CENTERSTONE INVESTORS

CENTERSTONE INVESTORS FUND

CLASS I	CLASS A	CLASS C
CENTX	CETAX	CENNX

CENTERSTONE INTERNATIONAL FUND

CLASS I	CLASS A	CLASS C
CINTX	CSIAX	CSINX

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DECEMBER 12, 2018

CENTERSTONE INVESTORS SEMI-ANNUAL WEBCAST & CONFERENCE CALL TRANSCRIPT

OPERATOR: Good day ladies and gentlemen and welcome to today's webcast entitled Centerstone Investors Semi-Annual Webcast & Conference Call. If you would like to ask a question during the webcast, you may do so by clicking the ask a question button located below the presentation. Simply type your question in the box and hit send. At this time, it is my pleasure to turn the floor over to your host, Phil Santopadre. Sir, the floor is yours.

PHIL SANTOPADRE: Thank you. Good afternoon and welcome to 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 are 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 are 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-emailed questions. One thing to note, as we continue with the presentation, we may not follow the exact ordering of our slides, as they are meant to be a general guide. You can download the slides at any time during this webcast by clicking on the tab entitled "materials."

Before we begin, I would like to give a brief update on our Firm and the Funds. Centerstone is a boutique, global value investing shop where employees own 100% of the Advisor. All employees have also independently invested in the Funds, which makes up eight figures. Needless to say, we are fully committed to you: our shareholders. We offer 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 approximately $550 million in total assets, with approximately two-thirds of that in the Investors Fund and the rest in the International Fund.

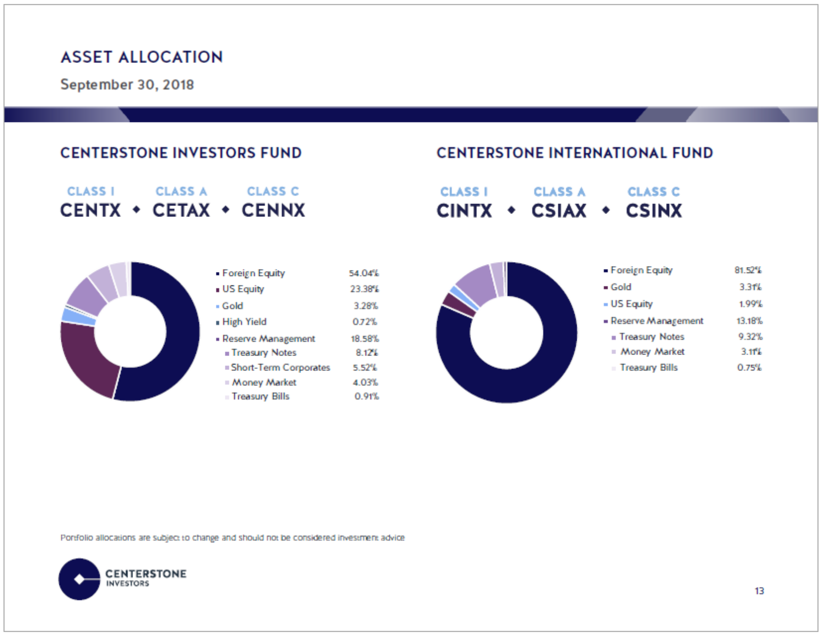
It has been a volatile year in the markets, to say the least. However, as you will hear from Abhay, this has created quite a bit of opportunities for us. Performance figures can be found in the slide deck presentation on pages 3 and 4. Please review them at your convenience. Abhay will also touch on 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 do not have an official tax efficient mandate here at Centerstone, we do take a proactive approach to mitigate tax liabilities where it makes sense to do so. The Centerstone Investors Fund class I shares (CENTX) distributed a little over 35 cents a share in ordinary income and capital gains, while the Centerstone International Fund class I (CINTX) shares distributed about 39 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 hello everyone. Welcome to Centerstone's Semi-Annual call. As always just to echo Phil, thanks for your trust in us and also this year, especially your patience. The best I can really say about this year is, that it is almost over.

First things first, before I get into more of a deep dive on our performance and review of the year and half year, a quick review of our operating principles on page 5. We are long-term investors, primarily in equities with an absolute value approach. We focus on intrinsic values and we can in the absence of a sufficient margin of safety hold cash and gold. Finally, we are global investors and often have substantial exposure to non-US markets.



