CENTERSTONE INVESTORS

CLIMBING THE WALL OF WORRY

MARCH 31, 2024

DEAR FELLOW PARTNERS & FRIENDS,

It is an old Wall Street saying that stocks often climb a wall of worry. It reflects the tendency of stock prices to confound prevailing wisdom by surmounting obstacles. These past few years have had no shortage of such obstacles and yet market prices have tended to trend higher.

We believe that trend has been amplified by the influence of a few large US-listed stocks but that has recently begun to change as well. Generally speaking, European stocks have performed well and broadly so. The Japanese market has also been performing well, recently topping its all-time highs that stood since 1989. The outliers now reside in other parts of Asia, notably China but even there we are beginning to see signs of life. Much has been written about China and its well-known problems but underneath the surface, there have been some positive developments as it relates to stock market regulation. The main factor is the regulator's crackdown on market manipulation and fraud, alongside minority-investor-friendly changes such as the introduction of class action shareholder suits that better allow for the protection of individual investors against corporate fraud. If it is to be a real equity market, then these are fundamentally required changes. Alongside these changes are some anecdotal data points that suggest the Chinese markets are possibly washed out. Valuations are low and profit margins have stabilized; however, as is often the case in such scenarios, investment sentiment has not yet caught on. In the case of Centerstone Investors, we may decide to invest more in the Hong Kong market than in China as it shares the institutional apathy towards "China" at large and valuations are similarly low. Unlike China, though, Hong Kong has some protection as the market is more developed and it is still a "free market" without capital controls. In any case, both markets have been down four straight years and are down year to date as of this writing. There is still plenty of headline-induced anxiety to wade through. But as I said, sometimes stocks can climb the wall of worry and do unexpected things. Provided the green shoots that we are witnessing continue to sprout perhaps we will be potentially rewarded in the coming years.

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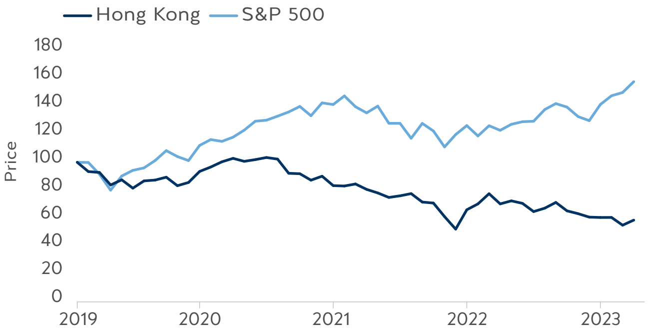
Gold's Value

We believe there is a remarkable volume of misguided views on the drivers of gold prices. They tend to be rooted in a perception that gold has a defined purpose or singular reason that drives price behavior. For many years, before the early 1970s, it was considered a medium of exchange and store of value as it facilitated the post-war framework for global trade. After its price was freed in 1971, it was thought of as an inflation hedge due to its correlation with inflation in the 1970s and the subsequent disinflation over the proceeding decades. Subsequent to that it was thought of as a "currency hedge" due to its price increase during the decade-long devaluation of the dollar during the 2000s. In our opinion, the fact is that the only lasting truth is gold has acted as a fairly good indicator of money supply growth around the world when measured over a long period of time. Sometimes the effects of money supply growth can reflect itself coincidentally in inflation, deflation, or stability but I do not think these are forecastable due to other variables that can overwhelm in the short-term what money supply growth would suggest. As a result, gold's progress can seem quite random. Periods of price weakness in the shorter timeframe can reflect either corrections from previous overruns or periods of apathy whereas price strength can be due to simple speculation or a reversionary catch-up to the trend line of money supply growth.

HONG KONG MARKET VERSUS US MARKET

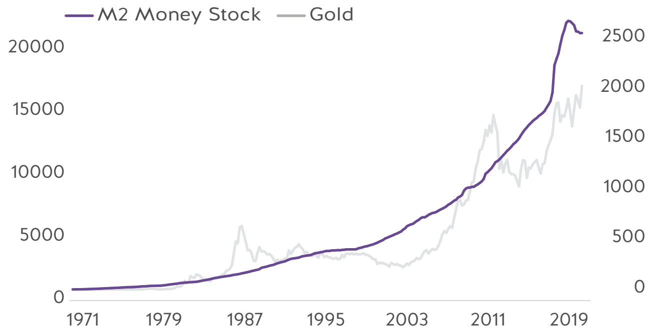


Source: Bloomberg

Note: Values indexed to 100

Investors are not able to invest directly in the indices referenced in these illustrations and unmanaged index returns do not reflect any fees, expenses or sales charges. The referenced indices are shown for general market comparisons and are not meant to represent the Centerstone Funds.

