



# LJM FUNDS

MANAGEMENT

February 9, 2018

Dear Shareholder,

I know that this is a difficult time for the LJM Preservation & Growth Fund (“the Fund”) and you have a lot of questions. We’ve prepared a timeline of events to help explain what transpired in the markets on Monday and Tuesday and the actions we took in response.

On Monday, February 5, volatility and options markets experienced an extreme outlier event. The movement in the VIX Index, a proxy for implied volatility, reached record levels. The aggregate move of 20 points in VIX on Monday was the greatest in VIX history. While the Fund does hold long options to help mitigate risk, the extreme VIX movements resulted in settlement option prices that caused significant losses on Monday.

As implied volatility began to rise throughout Monday morning, the LJM Funds Management Ltd. (“LJM Funds”) portfolio management team adjusted the Fund’s portfolio in an effort to mitigate and cap risk exposure. In the late afternoon, the VIX spiked approximately 10 points in less than an hour and the volatility and options markets became illiquid. Monday’s losses were so severe because as volatility spiked exponentially in the afternoon, market illiquidity severely limited LJM Funds’ ability to reduce risk.

Overnight on Monday, the VIX rose even higher to 50, further increasing portfolio risk. On Tuesday morning, February 6, LJM Funds received notification from its futures commission merchant (“FCM”) to promptly close out of or transfer all open positions.

Volatility and options markets still had limited liquidity on Tuesday. Throughout the day, LJM Funds attempted to exit open positions under the FCM’s direct monitoring in LJM Funds’ offices to reduce risk and close positions. Reducing risk and exposure were LJM Funds’ primary goals, and we had to execute trades at less favorable prices than would have existed on a normal business day because of the sudden and substantial lack of market liquidity. The liquidation of open positions on Tuesday caused additional substantial losses from Monday’s closing prices.

As of the date of this letter, all open positions in the Fund have been liquidated and the Fund only holds cash.

LJM Funds remains committed to its clients and we sincerely appreciate your patience during this difficult time.

Sincerely,

A handwritten signature in cursive script that reads "A. Caine".

Tony Caine  
Founder & Chairman

*Mutual Funds involve risk including possible loss of principal. The Fund primarily invests a percentage of its assets in derivatives, such as futures and options contracts. The use of such derivatives and the resulting high portfolio turnover may expose the Fund to additional risks that it would not be subject to if it invested directly in the securities and commodities underlying those derivatives. The Fund may experience losses that exceed those experienced by funds that do not use futures contracts, options, and hedging strategies. Changes in interest rates and the liquidity of certain investments could affect the Fund's overall performance. Furthermore, the use of leveraging can magnify the potential for gain or loss and amplify the effects of market volatility on the Fund's share price. The Fund is subject to regulatory change and tax risks. Changes to current regulation or taxation rules could increase costs associated with an investment in the Fund.*

*VIX is the ticker symbol for the Chicago Board Options Exchange (CBOE) Volatility Index, which shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options.*

***Investors should carefully consider the investment objectives, risks, charges, and expenses of the LJM Preservation & Growth Fund. This and other important information about the Fund is contained in the prospectus, which can be obtained at [products.ljmfunds.com](http://products.ljmfunds.com) or by calling 855-LJM-FUND. The prospectus should be read carefully before investing. The LJM Preservation & Growth Fund is distributed by Northern Lights Distributors, LLC member FINRA/SIPC. LJM Funds Management and Northern Lights Distributors, LLC are not affiliated. 1062-NLD-2/9/2018***