On that note, ever since we launched the Funds in 2016, I have been very upfront about our views on non-US markets and their potential. Our allocations bear that out where we have contrary exposures to US and non-US markets compared to our typical competitor. Our non-US exposure has been roughly double our US exposure since the launch of the Investors Fund in 2016. My view was that non-US earnings had never really recovered from the financial crisis and as a result stocks had not moved much in 10 years, therefore international valuations were possibly too low and earnings latency would possibly recover and with that stock prices. I thought then and still think that non-US markets should have superior returns to US equities, but I have as always cautioned that I am talking about a period of 5-7 years—a market cycle and that not every single year will international outperform, clearly this is that year.

In fact, starting in 2016, our indication from businesses throughout the world was that earnings were on a recovery track. This was the basis of our two pieces from late 2016 and early 2017 titled simply *Why International?* and *Why International? – Part II*. 2017s returns supported our view but now that the market has reclaimed almost half of our 2017 returns in 2018, we obviously need to review our assumptions. As far as earnings prospects are concerned, very few of our companies suggest that their earnings are at great risk. Generally, the only ones who have flagged earnings risks are more cyclical companies, which we just started buying. That is normal as we are usually buying when prospects are bleak and usually stocks have already discounted much of what they are concerned about. The difference in time horizon between us and the market usually is the main source of our ideas.

The real question is whether or not there is a calamity in front of us that would impair intrinsic values, across the board. There is also some good news—we do not see anything like that, there are plenty of risks to be concerned about which we will go into, but as of now, it does not seem to be that there is a financial crisis event in front of us.

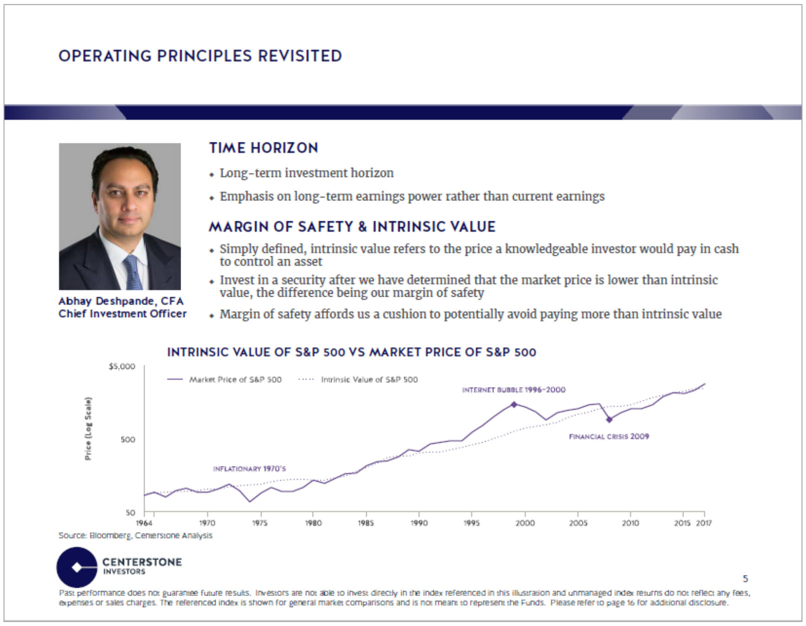
But in any case, non-US stocks, in looking at the MSCI ACWI ex-US index, for instance, non-US stock prices have already declined about 20% from their peaks this year. Even Centerstone's International Fund is down 14% from its January peak. Granted a little better than the indexes but it is still a reflection of how difficult this year has been—I will get into a little bit more shortly. One could argue that non-US equities have sufficiently discounted most of the macro risks out there, other than an outright Brexit[1] crash out of the EU, which we will talk about. In short, I think our case for non-US market outperformance over the next 5-7 years is intact but clearly, a little tarnished and it needs to reestablish and kind of prove itself more. As a result, I think that non-US equities are just simply priced too low here, on a normalized earnings basis the MSCI EAFE index trades for around 10x earnings now. That is versus roughly 18x for the United States for the S&P 500 where earnings are basically at trend. I think that earnings outside the US are still reverting back to trend line so that the difference between valuation in international versus US is just as large as I have ever seen it. I am not guaranteeing a certain outcome, but at least I know I am not overpaying.

Moving on to just some notes on our performance this year. I do not know if you all remember, we were all talking about how low volatility was this time last year and how little downside there was. Well, this has been a complete opposite to last year. The past few months, in particular, have been rough with growth scares in the technology sector, interest rate-related concerns, all with this ever-present backdrop of geopolitical noise, trade war, Eurozone threats, and, of course, Brexit.

The Centerstone Funds' returns were negatively impacted by the year's swings but generally are more or less within our expectations. For example, when measuring performance from the peak of equities in late January through so far, the lows in December, both Funds generally held up better than the equity indexes. That is kind of what I flagged to expect over time, not every period, but in general, since we are investing in less risky businesses, I would imagine that the volatility should be less. But as I will get into in a moment, we are getting more fully invested and the Funds can be a little bit more volatile.

