



# LELANDFUNDS®

LELAND® THOMSON REUTERS VENTURE CAPITAL INDEX FUND | **OVERVIEW**

## STRATEGY OBJECTIVE

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The primary objective of the Leland® Thomson Reuters Venture Capital Index Fund (the "Fund") is to provide investment results that generally correspond to the performance of the Thomson Reuters Venture Capital Index, an index designed to track a value-weighted portfolio of the U.S. venture capital universe. The Fund seeks to achieve this objective by investing in a combination of publicly-traded equities which are representative of the underlying Index and total return swap agreements to add economic leverage.

## STRATEGY PHILOSOPHY

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Leland Funds® believes that Alternative investments have long been drivers of return for major endowments and institutions but have historically been underutilized in portfolio construction. Since the mid 1980's, institutional investors and endowments have committed substantial resources to understand Alternatives, which has resulted in portfolio allocations and sub-asset class weightings among their investments that reflect their research into the risk and return characteristics of these asset types. Recognizing the impact that these Alternatives have had, and the results which have been achieved, non-institutional investors have looked to incorporate Alternatives such as venture capital into their own portfolio construction but have found the asset type difficult to access.

*“The myth is that Venture Capitalists invest in good people and good ideas. The reality is that they invest in good industries.”*

*—Harvard Business Review<sup>2</sup>*

Leland Funds® classifies alternative investments as either (i) portfolio diversifiers or (ii) return enhancers. Portfolio diversifiers often exhibit low correlations to equity or bond markets, and therefore reduce portfolio volatility, however they generally offer little excess return. Return enhancers are strategies which generally carry higher expected returns, but come with more volatility. In tandem, investments which draw from each of these classifications can provide important benefits to a portfolio – one of which may be better risk adjusted returns. Unfortunately, return enhancers – including private equity and venture capital – have typically only been available to accredited investors, and have been accompanied by long lock-up periods, higher fees, complex tax structures, and a lack of transparency. The mutual fund structure offers investors daily liquidity.

Venture capital investing is generally focused on early stage company investments. These can be higher risk investments because the business outcomes are more uncertain: some firms may succeed, and can grow several times over at a higher rate, while others may fail – thus creating higher volatility. Because of the higher risk among these investments, investors often have a higher expected return for the greater risk that they bear. This can be seen historically in the general outperformance of venture capital relative to investments in public equity markets.

The Thomson Reuters Venture Capital Index is designed to assess a broad spectrum of venture capital investments to create a value-weighted index which reflects the composition and the behavior of the current venture capital universe.

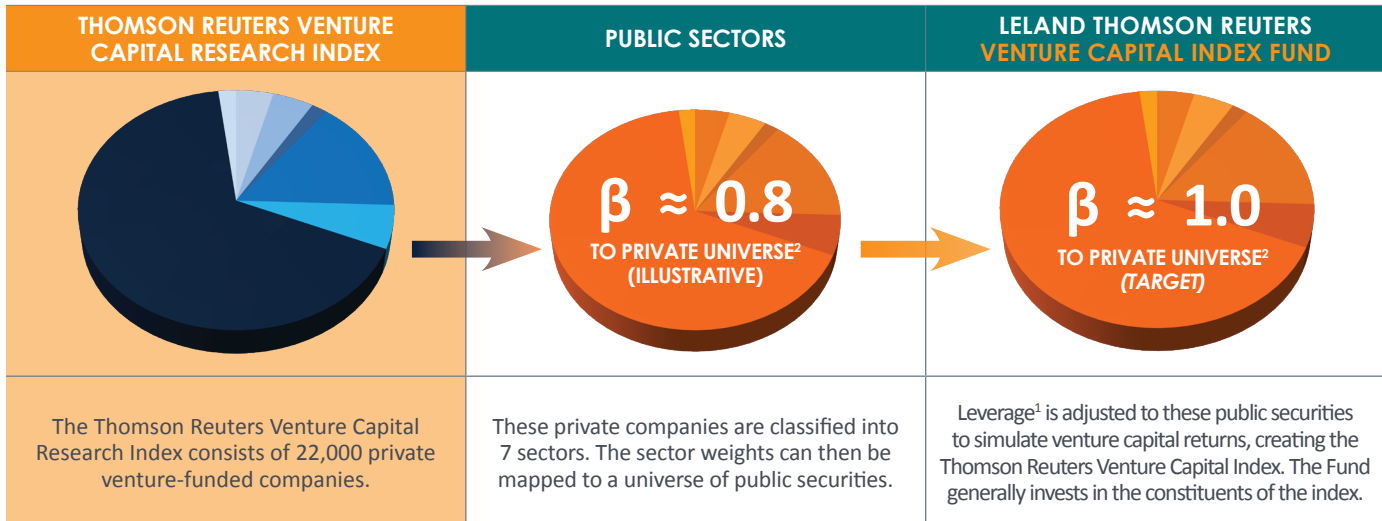
## INVESTMENT PROCESS

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The investment process of the Fund is based upon Thomson Reuters' research and their Indices.

