A Return to Normalcy After a Wild Year

You invite some close friends together on New Year's Eve for a friendly conversation and ask, "What will you remember about 2016?" Half the table grins widely and says "Donald Trump" and the other half grimly frowns and says "Donald Trump." This unanimous conclusion masks the extraordinary nature of 2016, highlighted not only by the U.S. election but also by (1) the United Kingdom voted to Brexit the European Union, (2) OPEC decided to cut production, (3) South America hosted its first Olympics, (4) there was a once in a generation supermoon, (5) Cleveland won a sports championship in a most shocking fashion, (6) Fidel Castro finally died and (7) THE CHICAGO CUBS WON THE WORLD SERIES! So, we think it's safe to say 2016 will go down as a wild year.

But it wasn't only a memorable year for the macro. For MLPs there was no January effect as commodity prices continued to crash down until mid-February when all of a sudden they finally found a bottom. After a furious rally into mid-summer, the sector paused until Election Day surprised nearly everyone. It was November 9th when humble energy advisors rubbed fog out of their sleepless eyes and took in the sunny morning. And so sets up a return to conditions where attractive valuation and improving fundamentals makes for the most interesting entry for the sector into a new year that we've seen in a long time.

Our basic expectation for the new administration is a business friendly and less intrusive federal government, which when combined with a tightening global energy macro environment and stronger company financials, allows the oil and natural gas industry to focus on what they do best, produce! Balance sheets are stronger, coverage ratios are higher, operating costs have been streamlined, and we believe there is substantial upside via operating leverage for midstream companies as exploration & production companies (E&Ps) increase production. There is also talk of reflation, an additional tailwind for energy infrastructure as it allows for higher tariffs on top of potentially higher volumes. However, as the saying goes, to assume anything puts the speaker at risk, and we highlight isolationism, tax reform, and rising interest rates as areas of concern. For the most part, we see the glass half full as either a catalyst for or function of a higher growth environment.

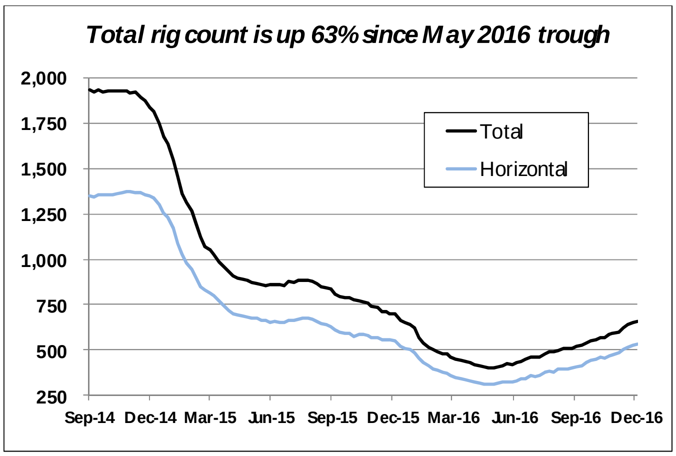
"You're Hired" … How A Trump Victory Changes Everything

