

# Marathon Value Portfolio

LETTER TO SHAREHOLDERS

SEPTEMBER 30, 2021

For the fiscal year 2021 (October 1, 2020 through September 30, 2021), the Marathon Value Portfolio Fund (the Fund) returned 27.59%. In comparison, our benchmark, the S&P 500 Index, gained 30.00% during the same period. Since inception on March 28, 2000, the Fund has compounded at a rate of 9.07% annually, versus 7.04% annually for the S&P 500 over the same time period.

The speed and magnitude of the equity market's recovery from the pandemic-induced lows of March 2020 has been nothing short of remarkable. Since that time, the S&P 500 has almost doubled— the fastest such gain since World War II. So far in 2021, the S&P 500 has closed at a record-high 53 times— the most by this point in the year since 1964.

Despite these impressive statistics (or, maybe because of them), much of the conventional thinking about the equity markets remains solidly bullish. Among the optimistic beliefs underlying this thinking are: 1) A thriving U.S. economy, which is turbocharging corporate profits, will continue for the foreseeable future. For instance, during the second-quarter earnings season, nearly 90% of companies exceeded analyst forecasts – the highest such level of "beats" since 1994. 2) The U.S. Federal Reserve will keep interest rates at rock-bottom levels, possibly for years to come. 3) The U.S. Government will continue spending heavily to keep the recovery going. 4) Investors continue to exhibit the "buy the dip" mentality and to adhere to the mantra, "there is no alternative" (TINA) to equities because bond yields are so low.

However, the market's buoyancy has been ebbing of late. On the last day of September, the S&P 500 benchmark notched its first 5% decline in almost a year, one of the longest such stretches without such a pullback on record. Less bullish, or outright bearish investors, are beginning to become more vocal. These more pessimistic views include: 1) The Delta variant's spread is lengthening the time for complete economic normalization. Companies are increasingly taking down current growth forecasts due to lingering supply chain constraints and input price pressures. 2) Fears that the Federal Reserve's strategy of tapering its bond buying program may be ill-timed. 3) Concerns that many of the economic tailwinds may be reversing and that company earnings have hit peak growth. 4) China's crackdown on technology, real estate developers, and other private industries could lead to slower global growth.

What do Marathon Fund management think about these various issues? The reality is we generally don't have strong opinions on matters such as these. We readily admit we don't know how the market is going to react to new data one quarter to the next, let alone one or two years hence. We've written extensively on market timing and are still of the opinion that it is a futile exercise. Excuse us if we've used this Peter Lynch quote before but nothing encapsulates our sentiment so well.

*"Far more money has been lost by investors preparing for corrections, or trying to anticipate corrections, than has been lost in corrections themselves." - Peter Lynch*

We are convinced that the most reliable way to capture the long-term return of equities is to ride out their frequent, but ultimately temporary, declines. Considering, that historically, the equity market averages roughly a 15% drawdown on an annual basis, the real key to making money in stocks is not to get scared out of them

Besides, generating satisfactory investment returns is a probabilistic process, not a predictive one. Basing our company value estimates on whether a bullish or bearish economic prediction proves out would leave us vulnerable to alternative scenarios playing out. Instead, our analysis contemplates the idea that many different outcomes are possible and applies certain probabilities to each. One of our favorite descriptions of risk is that more things can happen than will happen. We know of no other way to account for this risk than to sensibly assess multiple potential outcomes.

Any strong opinions we do have are reserved for company-specific insights developed through our research process, where we focus on identifying a small number of companies with sustainable competitive advantages, are exceptionally well-managed, and have attractive reinvestment opportunities. When we find all of those things available at valuations that will enable us to benefit fully from the growth in the intrinsic value of the companies, the events in the broader economy don't matter all that much.

The essence of lastingly successful equity investing is the ability to allow capital to compound over the long-term. This ability is not just about possessing superior intellectual capability and analytical aptitude; it's also overwhelmingly temperamental in nature. It's about patience, discipline, faith that your process works over time, and most importantly, because the compounding of returns is such a powerful force, make sure to never unnecessarily interrupt it. Because although we never know what the stock market is going to do next, we believe we know what it's likely to do ultimately.

<b>Annualized Performance (Net of Fees) As of September 30, 2021</b>		
	<b>Marathon Value</b>	<b>S&amp;P 500</b>
Quarter *	0.34%	0.58%
YTD *	13.00%	15.92%
One Year	27.59%	30.00%
Three Year	13.02%	15.95%
Five Year	13.42%	16.63%
Since Inception (03/28/00)	9.07%	7.04%

*\*Quarter and Year to Date Performance numbers are not annualized.*

*The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 1-888-695-3729. **The total expense ratio is 0.99%.** This operating expense limitation does not apply to interest, taxes, brokerage commissions, other expenditures which are capitalized in accordance with generally accepted accounting principles, other extraordinary expenses not incurred in the ordinary course of the Fund's business, dividend expense on short sales, expenses incurred under a Rule 12b-1 plan of distribution, "acquired fund fees and expenses," and expenses that the Fund has incurred but did not actually pay because of an expense offset arrangement.*

*Portfolio holdings are subject to change without notice and are not intended as recommendations of individual stocks.*

*The S&P 500 Index is a broad market-weighted average of U.S. blue-chip companies. This index is unmanaged, and investors cannot actually make investments in this index.*

*The views and opinions expressed in this material are of the author and may or may not be accurate over the long term. While we believe we have a reasonable basis for our appraisals and we have confidence in our opinions, actual results may differ materially from those we anticipate. These opinions are current as of the date of this report but are subject to change. There is no guarantee that any forecasts or opinions in this material will be realized. Information should not be construed as investment advice. The information provided in this material should not be considered a recommendation to buy, sell or hold any particular security.*

*Investing involves risk, including loss of principal. There is no guarantee that this, or any, investing strategy will be successful. Diversification does not ensure a profit or guarantee against loss. Investing in value stocks presents the risk that the stocks may never reach what the adviser believes are their full market values. There are no guarantees that dividend paying stocks will continue to pay dividends.*

*The Fund may lose money due to fluctuations within the stock market which may be unrelated to individual issuers and could not have been predicted. The price of the securities which the Fund holds may change unpredictably and due to local, regional, international, or global events. These events may include economic downturns such as recessions or depressions; natural occurrences such as natural disasters, epidemics or pandemics; acts of violence such as terrorism or war; and political and social unrest. Due to the prominence of globalization and global trade, the securities held by the Fund may be affected by international and global events. In the case of a general market downturn, multiple asset classes, or the entire market, may be negatively affected for an extended and unknown amount of time. Although all securities are subject to these risk, different securities will be affected in different manners depending on the event.*

**The Fund's prospectus contains important information about the Fund's investment objectives, potential risks, management fees, and charges and expenses and should be read carefully before investing. You may obtain a current copy of the Fund's prospectus by calling 1-800-695-3729. Distributed by Northern Lights Distributors, LLC.**