAN) | 2.52% |
| Ichiyoshi Securities (JPN) | 2.49% |
| ICA Gruppen (SWE) | 2.23% |
| Loomis (SWE) | 2.10% |
| Richemont (CHE) | 2.06% |
| Schneider Electric (FRA) | 1.91% |
| Metro (CAN) | 1.89% |
| TOTAL | 25.99% |

* Holdings in cash, cash equivalents and short-term instruments have been excluded

The security holdings are presented to illustrate examples of the securities that the Funds have bought and the diversity of areas in which the Funds may invest and may not be representative of the Funds' current or future investments. Portfolio holdings are subject to change and should not be considered investment advice.

On that note, keep in mind that since we use 12-24 month corporate and government bonds as cash substitutes (for the Investors Fund in particular) it elevates the reported portfolio turnover ratio. If you see that number and it looks like 33%, the actual underlying equity turnover is much lower than that. If you need a number, feel free to call our sales team. Our time horizon generally for equities tends to be three to five years, sometimes longer. In my previous role, in fact, I consistently posted turnover rates of below 20%. As Phil mentioned, fairly tax efficient kind of approach.

Our geographic allocations and asset allocations may diverge substantially from the Morningstar category and also from many of our competitors. A bottom-up process and small size have simply led us to other areas and we hope to continue to use that process to hopefully provide you with a differentiated Fund. One that you can use as a core holding for the long-term with the Investors Fund.

The International Fund, similarly through the bottom-up approach, has led us to areas that others aren't and led us away from where others are. That Fund seems to be fairly well differentiated as well — just to show that we are actually active managers.

Finally, some notes on performance. As I mentioned, it's been a good year for investors, but there has been a lot of dispersion depending on market cap and growth versus value. As I was going through the numbers yesterday, I was surprised to see that the year to date total return of the top 100 largest S&P names, the OEX index, is 21% but the S&P 600 Small Cap index is up only 12%. If you look at the growth and value diversions, this varies even greater with the Russell Growth index that's up nearly 30% and the US Value index only up 13%, so that's a huge difference.

There's similar dispersion in overseas markets between growth and value, but not really between market caps. One consistency is that there's been a difference in growth and value for this year. Just as market preferences often shift from one side to the other, the pendulum does swing back and forth. It could suggest that value is due a moment in the sun and can potentially act as a safe harbor should the storms come again.

I suppose any analysis of our own performance should take this into consideration as we are value investors. For instance, as we continue to build out the US value portion of the Investors Fund (Target and Grainger), we're buying these when sentiment is very, very poor, so I'm not surprised that our US portfolio has been a laggard. You rarely get the timing right when investing in companies with very low sentiment rather one invests this way to harvest the benefits from a five to seven-year view or longer. On the other hand, our non-US investing has been better than I expected which has helped to offset the US equity sleeve in the Investors Fund.

While the US sleeve is in seed planting mode, if you look at just the equities within the two Funds and compared them to their index, for instance, the Centerstone Investors year to date equity portfolio in dollar terms is up 20%. This is without management fees and this is without the currency hedging and we do have about 20% hedged. On a like-for-like basis, that's about equal to what the MSCI World index has done this year. I'll give ourselves a pass on this year as we're investing a lot in these value names in the US, so that's held back returns a little bit. I'm hopeful or I should expect that will help us going forward.

In the International Fund, on a similar note the international equity portfolio, considering we're in cash and this is without the management fee and this is without hedging (we're about 20% hedged in that Fund as well) the equity portfolio is up 27%, which is well in excess of the MSCI EAFE index. There, I think we've done better than I would have thought. That's been enough to somewhat offset the US performance as we're building out that portfolio.

Please refer to page 18 for additional disclosure.

As of September 30, 2017, the Centerstone Investors Fund had 68.64% in equities and 25.29% in reserves. The Centerstone International Fund had 74.60% in equities in 20.48% in reserves.

In the international sleeve, we had two takeouts this calendar year and two potential asset conversions that could lead to material distributions to the Funds. These are companies that were just way too small for me to buy in my previous life. The Funds' smaller sizes allowed us to capitalize on a handful of small cap foreign opportunities in Denmark, Sweden, Singapore and Japan with just those four or five together have added roughly 300 basis points in performance to the International Fund. For the Investors Fund in the high yield space we've found a couple of names, but still find the risk/reward distasteful, so that bucket remains largely unfilled.