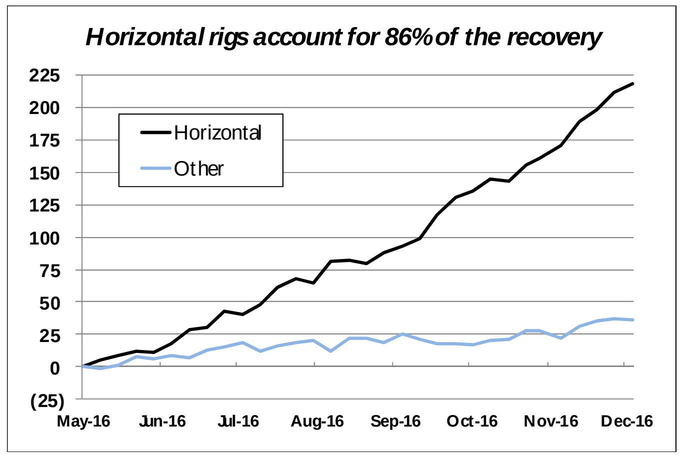
As Donald Trump's inauguration draws near we emphasize three cabinet picks we believe support our view that a Trump Administration will be pro-business and pro-energy: ex-CEO of ExxonMobil Rex Tillerson as Secretary of State, ex-Governor of Texas Rick Perry as Secretary of Energy, and Attorney General of Oklahoma Scott Pruitt as Administrator of the Environmental Protection Agency. Each has been a strong supporter of oil and natural gas development and understands the energy business and how government can be a positive force for growth. A trending concern has been increasing regulatory oversight as the permitting process has grown longer and interactions more adversarial. The State Department's rejection of Keystone XL's Presidential Permit and Dakota Access Pipeline's (DAPL) recent interaction with the Army Corps of Engineers come to mind. We would expect federal oversight to become less political as the green lobby's influence subsides with the departure of the Obama Administration. While we don't expect an immediate explosion of growth projects as the energy industry is still working through a weak market, there is still much infrastructure needed in the United States. So when the time is right, the MLP sector will have confidence in the process and regulatory consistency to get projects across the finish line.

While we are positive about the potential impact a Trump Administration can have on traditional energy, we are less so regarding his isolationist rhetoric. We worry about the movement away from globalization or at a minimum a resurgence of localized isolationism and protectionism. The shale revolution has given traditional energy and general manufacturers an edge over many global competitors. Trade wars could significantly undermine this advantage, hurting the broader economy and traditional energy. We consider the nomination of Rex Tillerson as Secretary of State vitally important as his resume suggests the United States will focus on improving international trade and not jeopardizing the benefits of globalization.

OPEC: Victory or Capitulation?

On November 30th, OPEC agreed to cut oil production for the first six months in 2017 to help bring inventories back in line with historical norms, driving oil prices 20-25% higher until they stabilized in the low-to-mid $50s/bbl. Some claim OPEC achieved its goal of decimating U.S. shale and are now colluding to increase pricing, while others suggest OPEC capitulated and point out the lack of U.S. shale bankruptcies as proof. We highlight that U.S. shale did an outstanding job lowering its costs (in some cases by 50%), and has also right-sized the industry to compete in even a $40-$50/bbl oil price environment. Well before OPEC announced their decision, the U.S. drilling rig count began to trend higher, rising 63% since its trough in mid-May.