As far as US stocks are concerned, we cannot predict what the New Year will bring but at least the US market is now less overvalued than this time last year (back to page 5). We suggested that the S&P 500 was as much as 15% overvalued if you were to apply our intrinsic value methodology to the S&P 500. Even after this year, US equities seem to be about 10% overvalued—within the margin of error. Fluctuations of 5-10% around intrinsic value are not unusual if you look back at that chart. It is possible that equities could continue to decline even without a recession as it gets more to fair value.

[1] Brexit is an abbreviation of "British exit" which refers to the June 23, 2016 referendum by British voters to exit the European Union



Stocks could also go nowhere for a year and solve the problem. The point is, you do not have to have another huge decline like you did in 2007, 2008 and 2009 to correct for valuation. I am not expecting that but, in any case, it should not be a reason to panic and we just see very little support for most bearish views out there.

Moving on to our portfolios, so how have we reacted this year? Pretty much the same as always. It is finally getting to be fun again. We added about nine new positions in the past several months. This was the most active I remember being since the summer of 2011 when I was at the First Eagle Funds and that was the year when I began to reorient the Funds towards technology names and more into the United States. And here at Centerstone, it is interesting, we started to buy more US names. There have been several that we bought these last few months, one of which I will talk about later, others as soon as we can talk about it, we will educate you on them. The opportunity set has broadened from just international as including the United States now. So clearly, the year's volatility has been annoying, but it has allowed us to deploy more of our reserves.

We began the year with approximately 26% and 20% in cash for the Investors Fund and International Fund, respectively. As of today, the Investors Fund is at 15% cash and the International Fund is down to 11% cash from the beginning of the year. This counter-cyclical behavior is normal for us, meaning our cash will go up as valuations go up and vice versa. It is a function of the intrinsic value-based approach that we have and that we practice. In other words, provided the intrinsic values have not been impaired, we will typically be more aggressive buyers as stock prices decline. As a discount scenario, as I mentioned our reserves will usually follow. That said, our currently reduced ballast in the form of cash and gold obviously will now expose us to more of the market's volatility.

In the first part of the year, both Funds held up a lot better than they are now and it is not because we have changed anything—it is because we are doing our jobs. We are putting the cash to work into, I believe, very attractively priced securities. In a way, we are very thankful to have been served some opportunities this year. It is just very important to note because although we are known for managing risk and holding cash sometimes, there have been times in the past that I have been fully invested as well. That is entirely consistent with the past. Although, sometimes I wonder if the past is keeping me overly cautious. I was just thinking, it has been 10 years since the Lehman era. Going back to the financial crisis, I started managing my previous funds at First Eagle in 2007 along with my co-manager/mentor at the time Jean-Marie Eveillard, who is now retired.

In 2007, I started with 20% cash and as the volatility exploded in 2008, Jean-Marie and I started putting the cash to work getting it down to around 7% if I remember, by December 2008, so we put lots to work. Then equities fell another 25% in the first part of 2009. We finally got fully invested by March and my peak-to-trough loss was much better than average, but it could have been better if I had just gone a little more slowly. I still remember Jean-Marie at the time saying to me, "Abhay, we got too invested too quickly." Who knows, maybe I am being too cautious because of that.

Moving onto big picture items and down to small picture items. One thing we wrote about in last year's Q4 commentary *Idiosyncratic Portfolios* was the growing evidence of growth in various parts of the world decoupling from that synchronized global growth upswing we were enjoying from 2016-2017. Indeed, as this year has progressed it became apparent that this divergence in global growth has intensified as the slowdown in China started to take hold and spread to Europe, even as the US economy kept firm on the back of the fracking revolution and also the effects of the tax cuts.

It looks like now anyway, we have gone through that phase of convergence and now, I think we are back to the pre-Trump path of just muddling through the world's challenges and two of the bigger threats to that would be Brexit and the Federal Reserve potentially committing a policy mistake by raising interest rates too high. I think that the market volatility here in the interest rate markets is probably sending a signal that maybe they are pushing the envelope, pushing the edge.

Beyond that, as I mentioned before, another more immediate challenge for global markets is the upcoming separation of the UK from the EU, i.e., Brexit. On that note, I recently went on a research trip to the UK, mostly London, to get a better handle on this issue. I spent several days there learning about Brexit by speaking to everyone from cab drivers and bellhops to real estate developers, entrepreneurs and CEOs. As context, I really assumed that after the Brexit vote in 2016 that “cooler heads would prevail” because it is in no one's interest for this to turn into a “hard Brexit” as we call it. But it became abundantly clear to me after learning more about the intractable Irish-border issue that there is almost no clear and safe path forward.