1. **Thomson Reuters Venture Capital Research Index:** Tracks the performance of approximately 22,000 private venture-funded firms across a number of economic sectors. The Thomson Reuters research results in estimated values of each of these firms using data stemming from IPOs, stock buybacks, and surveys.
2. **Thomson Reuters Venture Capital Buyout Index:** Implements the sector exposures of the venture capital industry (from the Thomson Reuters Venture Capital Research Index) using publicly traded securities and derivatives. Venture capital investments typically exhibit higher volatility than public securities, so leverage is then applied to approximate the volatility of the venture capital industry.
3. **The Fund:** Materially invests in the same underlying constituents as the Thomson Reuters Venture Capital Index. The Thomson Reuters Venture Capital Index's sector weights and leverage are rebalanced monthly within the Fund.

<sup>1</sup>The Thomson Reuters Venture Capital Index is available on Bloomberg (TRVCI), and Thomson Reuters RIC (.TRVCI). <sup>2</sup>Harvard Business Review, Nov. - Dec. 1998 issue. <https://hbr.org/1998/11/how-venture-capital-works>. Alternative investment products involve a high degree of risk. Alternative investment performance can be volatile and an investor could lose a substantial portion of their investment. Liquidity does not ensure profit or prevent losses.



<sup>1</sup>Leverage may disproportionately increase the velocity of portfolio losses and reduce opportunities for gain when interest rates, stock prices, or currency rates are changing. <sup>2</sup>Beta ( $\beta$ ) is a measure of the volatility, or systematic risk, of an investment in comparison to the market as a whole. Sector allocations are subject to change without notice and should not be considered recommendations to buy or sell specific securities or asset classes.

## PORTFOLIO CONSTRUCTION

In seeking to track the Thomson Reuters Venture Capital Index, the Fund invests in a wide range of financial instruments, including liquid, publicly-traded equities which are either components of the theoretical portfolio or determined by the Adviser to have substantially similar risk and return characteristics, in aggregate, as the Thomson Reuters Venture Capital Index. The Fund also invests in total return swap agreements designed to provide exposure to the characteristics of venture capital-backed companies and will have the effect of adding economic leverage to the portfolio. Under normal circumstances, the Fund will invest at least 80% of its net assets, plus any borrowings for investment purposes, in securities and financial instruments that compose the Thomson Reuters Venture Capital Index. Under normal conditions, the Adviser may elect to invest in exchange traded funds, exchange traded notes, index replication baskets, equity securities, such as common stock, money market instruments, U.S. government securities, synthetics, or other instruments (i.e., swaps, structured notes, futures and options) that have similar economic characteristics to the Thomson Reuters Venture Capital Index.

## ABOUT LELAND®

The Leland® family of funds offers innovative investment solutions that complement traditional allocations within a portfolio. The Leland Funds seek to provide opportunities for diversification to improve risk management and enhance returns over time. Through its partnerships with leading investment managers, Leland Funds include strategies which provide investors with opportunities beyond existing investment alternatives.

## PORTFOLIO MANAGEMENT TEAM

**Neil R. Peplinski**, CFA, Managing Partner, Good Harbor Financial LLC, worked as a portfolio manager for Allstate Investments overseeing a \$400 million portfolio of collateralized debt obligations. Neil earned his MBA with High Honors from The University of Chicago Booth School of Business. He also holds a MSEE in Electromagnetics from The University of Michigan, and a BSEE in Electromagnetics from Michigan Technological University where he graduated summa cum laude.

**David Armstrong**, Portfolio Manager, is primarily responsible for working with advisory firms and investors to understand tactical asset allocation as they assess Good Harbor and its investment strategies. With 28 years of professional experience, David's previous companies include Honeywell, RR Donnelley and Oracle. Prior to joining Good Harbor, he was a director of research conducting analysis on the nature and structure of competition in the credit card market for financial firms. David earned his MBA from the University of Chicago Booth School of Business and a BA from Knox College.