With all that said, we're ending the year close to where we began in terms of reserves. Our growing watch list can help if something does happen and when prices become more reasonable. With that, I'll turn it over to Phil for Q&A.

PHIL SANTOPADRE: Great. Thank you, Abhay. We have several questions queued up here via the chat box so we'll do our best to answer all of your questions, but if we don't get to you, we will follow up after the call. Here is the first question. Where are you **not** finding value right now?

ABHAY DESHPANDE: Well, Bitcoin. I'm not saying this is 1999 or anything for the tech stocks, but they seem to have run maybe a little ahead of themselves. Someone was making a case to me the other day that Google's actually cheap if you take out the cash, which would be true if he or she (I'm not going to identify the person) was not also taking out the options expenses. So yes, I mean if you adjust for all the expenses that you don't want to have as an expense then maybe it's cheap, we just don't think that way. We've spent quite a bit of time looking at really boring companies like shipping terminals, fuel terminals, distribution companies and things like that. I'd say we're more or less staying away from tech.

PHIL SANTOPADRE: OK, thanks, Abhay. Next question here, this one is actually specific to a position in the portfolios. I see Mosaic has been down this year. What are your current thoughts and do you still like it?

ABHAY DESHPANDE: Yes, Mosaic is one of our larger holdings now. Obviously, the stock is down huge. We have an unrealized loss I think or maybe we're getting close to breakeven by now but it's one of those classic cigar butt kinds of names. Where I don't like to take the risk is when you have a bad balance sheet, that's not the case here, but in this case the balance sheet is fine. They also generate decent free cash flow. I'm not so worried about that, but the earnings have just gotten clobbered though. They peaked at $6-$7 a share and they're around maybe $1 now. At a recent $24 a share then if you think about mid-cycle earnings, if it's say $3, then not an excessively priced stock. But again, Wall Street really prices things on earnings and earnings revisions. Often times they focus so much on earnings they forget about the asset value. In this case, the stock had gotten driven down to less than $20 a share and when we did our calculations of replacement cost, even considering that pricing has been impacted for a whole host of reasons, pricing of their main products which are Phosphate and Potash, even adjusting for that we think the replacement value of the assets roughly gets us to a $50 stock price. That's the case of a cigar butt where we try to buy things like the 50-cent dollar, the flipside of that is you never know when things are going to turn around.

That's why if you do this type of investing you want to demand a much greater margin of safety than you would otherwise. So yes, we still like it, we just don't know when the story is going to play out for us.

**CENTERSTONE INVESTORS FUND**

CLASS I CENTX • CLASS A CETAX • CLASS C CENNX

| | % of Portfolio |
|---|---|
| Gold & Gold-Related (US) | 4.91% |
| Grainger (US) | 1.98% |
| Air Liquide (FRA) | 1.85% |
| Mosaic (US) | 1.78% |
| Colgate-Palmolive (US) | 1.72% |
| TransCanada (CAN) | 1.67% |
| Ichiyoshi Securities (JPN) | 1.61% |
| ICA Gruppen (SWE) | 1.53% |
| CVS Health (US) | 1.52% |
| Target (US) | 1.47% |
| TOTAL | 20.04% |

**CENTERSTONE INTERNATIONAL FUND**

CLASS I CINTX • CLASS A CSIAX • CLASS C CSINX

| | % of Portfolio |
|---|---|
| Gold & Gold-Related (US) | 4.93% |
| Air Liquide (FRA) | 3.26% |
| Mosaic (US) | 2.60% |
| TransCanada (CAN) | 2.52% |
| Ichiyoshi Securities (JPN) | 2.49% |
| ICA Gruppen (SWE) | 2.23% |
| Loomis (SWE) | 2.10% |
| Richemont (CHE) | 2.06% |
| Schneider Electric (FRA) | 1.91% |
| Metro (CAN) | 1.89% |
| TOTAL | 25.99% |

* Holdings in cash, cash equivalents and short-term instruments have been excluded

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**PHIL SANTOPADRE:** OK, great. Here's a question that came through earlier today via email. I know you're not a macro guy, but I'd like to hear your view on Japan.