This brings up the possibility of contagion effects spilling into Europe and possibly the US as the Federal Reserve is again needed as “lender of last resort.” Would that take liquidity out of the US markets? I think that it is a risk to be concerned about and we will see how it goes. Seemingly far away from all this, the scene on the ground in London is surreal. There is beautiful weather, bustling streets, busy restaurants—it is like waiting for a hurricane, you know it is coming, you have plenty of warning but the days leading up to it are inevitably the fairest days in recent memory and you can easily be lulled into a false sense of safety. In any case, let us not be lulled into a false sense of safety and assume that "cooler heads will prevail." Let us add Brexit to the top of the list of worries for 2019, maybe the top risk factor for 2019, early part of it.

On the flip side, the most dangerous sign of speculation from last year seems to have already resolved itself and that is Bitcoin. We wrote in our 4Q commentary *Idiosyncratic Portfolios* this time last year about the major bubbles and Bitcoin's, in particular. We compared the Bitcoin bubble to the late 1990s internet bubble and noted that Bitcoin's rise was far more meteoric than that of the internet stocks back then. We also explained our mining analogy to suggest that Bitcoin's price could decline by 80% to $3,000. In fact, the price fell to $3,200 a few days ago. I am still unclear on the ultimate path, but one of the lessons from investing in gold in the 1990s is that with above ground reserves equal to 50 or more times that of annual mining output, it is investment demand that governs the price as much as mining costs, even more so than mining costs. This is very different than coal mining or even agricultural commodities where the commodity is consumed every year. In that case, the equilibrium price tends to have a direct relationship with the cost of extraction, but similar to gold, Bitcoin's production is only equal to roughly 3% of its above already mined coin value out there. Even though the price of Bitcoin fell through our estimate of its cost of mining, it may be a while before investment demand is robust enough to stabilize the price. In any event, the case for Bitcoin as an alternate currency has been seriously tarnished, if not made completely unlikely and hopefully, therefore, I do not have to talk about this again for at least 10 years.

Not as bad as the crash in Bitcoin is the drubbing taken by many Chinese stocks this year. I learned many years ago to stay away from US-listed Chinese small caps. I am not exaggerating when I say that many of them were barely concealed money laundering vehicles, but there are also many very successful large cap Chinese companies which I would have thought safely passed the scrutiny of Wall Street. But then again, I was reminded that Lehman Brothers and Enron also passed the scrutiny of Wall Street. I mention this because I looked into Alibaba this quarter since it had a big drawdown. I was excited about potentially owning a large, growing tech company at a reasonable price that was not called Facebook. However, I was surprised to find a laundry list of red flags.

For starters, I am unclear as to what a shareholder even owns here. The listed stock basically represents interests in contracts with local Chinese companies which are not actual subsidiaries, but so-called Variable Interest Entities ("VIEs"). If that term sounds familiar, those are the vehicles that featured prominently in Enron's accounting. They are quantum particles of accounting, able to represent two different things to do two different people at the same time. From US regulators perspective, the vehicles represent control and therefore can be seen as "owned" by Alibaba shareholders. From the perspective of Chinese regulators who do not even allow foreign control of most of Alibaba's subsidiaries, their agreement with the VIE structure is a de facto acknowledgment from the Chinese that Alibaba shareholders "own" nothing or in the words of TenCent Music which IPOed today, "The shareholders of our VIEs may not act in the best interests of our company or may not perform their obligations under these contracts." By the way, this apparently is a common structure for these foreign-listed Chinese companies. For Alibaba, the intellectual capital of the company is controlled by the Founder, Jack Ma, and unnamed local Chinese shareholders, most likely party members through the VIE structure. A reading of the company's annual filing (the risk section) will point all this out.

Beyond the question of what shareholders actually own, there was a curious transaction earlier this year in which the company repurchased a large stake in Alipay, which is sort of like the PayPal of China. Reportedly it was a zero-cost transaction, but according to reports, hidden in the filings, is a disclosure which suggests that they actually paid a small group of people $2 billion in cash for the Alipay stake but no real disclosure as to who. Shortly afterward, the Chairman and Founder of Alibaba announced his retirement. There seems to be a common theme among some of these large cap Chinese technology/surveillance companies. I think their sheer size is becoming a problem for the Party and they will be either reined in or turned into Party subsidiaries. I think that is basically what is happening now. They have the means and perhaps now the need to do so. Recently in fact, Alibaba Chairman, Jack Ma, was vetted for his apparently new position as Party member—buyer beware.