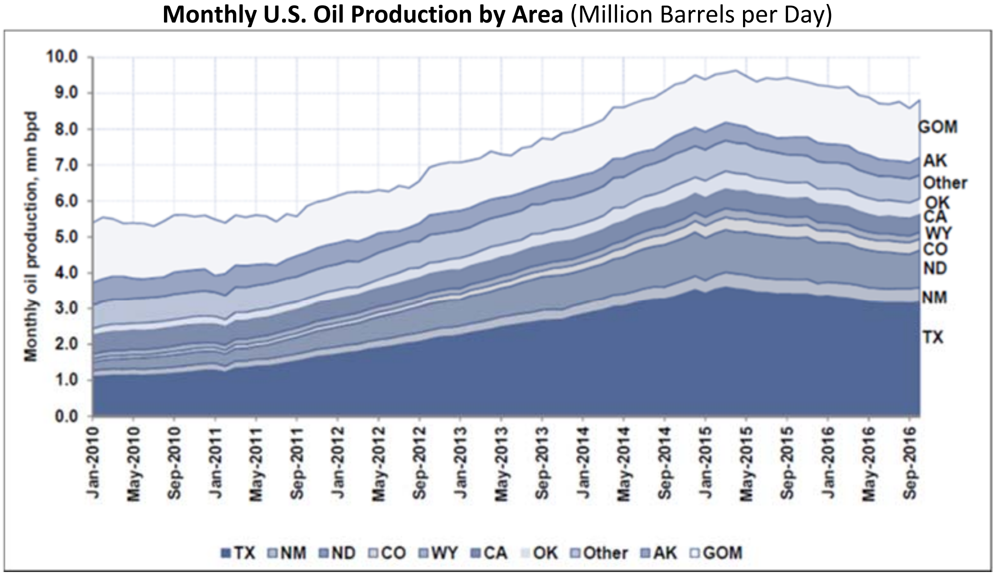




Source: Baker Hughes

In the end, what we focus on is that North American oil volumes are stabilizing, a necessary step before the MLP sector can return to growth. We see consensus calling for growth to return in the second half of 2017, though we're starting to hear chatter about growth returning as early as the late first half of 2017. The Permian, DJ Basin, and STACK/SCOOP are highly active areas right now, while other fields like Eagle Ford and Bakken are seeing enough green shoots to encourage optimism.

Monthly U.S. Oil Production by Area (Million Barrels per Day)



Source: Goldman Sachs, EIA

US Rig Count Analysis Shows Growth Not Only in the Permian

		"peak"			"trough"			From "trough"	
Field	12/27/13	9/19/14	12/26/14	12/31/15	5/27/16	9/30/16	12/30/16	abs.	%
Ardmore Woodford	10	5	6	2	1	0	1	0	0%
Arkoma Woodford	5	8	5	8	3	4	4	1	33%
Barnett	33	25	24	7	2	1	3	1	50%
Cana Woodford	36	38	48	38	28	35	37	9	32%
DJ-Niobrara	49	63	60	23	13	17	25	12	92%
Eagle Ford	228	205	204	76	29	36	46	17	59%
Fayetteville	9	9	9	1	0	1	1	1	--
Granite Wash	53	66	52	15	6	10	15	9	150%
Haynesville	41	46	40	25	15	13	27	12	80%
Marcellus	85	81	78	41	26	32	39	13	50%
Mississippian	79	78	72	12	3	3	3	0	0%
Permian	469	560	536	217	137	204	264	127	93%
Utica	38	44	50	15	11	15	20	9	82%
Williston	183	198	179	53	22	30	33	11	50%
Others	439	505	477	165	108	121	140	32	30%
Total US Rig Count	1,757	1,931	1,840	698	404	522	658	254	63%

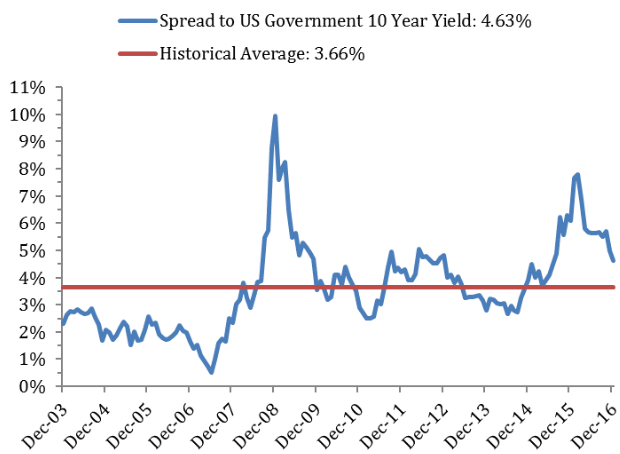
Source: Baker Hughes

Glass Half Full: Interest Rates and Tax Reform

The most common questions we've received from investors over the past few months relates to interest rates and tax reform. We fully recognize that both can be headwinds for the MLP sector, but believe we are on solid footing when we say the glass is half full.