**ABHAY DESHPANDE:** Great, that's a good question. I mean six, seven, eight years ago all I did was basically talk about Japan because there was so much value there. However, since then the markets recovered nicely. Some of my favorite companies have gone from 5-9x EBIT to 30 or 40x EBIT — they trade like tech stocks now. The value case for the franchise names, is harder, so you kind of have to get more involved in the cigar butts if you want to do value investing in Japan, in my opinion anyway. That's why I'm a little uncomfortable. You start wading into the weeds with management teams that don't really care about shareholders that much. They sit on a ton of cash, so it's been difficult to find, from a bottom-up perspective, a lot to do there. Keep in mind also that over the last 10-15 years, that economy has gone from these growth cycles of two or three years where it gets 2-3% annualized GDP and then suddenly they hit a recession. They've been growing now for three years, I'm not predicting it, but I guess they are due for a slowdown again. The stock market really hasn't priced that in at all. They're pricing in peak earnings still. We're cautious, we're very lightly exposed to Japan, in any case, not because of these macro or top-down comments, but more because of the reasons I mentioned earlier. In fact, that's one point of differentiation between us and the index or most of our peers, we're maybe 7% in Japan and depending on the MSCI EAFE index it's multiples of that versus our International Fund. This has changed a lot from where I was maybe eight, nine years ago.

**PHIL SANTOPADRE:** OK, great. Thanks, Abhay. Another question, this one is in regard to the team. Great to hear you're adding to the investment team. Can you explain how the team will be structured in terms of coverage?

**ABHAY DESHPANDE:** Sure, yes. I've learned from my previous experience when we were a very small team that it's hard to separate industries between two people. What we basically did was just call them "clean hands" and "dirty hands" industries. Dirty hands being manufacturing, clean hands being retail, food and beverage that kind of stuff. With two, that's how we split the portfolio. With three analysts of course then we have to start doing it more by industry. The team got together and figured out where their strengths are, where their weaknesses were and then divvied up industries along the lines of clean hands and dirty hands. But there's this big grey area in between companies that could be either. We've been able to parse out the portfolio so that it's covered roughly 1/3 each, by each of the analysts.

**PHIL SANTOPADRE:** OK. Thank you, Abhay. Another question, last time we spoke you mentioned your preference for non-US stocks versus US due to valuations. Where does that stand today?

**ABHAY DESHPANDE:** Actually that's a good question because I mentioned our international stocks were up 27%, so it sounds huge and I guess the question in a potential investor's mind would be — is it too late? When I mentioned the preference for non-US stocks, I mentioned it as a longer-term preference. Even though the international indices are up 25%, keep in mind that roughly half of that is foreign currency. Local currency stock performance is maybe 13-15% this year. It's still a good year, but more or less tracking the increases in intrinsic value, so in a sense, the value case is still intact. Yes, it's still a good time to invest in the International or Investors Fund, but keep in mind I'm thinking about it from a five to seven-year view. In fact, right now we recently bought two or three foreign names including Ahold.

**PHIL SANTOPADRE:** Thank you. Next question, I'm reading a lot about emerging markets lately, do you see opportunities here and plan to invest more?

**ABHAY DESHPANDE:** We are sort of limited in terms of where in emerging markets we will invest because for us it's really more about return *of* capital than return *on* capital. In that sense, you won't find us really directly investing in Russia or China or in many of these other countries. What I find in some of the other countries is just that the institutional structures aren't sufficient enough. So, we're kind of limited to where we invest. When we do it's typically where we have some sort of sponsor who has a good history of minority protection. Or if they did asset shuffling they would hurt themselves as well so then we're more comfortable that way. For instance, we own CCU[3] which is the largest beer company in Chile where Heineken essentially owns half. We're investors in Bangkok Bank[4] which is one of the better-managed companies in Thailand. We own Siam City Cement[5] where we have another group that is part of the ownership base, so we're not too concerned about asset shuffling. Those are types of markets we'll invest in, but really, we need that double protection.

**PHIL SANTOPADRE:** OK, great. And here's another question, how many names do you currently have on-deck?

**ABHAY DESHPANDE:** Sure yes, I mentioned it's important to have a wish list and we have a good 10 or 15 maybe 20. I put some of them on the wish list and the price would have to probably drop more than just 10 or 15%. But there are a couple of others that we've placed on the watch list that is within range, within 10 or 15%. That's probably a dozen right there and that's growing.

**PHIL SANTOPADRE:** Thank you, Abhay. I still see more questions in the queue, we'll take one more question to be mindful of everyone's time and follow-up individually with any unanswered questions that we haven't gotten to. Here's the last question — Any changes to your view on gold?