Finally, before I talk about a couple of holdings, I have some advice with all this volatility around us. It might sound self-serving but it has served us well over the years. First, turn off the TV (except for anything of course food and sports-related). News drives sentiment, which drives news. It is a vicious cycle which ends as suddenly as it begins and it happens everywhere. I was in Dallas a few months ago as the Cowboys were getting pilloried in the press for their uninspiring first several games. The local press was calling for a top-to-bottom reboot of the entire organization, an example of the contagious link between sentiment and the news cycle. Then the Cowboys went on an epic winning streak which included a win over the top-ranked team in the county, then over last year's Superbowl champion ending with them basically securing the NFC East title, so suddenly the news cycle broke.

In the markets, when something happens to break the negative spell, there is suddenly a rush to cheap, discarded assets as people start to focus on the intrinsic values of these things. In stock market parlance, if the Cowboys were a stock, they would have fallen on worried speculation about the future and then recovered strongly as the franchise's intrinsic value reasserted itself. We have little doubt that this same pattern will play out with global equities at some point. Eventually, prices enter the orbit of intrinsic values and they are so detached from intrinsic values in many cases right now that that is where we think the opportunity is.

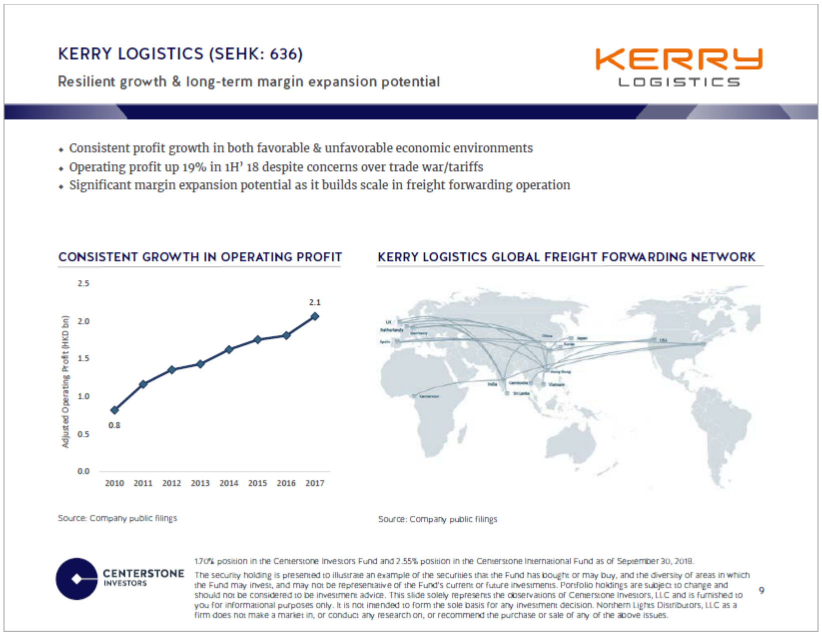
Generally speaking, Centerstone Funds' holdings intrinsic values have been stable or growing in recent years. In fact, the recent declines in most of our stocks have not been reflected in lower business values at all and are hard to justify in the absence of impairments to long run earnings power.

Here are a couple of examples. If you go to the page for Kerry Logistics[2] (page 8), this is not a company we just bought, but we bought more of because it went through one of these

[2] 1.70% position in the Centerstone Investors Fund and 2.55% position in the Centerstone International Fund as of September 30,2018.

like Dallas Cowboys things where the stock went down 20%. It failed to really represent what the business intrinsic value was and how strong they are in the current trade environment. Kerry is a Hong Kong-listed integrated logistics company. It is an end-to-end supplier of logistics from warehouses, freight forwarding, contract logistics, all the supply chain solutions and they are focused on multinational corporations in Asia. They built out a network of warehouses along what is called the China Belt and Road Initiative, so warehouses that are very modern that serve trade links that were to be parallel with China's ambitions to increase its trade throughout Southeast Asia and into Europe.

Ironically, with all the trade disruption talk with the Chinese and the United States, people are already reorienting their trade routes and Kerry Logistics with a massive amount of capacity, unused because it is new, is benefiting. In fact, last quarter their revenues were up almost 25%. If you flip to page number 9, you will see how their network is global, but it is very Asia-centric and that their operating profit continues to increase as they become more and more efficient in their use of their brand-new warehouses and facilities that they built along the Belt and Road Initiative.