**Yash Patel**, CFA, Chief Operating Officer, has served as a Portfolio Manager since March 2010 at Good Harbor Financial and also serves as its Chief Operating Officer. Yash brings 14 years of professional experience to the firm. His responsibilities include the management and leadership of operations, technology, trading, and portfolio management. Prior to joining Good Harbor Financial, Yash was a quantitative equity analyst for Allstate Investments, developing and implementing model-driven trading strategies. Previous to that, he worked and consulted for hedge funds including Bridgewater Associates and Citadel Investment Group. Yash earned an MBA with Honors from The University of Chicago Booth School of Business and a BS CSE from The Ohio State University.

## DISCLOSURE

Investors should carefully consider the investment objectives, risks, charges and expenses of the Leland Funds. This and other important information about the Fund is contained in the prospectus, which can be obtained at [www.lelandfunds.com](http://www.lelandfunds.com) or by calling 877-270-2848. The prospectus should be read carefully before investing. The Leland Funds are distributed by Northern Lights Distributors, LLC, member FINRA/SIPC. Good Harbor Financial, LLC is the investment adviser to the Leland Funds. Good Harbor Financial, LLC and Thomson Reuters are not affiliated with Northern Lights Distributors, LLC.

### Risk Factors

*Mutual funds involve risks including the possible loss of principal. The Fund may invest in ETFs, ETNs and mutual funds, which are subject to investment advisory and other expenses, which will be indirectly paid by the Fund. ETFs, ETNs and mutual funds are subject to issuer, fixed income and risks specific to the fund.*

*Venture capital investments involve a greater degree of risk; as a result, the Fund's returns may experience greater volatility than the overall market. **The Fund does not invest in venture capital funds nor does it invest directly in the companies funded by venture capital funds.***

*The Fund seeks to generate returns that mimic the aggregate returns of U.S. venture capital-backed companies as measured by the Thomson Reuters Venture Capital Index ("TR VC Index"). There is a risk that the Fund's return may not match or achieve a high degree of correlation with the return of the TR VC Index. Additionally, the TR VC Index's return may not match or achieve a high degree of correlation with the return of U.S. venture capital-backed companies. The Fund relies on licenses that permit the Fund to use the applicable Index and certain related intellectual property in connection with the name and investment strategies of the Fund. In the event that such licenses are terminated, the Fund may lose its ability to use the intellectual property which may have a significant impact on the operation of the Fund and could potentially result in a change in investment policy or closure of the Fund.*

*Investments in equity securities are subject to overall market risks. To the extent that the Fund's investments are concentrated in or significantly exposed to a particular sector, the Fund will be susceptible to loss due to adverse occurrences affecting that sector.*

*Loss may result from the Fund's investments in derivatives. These instruments may be illiquid, difficult to value and leveraged so that small changes may produce disproportionate losses to the Fund. Over the counter derivatives, such as swaps, are also subject to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation. In certain circumstances, it may be difficult for the Fund to purchase and sell particular derivative investments within a reasonable time at a fair price.*

### **Thomson Reuters Disclosure**

Thomson Reuters is a registered trademark of Thomson Reuters and its affiliates.

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### Glossary of Terms

**Beta ( $\beta$ )** – a measure of the volatility, or systematic risk, of an investment in comparison to the market as a whole.

**Correlation** is a statistical measure of how two securities move in relation to each other.

**Volatility** is a statistical measure of the dispersion of returns for a given security or market index. Volatility can either be measured by using the standard deviation or variance between returns from that same security or market index. Commonly, the higher the volatility, the riskier the security.

### Indices

Thomson Reuters Venture Capital Index – the Thomson Reuters Venture Capital Index ("TR VC Index") seeks to replicate the performance of the Thomson Reuters Venture Capital Research Index ("TR VC Research Index") using liquid public securities across the sectors in which U.S. venture capital invests.

Thomson Reuters Venture Capital Research Index – the TR VC Research Index measures the aggregate gross returns of the U.S. venture capital-backed private companies, using Thomson Reuters Private Company Data.

Indices cannot be invested into directly. Index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.

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Employees of Cedar Capital, LLC are registered representatives of Foreside Fund Services, LLC and provide third party distribution services for Leland Funds. 