



DEAR FELLOW PARTNERS & FRIENDS,

2024 was another interesting year with political upheaval taking center stage. All the major European powers—the UK, France and Germany—have now witnessed changes in leadership amid a backdrop of war-induced inflation and growing consumer concerns.

In addition, the slowdown in China has had a direct impact on the export-oriented economies of the region. The global reliance on exports has become a significant challenge, especially for those economies' dependent on the United States as the world's largest net importer. This reliance has left Europe—especially Germany and China—with excess manufacturing capacity designed for broader global demand, creating an economic imbalance that is likely to worsen as the United States attempts to rein in its large twin deficits.

The “good” news, however, is that balanced trade accounts are not compatible with a reserve currency since trade deficits are the primary way to release dollars into the global system. It is unlikely that the United States would give up this power. But there are ways to structure this arrangement so that the United States is not funding hostile powers, and such a consensus likely emerges. What formal shape that will take will determine a lot for the United States but also its trading partners, including China.

Meanwhile, global stock markets outside the United States have been significantly impacted by these ongoing struggles. For example, in a standout year for US equities, the S&P 500 Index rose 25.00% while the European Large Cap Index (EURO STOXX 50) rose just 4.67% in dollar terms. As a result, the European index now trades for roughly half the valuation of its US counterpart, with double the dividend yield. Many studies have shown that valuations alone offer limited predictive value for short-term stock market direction, it is widely accepted that long-term returns are impacted by valuations. Would it be surprising to learn that, despite

the S&P 500 Index's rapid advance over the past decade, it has returned only 6% annualized since the last valuation peak in 1999? This underscores the importance of regularly reassessing assumptions. Risk management may become the critical skill over the coming years to attain one's goals.

Stock Picker's Paradise?

For Centerstone's strategies, this environment is in some ways a contrarian stock picker's paradise. Under the assumption that the world will muddle through its challenges it is reasonable to believe that certain companies now impacted by the various macro challenges could eventually emerge stronger. On the flip side, there is a lack of both liquidity and interest in many foreign markets which is proving to be a challenge to our investment style. On more than one occasion we have seen individual stock prices drop 30%–50% in a single day due to missed earnings estimates. While not uncommon under the conditions that I have described, it is tough to live through.

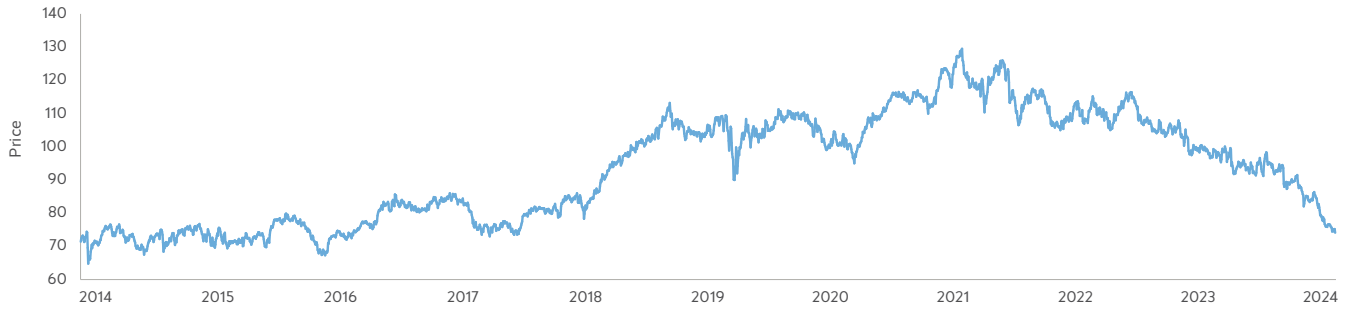
This dynamic applies to companies both large and small. For instance, a recent purchase is Nestle¹, a global consumer food and beverage company based in Switzerland. Price hikes from the COVID-era have dampened demand for many global food brands and Nestle has not been immune. As a result, its growth rate has fallen well below management's goals and the stock price has dropped. Having followed and owned this company for the past 30 years I do not recall a time when the price fell as far as it has, almost 40% from its peak. The stock now trades for roughly 16x earnings and sports a 4% dividend yield. More compelling, the stock is even cheaper than it appears because they own vast amounts of publicly traded companies such as L'Oreal and Nestle India. Adjusting Nestle's market cap for these companies suggests that an investor is purchasing this global powerhouse franchise for a low double digit P/E ratio.

“For Centerstone's strategies, this environment is in some ways a contrarian stock picker's paradise.”

¹ 1.68% position in the Centerstone Investors Fund and 3.30% position in the Centerstone International Fund as of September 30, 2024.



NESTLE



Source: Bloomberg

Past performance is no guarantee of future results.

Opportunities such as these are abundant across European stock markets, and it is anyone's guess when things turn around. However, in the long term, we know that good things tend to happen over time when you buy low rather than high.

Thank you for your continued support and trust. We wish you a happy and prosperous New Year!

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, Tencent, AIA Group and Hong Kong Exchanges and Clearing are not affiliated with Northern Lights Distributors, LLC.

Important Risk Information and Disclosure:

The commentary represents the opinion of Centerstone Investors as of December 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.

Investing in the commodities markets through commodity-linked ETFs, ETNs and mutual funds will subject the Funds to potentially greater volatility than traditional 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. Securities in small and mid-cap companies may be more volatile and less liquid than the securities of companies with larger market capitalizations.