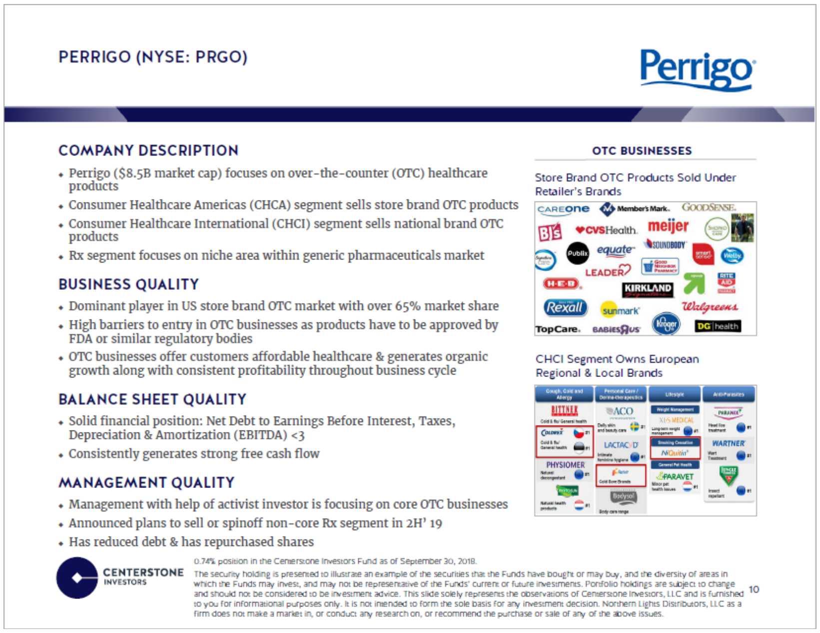


The balance sheet is very, very strong. The business is very strong I believe and the management team is very good. We get all of this for 12x earnings. It even has a 2% yield. Part of the reason that it is cheap, I think it is misunderstood as a victim of this trade war talk, but so far it has been pretty good for them. But it is $3 billion market cap, not that big and only a third of it is a free float, maybe because their parent company owns two-thirds of it, so there may be only $1 billion of float, it is not the biggest thing in the world.

It is an example of a company that we feel got unfairly punished due to just the opinions of everyone regarding all this trade war talk. We believe the fundamentals of the stock remain strong and they ultimately could benefit from the trade war, potentially leading to a recovery.

The other example, if you switch to page 10 is of a US company that we just purchased. This is a newer company, whereas Kerry Logistics we have owned for a couple of years and we just bought a lot more of when it got hit. Perrigo[3] is new. The stock is probably unknown to most of you, but almost all of you probably use some of their products. As you can see on the right-hand side of the page, all the different brands that they sell through. Basically, they have three different businesses, one they sell store brand or private label over the counter products. Over the counter meaning like aspirins or cough syrups and they will just take the chemical compound instead of Tylenol, create the packaging for it, they will service the whole thing, run the inventory etc. Because it is so well-run and it is very integrated, it is also very dominant. They have about 65% market share in that part of the business. They also do something similar internationally but more with national brands, not store brands because in Europe for instance, most of these pharmacies are owned by mom and pops—they are not huge chains. The final business which has been the source of many of their problems is a niche, producer of generic pharmaceuticals and that business is very volatile. It is very specialized and it is for sale.

[3] 0.74% position in the Centerstone Investors Fund as of September 30, 2018.



They had a couple of activist investors come in to get them to focus on the core businesses and they have said that they are looking to either sell or spin off this segment in the second half of next year. Without that business, then we have the core two segments that I described—the OTC and the international brand company per segment. Those two businesses are worth well over the current stock price. Just to give you some perspective, the stock peaked around $200 in 2015 and it is currently trading for roughly $60.

That is the interesting thing about this year, is that we have found several things like this in the United States that have some really good businesses, but then maybe there are one or two things masking things and I am excited to talk about more of them in the next couple of months or as soon as we can. Like I said, a lot of that action happened just in the last month or two and we are still sitting here with some cash. I would not mind more volatility and as I mentioned, however, that could lead to more swinging around. I would rather own stock than cash at 1% or 2%.

We are plugging ahead and hopefully this time next year we will have positive things to say about all of our activity we have done this year. Phil, that is it for me. I want to, again, thank everyone for attending. If there are other questions that I do not get to please just follow-up with Ash, Sean, Mike or Rob and we will get to it right away. Thanks.

PHIL SANTOPADRE: Great. Thanks, Abhay. I see several questions lined up in the queue. Feel free to continue to send in more via the chat box on your screens and we will do our best to answer them all. If we do not get to you, we will follow-up after the webcast.

Here is the first question, Abhay, do you think there is going to be a recession in Q1?