**ABHAY DESHPANDE:** If you look at our portfolio, you see gold as our largest non-treasury holding and it's not that we have this love of gold or what have you. It's because we have 25-30% essentially not invested in equities depending on the Fund. I think of gold as a hedge against dollar weakness (dollar risk), so if we're going to have that much in cash essentially, some of that I've put into gold as a way to potentially help protect if the dollar were to suddenly weaken since most of our, if not all of our investor base, is US dollar based.

[3] 1.01% position in the Centerstone Investors Fund and 1.56% position in the Centerstone International Fund as of September 30, 2017.

[4] 0.79% position in the Centerstone Investors Fund and 1.22% position in the Centerstone International Fund as of September 30, 2017.

[5] 1.14% position in the Centerstone Investors Fund and 1.63% position in the Centerstone International Fund as of September 30, 2017.

I don't have a view or a forecast for the price of gold — it's really there as potential protection just in case. Our margin of safety approach for individual securities helps to hopefully reduce risk on the equity side and then hopefully the gold can reduce our dollar risk, while we hold this cash. The answer is no, I have not changed my view on gold.

PHIL SANTOPADRE: Thanks, Abhay. This concludes the Q&A portion of our webcast. On behalf of all of us at Centerstone, we want to thank you for your time and participation. A replay and transcript will be available on our website at www.centerstoneinv.com. I encourage you to visit our website for additional resources as well. If you have additional questions, please reach out to your sales contact or call us at 212.503.5790. Happy Holidays and Happy New Year!

Now for some brief legal disclosures: The Centerstone Funds are new and have a limited history of operation. An investment in the Funds entails risk including possible loss of principal. There can be no assurance that the Funds will achieve their investment objective.

Investments in foreign securities could subject the Funds to greater risks including, currency fluctuation, economic conditions, and different governmental and accounting standards. Foreign common stocks and currency strategies will subject the Funds to currency trading risks that include market risk, credit risk and country risk. The Funds use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. There can be no assurance that the Funds hedging strategy will reduce risk or that hedging transactions will be either available or cost-effective.

Domestic economic growth and market conditions, interest rate levels, and political events are among the factors affecting the securities markets in which the Funds invest.

Value investing involves buying stocks that are out of favor and/or undervalued in comparison to their peers or their prospects for growth. There is a risk that issuers and counterparties will not make payments on securities and other investments held by the Funds, resulting in losses to the Funds.

In general, a rise in interest rates causes a decline in the value of fixed income securities owned by the Funds. The Funds may invest, directly or indirectly, in "junk bonds." Such securities are speculative investments that carry greater risks than higher quality debt securities.

Large-Cap Company Risk is the risk that established companies may be unable to respond quickly to new competitive challenges such as changes in consumer tastes or innovative smaller competitors. Investments in lesser-known, small and medium capitalization companies may be more vulnerable than larger, more established organizations.

***Investors should carefully consider the investment objectives, risks, charges and expenses of the Centerstone Funds. This and other important information about the Funds are contained in the prospectus, which can be obtained by calling 877.314.9006. The prospectus should be read carefully before investing. The Centerstone Funds are distributed by Northern Lights Distributors, LLC, Member FINRA/SIPC.***

***Centerstone Investors, LLC is not affiliated with Northern Lights Distributors, LLC.***

Once again thank you for participating, this concludes our webcast, you may disconnect your phones at this time. Thank you.

END

Edited for clarity.

## CENTERSTONE INVESTORS FUND

### PERFORMANCE AS OF NOVEMBER 30, 2017

| | | 1 Year | | Since Inception* | |
|---|---|---|---|---|---|
| | YTD | As of 9/30/17 | As of 11/30/17 | As of 9/30/17 | As of 11/30/17 |
| Class I (CENTX) | 12.04% | 9.03% | 13.69% | 9.91% | 9.91% |
| Class A (CETAX) | 11.66% | 8.70% | 13.37% | 9.60% | 9.57% |
| Class A (CETAX) with Sale Charge** | 6.09% | 3.28% | 7.66% | 5.66% | 6.05% |
| Class C (CENNX) | 10.99% | 7.95% | 12.61% | 9.14% | 9.11% |
| MSCI ACWI Index | 22.01% | 18.65% | 24.64% | 17.41% | 18.38% |
| MSCI World Index | 20.77% | 18.17% | 23.66% | 16.53% | 17.61% |

*Inception: May 3, 2016

**Returns for Class A shares include a maximum sales charge of 5.00%.

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 advisor has contractually agreed to reduce its fees and/or absorb expenses of the Fund, at least until March 31, 2019, to ensure that the net annual Fund operating expenses will not exceed 1.35%, 2.10% and 1.10% of the Investors Fund's average net assets, for Class A, Class C and Class I shares, respectively, subject to possible recoupment from the Fund in future years. Without these waivers, the Fund's total annual operating expenses including acquired fund fees of 0.03%, would be 2.58%, 3.89% and 2.45% 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 877.314.9006. Investors are not able to invest directly in the indices referenced in the illustration above and unmanaged index returns do not reflect any fees, expenses or sales charges. Definitions for the indices can be found on page 15.