PRICE OF GOLD RELATIVE TO THE US MONEY SUPPLY



Source: Bloomberg

Currently, since the gold price has broken through the $2,000 per ounce level there will inevitably be a debate about what it means. Is it a signal of inflation or something else? In my view, we will not know for sure until some years from now. In the past, the narratives from the 1970s and 2000s were created after the fact to fit the price history since no one knew in advance what those respective environments would have in store. As I said though, even if the limiting factor to the long-run price is money supply growth there is no shortage of examples when the price materially undershot or overshot that implied "natural" price of gold. My point is the reason for those discrepancies is not knowable in advance and it is seldom as simple a reason as "inflation" or "currency hedges." This is perhaps the most salient point I can make as an owner of gold for three decades — the entire value proposition of gold as a portfolio investment, in my opinion, is that it is not predictable. Therefore, it adds a degree of non-correlation with the added benefit of having a perpetual tailwind from the continuous addition of money to the global stock of money supply. I find that quite appealing, but of course in a measured amount in an appropriately diversified portfolio.

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Stock Spin-Off

In February 2024, long-time holding Sodexo[1] separated its benefits and rewards services business segment through a spin-off creating Pluxee. Pluxee's core offer is meal and food employee benefits that are typically issued through cards or digital solutions. A client/company makes a payment of the value to Pluxee who loads it onto the card and delivers it to the client. The client then delivers the card to its beneficiaries/employees. The employees use it at an affiliated merchant to purchase a meal or food and Pluxee reimburses the value.

Pluxee is the second largest player in the global employee benefits market[2]. It operates in 31 countries and is the number one or number two player in most of these markets. Its scale

1 1.43% position in the Centerstone Investors Fund and 3.23% position in the Centerstone International Fund as of December 31, 2023.
2 Source: Pluxee prospectus.

creates network effects, and it is difficult to replicate the size of Pluxee's affiliate merchant network or client base. Unlike many recent spin-offs, Pluxee has a strong financial position and an investment-grade credit rating by S&P Global. As a standalone company, it has more opportunities to reinvest in its core business and make bolt-on acquisitions. The company will make investments to enhance its technology and data infrastructure. It will make bolt-on acquisitions to increase its market share in its core business lines. We believe Pluxee will grow faster than the overall employee benefits market and with its scalable business model, we believe its operating margins will improve.

We thank you for your continued support and interest in Centerstone.

Sincerely,

Abhay Deshpande, CFA
CHIEF INVESTMENT OFFICER

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. For further information about the Centerstone Funds, please call 877.314.9006. 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:

The Hang Seng Index is a free float-adjusted market-capitalization-weighted stock-market index in Hong Kong. It is used to record and monitor daily changes of the largest companies of the Hong Kong stock market and is the main indicator of the overall market performance in Hong Kong. These 82 constituent companies represent about 58% of the capitalization of the Hong Kong Stock Exchange.

The S&P 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 S&P'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.

Gold is a metallic chemical element that has the form of a dense, soft, shiny yellow metal. Gold has been widely used as a vehicle for monetary exchange, either through gold coins and bullion, or through paper currency backed by gold reserves. The Gold spot price is quoted as US dollars per Troy ounce.

M2 Money Stock includes a broader set of financial assets held principally by households. M2 consists of M1 plus: (1) savings deposits (which include money market deposit accounts, or MMDAs); (2) small-denomination time deposits (time deposits in amounts of less than $100,000); and (3) balances in retail money market mutual funds (MMMFs). Seasonally adjusted M2 is computed by summing savings deposits, small-denomination time deposits, and retail MMMFs, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

The commentary represents the opinion of Centerstone Investors as of March 2024 and is subject to change based on market and other conditions. These opinions are not intended to be a forecast of future events, a guarantee of future results or investment advice. Any statistics contained here have been obtained from sources believed to be reliable, but the accuracy of this information cannot be guaranteed. The views expressed herein may change at any time subsequent to the date of issue hereof. The information provided is not to be construed as a recommendation or an offer to buy or sell or the solicitation of an offer to buy or sell any fund or security.

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.

Past performance is no guarantee of future results.

The value of the Funds portfolio holdings may fluctuate in response to events specific to the companies or markets in which the Funds invest, 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. Value investing involves buying stocks that are out of favor and/or undervalued in comparison to their peers or their prospects for growth. 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.

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. There can be no assurance that the Funds' hedging strategy will reduce risk or that hedging transactions will be either available or cost effective. 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.

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.

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. Securities in small and mid-cap companies may be more volatile and less liquid than the securities of companies with larger market capitalizations.