ABHAY DESHPANDE: We have zero indication of that happening. I think the common signals that people are looking at, the one thing, in particular, is the yield curve and while it is true that the spread between the 2 and 10 year is getting down to close to zero now, usually there is a lead time of anywhere from 1, 2 or 3 years. I am not really concerned about that for next quarter, but we will be on the watch. We are coming off of Trump tax cut highs and maybe the peak of the benefit of a fracking "revolution" so those influences on economic activity are probably going to reverse or lighten. If it is not a recession, then we could go into a growth recession, I guess you can call it that, where you just have reduced growth rates and that is kind of what I see for now, but we do have to be on top of this but as of now, our companies are indicating that things are okay.

PHIL SANTOPADRE: Thanks, Abhay. Here is the next question, I heard you on Bloomberg recently mention that the Euro economy is starting to weaken. Can you expand on that a bit?

ABHAY DESHPANDE: Yes, maybe weaken is a wrong description, soften maybe is a better word. If you look at the numbers coming up, I think it was being more or less led by Germany and its role in the industrial cycle which has rolled over. Their overall numbers, if you look at the macro numbers for Europe, they have been ticking down quarter-over-quarter and that is what I was referring to. I should have used the word soften and not weaken. Weaken sort of implies that the whole economy is about to turnover. In any event, it is really about company earnings. It is very company specific, many companies that we own in Europe are really global franchises. There are some that are very local, but they tend to be in Sweden and Denmark and basically northern Europe. Most of the companies that we own in France, Germany Switzerland are multinationals and I am more just looking at global earnings as they see them. No one is really flagging Europe as a major problem other than Germany. I saw a report today that suggested that Italy is in trouble in all of this. It is just hard to disaggregate sometimes some of these macro numbers. They are so generalized, but yes, that is what I meant. I just figured that the macro numbers are ticking down.

PHIL SANTOPADRE: Next question, are you adding to your fixed income allocations?

ABHAY DESHPANDE: Well, not really. We have been selling bonds to buy stock. When I say we had cash of 25%, that included some short-term bonds. We have actually been reducing our exposure to Treasuries and buying more equities, with some exceptions.

We own a bond of a company called PHI[4]. It is a helicopter company which is more than likely going to go into bankruptcy. We have been buying here and there at discounts. We have also been in the market for high grade, high quality bonds and they have been pretty illiquid and there has been a sort of recovery in those bond yields. Given enough weakness, of course, we would entertain buying more bonds, but as it stands, we are finding much more value in equity markets.

[4] 0.63% position in the Centerstone Investors Fund as of September 30, 2018.

PHIL SANTOPADRE: Thank you. Here is another question and this question actually came through email earlier today. I know you focus on quality stocks but these China talks, tariff threats and Brexit really seems to affect the global markets. Is it still just noise or is there a macro risk to individual stocks?

ABHAY DESHPANDE: I think the trend for US stocks and really for a lot of global stocks has been set by the Federal Reserve. When yields reached 1.75-2% they became very, very competitive with what it looks like intrinsic value might do next year. You know you had a big bump this year in earnings in the US and it looks like even S&P 500 analysts are projecting 4-5% growth next year.

When you have yields of 3-4% that is very, very competitive and I think that is really setting the tone for the market, but at least the trend for it. On a day-to-day basis, yes, the tweets, etc. are introducing or magnifying the volatility that would occur within that trending down market. It does not help but that is not the primary reason why stocks are going down. We have had all kinds of problems and issues for the last 10 years and stocks have just gone straight up and it is because there was no competition and now there is. I think that is the bulk of it.

The macro risk, as I mentioned, is probably Brexit. At least we will have some end game hopefully in front of us in the next few weeks, we will see. If you just forget about the stock market, everything else just seems kind of normal.

PHIL SANTOPADRE: Abhay, here is another question that came from through the queue. Are you seeing more or less opportunity in emerging markets due to wild swings in mature global markets?

ABHAY DESHPANDE: Yes, we did. There has been a bit of a recovery in some of these names and we are still buying. The thing about emerging markets is that some of the ones that were hit the hardest we are typically not investors there, like in Turkey, Argentina, Brazil, although we will make exceptions and we have. For the most part, our emerging market exposure is in Asia and there has been a lot of volatility there, but most of that was earlier, like in the summer, there has been some recovery since then. We did find a few things. We are not emerging market specialists. We do not have to be invested there, but for that reason, we tend to not lower our standards and because we do not lower our standards, there are not that many things we are going to buy in emerging markets.

We tend to get our exposure indirectly through companies that we own in developed markets like Nestle for instance. That is my view on emerging markets. There are opportunities, we are looking. We bought a few things and that is one of the reasons our cash is down.

PHIL SANTOPADRE: A follow-up with an emerging market themed kind of question here, how much currency risk is there to emerging markets or even UK and Euro?