## CENTERSTONE INTERNATIONAL FUND

### PERFORMANCE AS OF NOVEMBER 30, 2017

| | | 1 Year | | Since Inception* | |
|---|---|---|---|---|---|
| | YTD | As of 9/30/17 | As of 11/30/17 | As of 9/30/17 | As of 11/30/17 |
| Class I (CINTX) | 17.92% | 13.58% | 20.24% | 13.60% | 13.03% |
| Class A (CSIAX) | 17.61% | 13.33% | 19.87% | 13.43% | 12.88% |
| Class A (CSIAX) with Sale Charge** | 11.71% | 7.71% | 13.89% | 9.35% | 9.24% |
| Class C (CSINX) | 16.85% | 12.61% | 19.03% | 12.91% | 12.31% |
| MSCI ACWI ex-US Index | 24.41% | 19.61% | 27.59% | 17.75% | 17.71% |
| MSCI EAFE Index | 23.06% | 19.10% | 27.27% | 15.88% | 15.95% |

*Inception: May 3, 2016

**Returns for Class A shares include a maximum sales charge of 5.00%.

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 advisor has contractually agreed to reduce its fees and/or absorb expenses of the Fund, at least until March 31, 2019, to ensure that the net annual Fund operating expenses will not exceed 1.35%, 2.10% and 1.10% of the International Fund's average net assets, for Class A, Class C and Class I shares, respectively, subject to possible recoupment from the Fund in future years. Without these waivers, the Fund's total annual operating expenses, including acquired fund fees of 0.02%, would be 3.19%, 3.92% and 2.93% 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 877.314.9006. Investors are not able to invest directly in the indices referenced in the illustration above and unmanaged index returns do not reflect any fees, expenses or sales charges. Definitions for the indices can be found on page 15.

The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The index is not available for direct investment.

The MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The index is not available for direct investment.

The MSCI ACWI ex-US Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed and emerging markets, excluding the US. The index is not available for direct investment.

The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the market performance of developed markets, excluding the US & Canada. The index is not available for direct investment.

All indices above provide total returns in US dollars with net dividends reinvested.

The Standard & Poor's 500 Index is a widely recognized unmanaged index including a representative sample of 500 leading companies in leading sectors of the US economy and is not available for purchase. Although the Standard & Poor's 500 Index focuses on the large-cap segment of the market, with approximately 80% coverage of US equities, it is also considered a proxy for the total market.

OEX S&P 100 Index Options underlying is the Standard & Poor's 100 Index which is a capitalization-weighted index of 100 stocks from a broad range of industries. The component stocks are weighted according to the total market value of their outstanding shares. The impact of a component's price change is proportional to the issue's total market value, which is the share price times the number of shares outstanding. These are summed for all 100 stocks and divided by a predetermined base value. The base value for the S&P 100 Index is adjusted to reflect changes in capitalization resulting from mergers, acquisitions, stock rights, substitutions, etc.

The S&P SmallCap 600 Index measures the small-cap segment of the US equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable.

Russell 3000 Growth Index includes companies that display signs of above average growth. The index is used to provide a gauge of the performance of growth stocks in the US. Russell Investments screens for the largest 3000 US common stocks and these companies form the Russell 3000 Index. The top 1000 stocks in this screen become the Russell 1000, and the next 2000 forms the Russell 2000 Index. Combined, the Russell 1000 and Russell 2000 equal the Russell 3000. No pink sheets, bulletin board stocks, foreign stocks, or American Depository Receipts (ADRs) are included in these Indexes.

S&P 500 Value Index measures value stocks using three factors: the ratios of book value, earnings, and sales to price. S&P Style Indices divide the complete market capitalization of each parent index into growth and value segments. Constituents are drawn from the S&P 500 Index.

You cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges.

The price to earnings ratio (P/E Ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings.

5000-NLD-01/02/2018