In a vacuum, rising interest rates are negative for yield-oriented investments. However, there are numerous other independent variables that play a meaningful role in how a stock trades. For us, an important variable is whether the MLP sector is cheap in the first place. The MLP yield spread over the 10-year Treasury yield shows the sector currently trades at a discount to historical averages, implying a "buffer" exists to protect against rising interest rates. Assuming MLP yields stay constant suggests 10-year Treasury rates can rise about 100 bps before hitting its long-term average spread of 366 bps. That said, we believe the rise in interest rates has hung over the MLP sector over the last few months, resulting in lost performance relative to other sectors that are not yield-oriented. Ultimately, we believe the inexpensiveness of the MLP sector will allow both a rise in interest rates and MLP stock prices. As a final point, we believe an underlying driver of rising interest rates is a stronger domestic economy, which when combined with potentially pro-business and pro-energy policies of the Trump Administration implies higher growth going forward. We do not believe this is yet reflected in MLP valuations, which should further offset the impact of rising interest rates.

Yield Spread Analysis Implies MLPs are Still Inexpensive



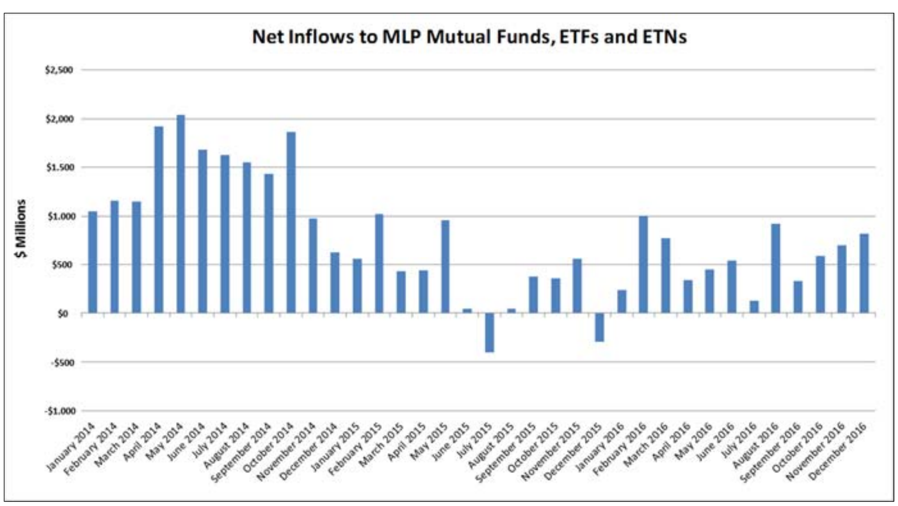
Source: Alerian, Bloomberg. *Past performance is not indicative of future results.*

Tax reform is trickier, because as of now the correct response is "nobody really knows" since the end result on tax reform will follow intense negotiation at the Congressional level. However, we generally assume corporate and personal tax rates will be lower by some amount. We also see minimal risk that the outcome will eliminate MLPs as an asset class as a Trump Administration pro-business and pro-energy position puts MLPs in good standing, a view we share with industry insiders. The potential impact of tax reform on the MLP sector will come down to the relative changes on corporate, personal, and dividend tax rates. There are, however, a few conclusions we can draw: (1) Lower personal tax rates reduce individual's tax on MLP K-1 income, and also the liability on the reduced cost basis recapture, reducing the punitive nature of selling long-held MLPs, (2) Lower corporate tax rates should reduce some of the cost of capital advantages that MLPs have over corporations, but unless the corporate or dividend tax rates are reduced to 0% (quite unlikely, in our view), some advantage will remain, and (3) MLP management teams have shown a willingness to adjust their structure to reduce investor tax burden and maximize their distribution payout, including the creation of the up-C structure (e.g. PAGP) or a collapse of the GP/LP structure to monetarize imbedded tax losses (e.g. SEMG, TRGP) while at the same time reducing the long-term cost of capital through the elimination of the burden of incentive distribution rights (IDRs). Whatever the outcome of any potential reform is, it will certainly be an interesting process to watch and we will be diligent in making sure our portfolio is best positioned, in our opinion, to benefit from those changes.

