



## EXTREME CONCENTRATION OF MARKET RISK

■ 1999<sup>1</sup> ■ 2020<sup>2</sup>  
**TOP 5 STOCKS EQUAL TO HALF OF US GDP**



Source: Bloomberg

**TOP 5 STOCKS ARE TWICE THEIR SIZE VS. GLOBAL GDP**



Source: Bloomberg

**YET TOP 5 STOCKS' REVENUES REPRESENT THE SAME SHARE OF GLOBAL GDP**



Source: Bloomberg

*"I know it makes no difference  
To what you're going through  
But I see the tip of the iceberg  
And I worry about you"*

-Distant Early Warning by RUSH

## DIFFERENTIATED PORTFOLIO, DIFFERENTIATED OUTCOME

**UNDERVALUED GROWTH: 26% of portfolio; 28% discount to intrinsic value**  
Undervalued cyclical or secular growth companies mispriced as average businesses

Examples:

- ◆ **Henry Schein<sup>3</sup>** – Secular growth company trading at below-market multiple with history of shareholder friendly behavior
- ◆ **Target<sup>4</sup>** – Permanent upward shift in baseline growth due to successful & timely rollout of e-commerce business

**REVERSION TO THE MEAN: 26% of portfolio; 25% discount to intrinsic value**  
Out of favor companies with stable long-term business prospects, good balance sheets & good management teams.  
Typically, companies that have been affected by COVID lockdowns or investor flight from certain geographic regions

Examples:

- ◆ **Megacable<sup>5</sup>** – Regional Mexican cable company with dominant local market share; affected by general investor aversion to emerging markets
- ◆ **Fraport<sup>6</sup>** – Airport operator with franchise assets in strategic markets, primarily Frankfurt, Germany with short-term headwinds but a durable competitive position

**INFLATION PROTECTION: 17% of portfolio; 10% discount to intrinsic value**  
Asset-heavy companies with historically inflation sensitive products

Examples:

- ◆ **ICL<sup>7</sup>** – Undervalued low-cost producer of high-value fertilizer inputs & specialty chemicals; product prices indirectly indexed to energy inflation
- ◆ **Franco Nevada<sup>8</sup>** – Owns diversified portfolio of precious metals & energy royalties

**SELF-HELP: 17% of portfolio; 20% discount to intrinsic value**  
Underfollowed companies with strong market positions undergoing management-led initiatives to improve or restore profitability & growth

Examples:

- ◆ **ISS<sup>9</sup>** – New management actively working to rationalize existing portfolio of contracts
- ◆ **CDK<sup>10</sup>** – Management refocusing on dominant US franchise while selling non-core activities

<sup>1</sup> Top 5 stocks of the S&P 500 as of December 31, 1999: MSFT, CSCO, GE, XOM, WMT and INTC

<sup>2</sup> Top 5 stocks of the S&P 500 as of December 31, 2021: MSFT, AAPL, AMZN, GOOGL, TSLA and FB



- <sup>3</sup> 2.70% position in the Centerstone Investors Fund as of September 30, 2021  
<sup>4</sup> 1.28% position in the Centerstone Investors Fund as of September 30, 2021  
<sup>5</sup> 1.42% position in the Centerstone Investors Fund as of September 30, 2021  
<sup>6</sup> 2.92% position in the Centerstone Investors Fund as of September 30, 2021  
<sup>7</sup> 2.49% position in the Centerstone Investors Fund as of September 30, 2021  
<sup>8</sup> 1.28% position in the Centerstone Investors Fund as of September 30, 2021  
<sup>9</sup> 2.85% position in the Centerstone Investors Fund as of September 30, 2021  
<sup>10</sup> 2.18% position in the Centerstone Investors Fund as of September 30, 2021

**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 1.877.314.9006. 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.**

**Important Risk Information and Disclosure:**

Centerstone Investors Fund data as of September 30, 2021.

Holdings in cash, cash equivalents and short-term instruments have been excluded from portfolio percentages.

Intrinsic value refers to the price a knowledgeable investor would pay in cash to control an asset. Intrinsic value reflects Centerstone's analysis and estimates. There is no guarantee that any intrinsic values will be realized; security prices may decrease regardless of intrinsic values.

This material solely represents the observations of Centerstone Investors and is furnished to you for informational purposes only. It is not intended to form the sole basis for any investment decision.

The security holdings are presented to illustrate examples of the securities that the Fund has bought 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 investment advice.

An investment in the Fund entails risk including possible loss of principal. There can be no assurance that the Fund will achieve its investment objective.

Domestic economic growth and market conditions, interest rate levels, and political events are among the factors affecting the securities markets in which the Fund invests. 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 Fund, resulting in losses to the Fund.

Our value strategy may not meet its investment objective and you could lose money by investing in the Centerstone Funds. Value investing involves the risk that such securities may not reach their expected market value, causing the Funds to underperform other equity funds that use different investing styles.

The value of the Funds portfolio holdings may fluctuate in response to events specific to the companies or markets in which the Funds invests, as well as economic, political, or social events in the United States or abroad. The impact of the coronavirus (COVID-19), and other epidemics and pandemics that may arise in the future, could affect the economies of many nations, individual companies and the market in general in ways that cannot necessarily be foreseen at the present time.

International securities may provide the opportunity for greater return but also have special risks associated with foreign investing including fluctuations in currency, government regulation, differences in accounting standards and liquidity.