ABHAY DESHPANDE: Well clearly there is much less currency risk now that the Argentina peso is down 50%. It seems to me that as soon as it is clear that the Federal Reserve is done, I think that should reverse. The foreign currency should probably strengthen and the growth prospects are just much more positive in Asia. I think there is a big concern of the amount of leverage in the system globally and including in the emerging markets. Roughly 11% of the debt that has been issued by emerging markets are external debt that the governments have to worry about and that is a big number. I think Asians 20 years ago when they went through the financial crisis—it was a huge generational wake-up call so I think they have learned. It seems like they learned how to term out the balance sheets and where to borrow and not to mismatch your assets and liabilities in terms of currency exposure. With this latest volatility, we saw almost no follow through in the financial sector like in Indonesia or Thailand, etc. I think the market probably has just not figured it out, but times have moved on. These are wholly different countries now, very much developed, well beyond what they were 20 years ago. Of course, there are exceptions as we have seen this year but for the most part, I think the long run from here is that emerging market currencies should start to reverse and strengthen.

PHIL SANTOPADRE: I still see more questions in the queue. We will take one more question to be mindful of everyone's time and follow-up individually with any unanswered questions. Here is the last question, what are the repercussions a messy Brexit could have on companies you own?

ABHAY DESHPANDE: Well, we have only about 3.5% invested directly in the UK. The broader problem is if there is some sort of contagion effect. The Financial Times wrote yesterday, that there is $45 trillion of derivative exposure in the London banking system, 10% of that so $4.5 trillion dollars, is from European companies, hedging and so on. They are using the London derivatives market to hedge the various risks and exposures. That got me thinking about well, what if there is no agreement there or what if we have to unwind and then reassign $4.5 worth of notional value of derivatives, where do you go?

Those types of things get me really concerned, but then at the same time how in the world can they be so irresponsible for them to just crash out like that. I think it would have contagion effects to European banks, to the US banking system as liquidity is sucked out of the US financial system to save Europe. I really do hope that "cooler heads do prevail."—it is kind of my ongoing assumption. If it does not, we will have to just be more prepared for that situation. As it stands right now, the stock market is discounting a lot, because so many things can go wrong at the same time right now. I am kind of optimistic that bad Brexit situation is still a 10%, 15% or 20% probability, not 50%, 60% or 70%.

PHIL SANTOPADRE: Thank you, Abhay. This concludes the Q&A portion of the webcast. I would like to say on behalf of all of us at Centerstone, we would like 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 risk disclosures: 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.

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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

CLASS I CENTX • CLASS A CETAX • CLASS C CENNX

November 30, 2018

PERFORMANCE

		1 Year		Since Inception*	
	YTD	As of 9/30/18	As of 11/30/18	As of 9/30/18	As of 11/30/18
Class I (CENTX)	-3.62%	5.79%	-1.99%	8.18%	5.13%
Class A (CETAX)	-3.81%	5.48%	-2.23%	7.88%	4.83%
Class A (CETAX) with Sale Charge**	-8.63%	0.17%	-7.08%	5.59%	2.76%
Class C (CENNX)	-4.43%	4.78%	-2.96%	7.31%	4.26%
MSCI ACWI Index	-2.55%	9.77%	-0.98%	14.18%	10.46%
MSCI World Index	-1.20%	11.24%	0.14%	14.30%	10.50%

*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 total annual operating expenses, including acquired fund fees of 0.03%, gross of any fee waivers or expense reimbursements, is 2.58%, 3.89% and 2.45%, for Class A, Class C and Class I shares, respectively. 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. 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 16.

CENTERSTONE INVESTORS

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CENTERSTONE INTERNATIONAL FUND

CLASS I CINTX • CLASS A CSIAX • CLASS C CSINX

November 30, 2018

PERFORMANCE

		1 Year		Since Inception*	
	YTD	As of 9/30/18	As of 11/30/18	As of 9/30/18	As of 11/30/18
Class I (CINTX)	-7.91%	0.40%	-6.60%	7.92%	4.97%
Class A (CSIAX)	-8.08%	0.15%	-6.85%	7.72%	4.77%
Class A (CSIAX) with Sale Charge**	-12.67%	-4.83%	-11.49%	5.43%	2.70%
Class C (CSINX)	-8.72%	-0.63%	-7.49%	7.09%	4.17%
MSCI ACWI ex-US Index	-10.13%	1.76%	-8.12%	10.83%	6.92%
MSCI EAFE Index	-9.39%	2.74%	-7.94%	10.24%	6.02%

*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 total annual operating expenses, including acquired fund fees of 0.02%, gross of any fee waivers or expense reimbursements, is 3.19%, 3.92% and 2.93%, for Class A, Class C and Class I shares, respectively. 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. 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 16.

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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.

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

5018-NLD-1/4/2019