Corporate Actions, Capital Raises and Fund Flows

Energy Transfer (ETE) once again dominated headlines at a company specific level thanks to its announced merger of ETP/SXL, two MLPs underneath ETE's umbrella that makes it an all-in-the-family transaction. We consider the merger slightly negative for SXL, neutral to moderately positive for ETP, and great for ETE. This largely validates our theory (and positioning) that investing with management is usually the best bet. At a sector level, the ETP/SXL merger is the latest in a year of structural re-organizations we see as driven by a desire for cleaner/simpler MLPs, stronger balance sheets, and more diverse cash flows. This was the major theme of 2016, though at this point we believe the simplification trend has mostly run its course. On the other hand, we think third party acquisitions could become the story of 2017 but stress upside exists only in thoughtful transactions. Merger math is getting more difficult as upside risk to EBITDA guidance increases and the potential for management to overpay becomes very real.

Equity markets continued to be open in the fourth quarter though there was a modest slowdown in the number of overnight follow-on offerings. We believe this slowdown is partially driven by high activity earlier in the year and proof that investors and rating agencies are currently comfortable with the sector's financial health. Importantly, of the four common equity follow-ons offered in the fourth quarter, three closed higher than deal price the next trading day and all had outperformed the Alerian MLP Index (AMZ) by December 31st. We highlight Dominion Midstream (DM) in particular as the stock outperformed the AMZ by 27% from the deal date. Separately, there has been much discussion about the absence of the retail investor. Several sell-side analysts have mentioned this point as a lion's share of 2016 capital raises was bought by institutions, implying a return of the retail investor to the sector could generate a strong technical tailwind.



Source: U.S. Capital Advisors. *Past performance is not indicative of future results.*

Finally, fund flows into the sector ended the year on a positive note as the fourth quarter inflow of $2.1 billion was a high for the year, topping the $2.0 billion inflow in the first quarter of 2016. Also worth noting is that 2016 inflows of $6.8 billion were 67% above the prior year. While this remains below the pace of inflows seen during 2014 (see chart above), the improvement of sector and macro fundamentals is a positive sign that investor participation will continue advancing into 2017.

Performance

The performance of the Eagle MLP Strategy Fund (the "Fund") exceeded the Alerian MLP Index by over 300 bps in the fourth quarter and by over 2,000 bps for the year. For the quarter, overweight positions in SemGroup *(5.29%)*, ONEOK Inc. *(6.06%)*, and Targa Resources *(4.52%)* were the largest contributors of outperformance. General Partners as a subgroup performed well during the post-election and post-OPEC agreement rally as their higher growth rates were rewarded by investors. SemGroup acquired its underlying MLP earlier this year and we attribute its quarterly outperformance mainly to operating leverage of its diversified assets. ONEOK Inc. was a beneficiary of its leveraged growth through the continued improvement in the prospects of its underlying MLP, ONEOK Partners. For the year, overweight positions in ONEOK Inc., Targa Resources, and Golar LNG Partners *(3.32%)* led the way, with meaningful contributions from SemGroup and GasLog Ltd. *(2.82%)*. *Note: Numbers in parenthesis represent portfolio weights as of 10/31/2016.*

	Q4 2016	One Year	Three Year	Inception through 12/31/2016*
EGLIX Class I (NAV)	5.09%	39.15%	-6.33%	1.92%
EGLAX Class A (NAV)	5.14%	38.83%	-6.55%	1.67%
EGLAX Class A (Max Load)	-0.91%	30.84%	-8.37%	-0.28%
EGLCX Class C (NAV)	4.97%	37.95%	-7.25%	-1.38%

**Inception date for class I and A shares was September 14, 2012. Inception date for class C share was February 21, 2013. Inception data is annualized.*

The performance data quoted here represents past performance. Current performance may be lower or higher than the performance data quoted above. Investment return and principal value will fluctuate, so that shares, when redeemed, may be worth more or less than their original cost. Past performance is no guarantee of future results. The Fund's investment advisor has contractually agreed to reduce its fees and/or absorb expenses of the Fund, at least until August 31, 2017, to ensure that the net annual fund operating expenses will not exceed 1.65% for Class A, 2.40% for Class C and 1.40% for Class I, subject to possible recoupment from the Fund in future years. The total annual fund operating expenses are Class A 1.75%, Class C 2.50% and Class I 1.51%. Please review the Fund's Prospectus for more detail on the expense waiver. Results shown reflect the waiver, without which the results could have been lower. A Fund's performance, especially for very short periods of time, should not be the sole factor in making your investment decisions. For performance information current to the most recent month end, please call toll-free 1-888-868-9501.

The index shown is for informational purposes only and is not reflective of any investment. An investor cannot invest directly in an index. Indices do not include fees or operating expenses and are not available for actual investment. They are unmanaged and shown for illustrative purposes only. The Alerian MLP Index (NYSE: AMZ) is a composite index of the 50 most prominent energy master limited partnerships.

Disclosures:

Investors should carefully consider the investment objectives, risks, charges and expenses of the Eagle MLP Strategy Fund. This and other important information about the Fund is contained in the prospectus, which can be obtained by calling 1-888-868-9501 or visiting www.eaglemlpfund.com. The prospectus should be read carefully before investing. The Eagle MLP Strategy Fund is distributed by Northern Lights Distributors, LLC member FINRA/SIPC. This is an actively managed dynamic portfolio. There is no guarantee that any investment (or this investment) will achieve its objectives, goals, generate positive returns, or avoid losses. The information provided should not be considered tax advice. Please consult your tax advisor for further information. Eagle Global Advisors, Princeton Fund Advisors, LLC and Northern Lights Distributors, LLC are not affiliated.

A master limited partnership (MLP) is a limited partnership that is publicly traded on a securities exchange. It combines the tax benefits of a limited partnership with the liquidity of publicly traded securities. To qualify for MLP status, a partnership must generate at least 90 percent of its income from what the Internal Revenue Service (IRS) deems "qualifying" sources, generally relating to the production, processing or transportation of natural resources, such as oil and natural gas.

The Alerian MLP Index is a composite of the 50 most prominent energy master limited partnerships calculated by Standard & Poor's using a float-adjusted market capitalization methodology.

The S&P 500 Index is a capitalization-weighted index that measures the performance of 500 U.S. large-capitalization domestic stocks representing all major industries.

The Barclays Capital U.S. Aggregate Index provides a measure of the performance of the U.S. investment grades bonds market.

Enterprise Value-to-EBITDA is a multiple used to determine the value of a company. It shows the value of a company based on a multiple of earnings before interest, taxes, depreciation and amortization (EBITDA).

Price-to-Distributable Cash Flow is a valuation ratio calculated by dividing a company's current stock price by its distributable cash flow per share.

Standard Deviation is a statistical measurement of volatility risk based on historical returns.

Risk Factors:

Credit Risk: There is a risk that note issuers will not make payments on securities held by the Fund, resulting in losses to the Fund. In addition, the credit quality of securities held by the Fund may be lowered if an issuer's financial condition changes.

Distribution Policy Risk: The Fund's distribution policy is not designed to guarantee distributions that equal a fixed percentage of the Fund's current net asset value per share. Shareholders receiving periodic payments from the Fund may be under the impression that they are receiving net profits. However, all or a portion of a distribution may consist of a return of capital (i.e. from your original investment). Shareholders should not assume that the source of a distribution from the Fund is net profit. Shareholders should note that return of capital will reduce the tax basis of their shares and potentially increase the taxable gain, if any, upon disposition of their shares.

ETN Risk: ETNs are subject to administrative and other expenses, which will be indirectly paid by the Fund. Each ETN is subject to specific risks, depending on the nature of the ETN. ETNs are subject to default risks. Foreign Investment Risk: Investing in notes of foreign issuers involves risks not typically associated with U.S. investments, including adverse political, social and economic developments, less liquidity, greater volatility, less developed or less efficient trading markets, political instability and differing auditing and legal standards.

Interest Rate Risk: Typically, a rise in interest rates can cause a decline in the value of notes and MLPs owned by the Fund.

Liquidity Risk: Liquidity risk exists when particular investments of the Fund would be difficult to purchase or sell, possibly preventing the Fund from selling such illiquid securities at an advantageous time or price, or possibly requiring the Fund to dispose of other investments at unfavorable times or prices in order to satisfy its obligations.

Management Risk: Eagle's judgments about the attractiveness, value and potential appreciation of particular asset classes and securities in which the Fund invests may prove to be incorrect and may not produce the desired results. Additionally, Princeton's judgments about the potential performance of the Fund's investment portfolio, within the Fund's investment policies and risk parameters, may prove incorrect and may not produce the desired results.

Market Risk: Overall securities market risks may affect the value of individual instruments in which the Fund invests. Factors such as domestic and foreign economic growth and market conditions, interest rate levels, and political events affect the securities markets.

MLP Risk: Investments in MLPs involve risks different from those of investing in common stock including risks related to limited control and limited rights to vote on matters affecting the MLP, risks related to potential conflicts of interest between the MLP and the MLP's general partner, cash flow risks, dilution risks and risks related to the general partner's limited call right. MLPs are generally considered interest-rate sensitive investments. During periods of interest rate volatility, these investments may not provide attractive returns. Depending on the state of interest rates in general, the use of MLPs could enhance or harm the overall performance of the Fund.

MLP Tax Risk: MLPs, typically, do not pay U.S. federal income tax at the partnership level. Instead, each partner is allocated a share of the partnership's income, gains, losses, deductions and expenses. A change in current tax law or in the underlying business mix of a given MLP could result in an MLP being treated as a corporation for U.S. federal income tax purposes, which would result in such MLP being required to pay U.S. federal income tax on its taxable income. The classification of an MLP as a corporation for U.S. federal income tax purposes would have the effect of reducing the amount of cash available for distribution by the MLP. Thus, if any of the MLPs owned by the Fund were treated as corporations for U.S. federal income tax purposes, it could result in a reduction of the value of your investment in the Fund and lower income, as compared to an MLP that is not taxed as a corporation.

Energy Related Risk: The Fund focuses its investments in the energy infrastructure sector, through MLP securities. Because of its focus in this sector, the performance of the Fund is tied closely to and affected by developments in the energy sector, such as the possibility that government regulation will negatively impact companies in this sector. Energy infrastructure entities are subject to the risks specific to the industry they serve including, but not limited to, the following: Fluctuations in commodity prices; Reduced volumes of natural gas or other energy commodities available for transporting, processing, storing or distributing; New construction risk and acquisition risk which can limit potential growth; A sustained reduced demand for crude oil, natural gas and refined petroleum products resulting from a recession or an increase in market price or higher taxes; Depletion of the natural gas reserves or other commodities if not replaced; Changes in the regulatory environment; Extreme weather; Rising interest rates which could result in a higher cost of capital and drive investors into other investment opportunities; and Threats of attack by terrorists.

Non-Diversification Risk: As a non-diversified fund, the Fund may invest more than 5% of its total assets in the securities of one or more issuers. Small and Medium Capitalization Company Risk: The value of a small or medium capitalization company securities may be subject to more abrupt or erratic market movements than those of larger, more established companies or the market averages in general. Structured Note Risk: MLP–related structured notes involve tracking risk, issuer default risk and may involve leverage risk. Mutual Funds involve risk including possible loss of principal.

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