# MARKETFIELD FUND

JULY 31, 2016

## FUND OVERVIEW

### OBJECTIVE

The investment objective of the Fund is capital appreciation.

### STRATEGY & PROCESS

The Fund seeks long-term growth of capital above that of the broad equity market over a full market cycle, with volatility that is lower than that of the broad equity market. Correlation between the Fund and the broad equity market may vary considerably over a full market cycle. The Fund has a broad investment charter that allows it to utilize equity securities, fixed income instruments, commodities, futures, and options. Additionally, with respect to 50% of the Fund's net assets, the Fund may engage in short sales of securities to profit from an anticipated decline in the price of the security sold short. The use of short selling could result in increased volatility of returns.

## FUND FACTS

| | |
|---|---|
| CUSIP Class I | 89834E245 |
| CUSIP Class A | 89834E278 |
| CUSIP Class C | 89834E252 |
| CUSIP Investor Class | 89834E260 |
| CUSIP Class R2 | 89834E237 |
| CUSIP Class R6 | 89834E229 |
| CUSIP Class P | 89834E211 |
| Inception Date | 7/31/2007 |
| Benchmark | S&P 500 Index |
| Net Assets | $1.1 billion |
| Number of Holdings | 103 |

## PORTFOLIO ALLOCATION

*(Excluding Cash) (As of 07/31/16)*

| | |
|---|---|
| Equity Long* | 91.8% |
| Equity Short* | -32.3% |
| Fixed Income Short | -0.4% |

**Option deltas not reflected. Equity Long includes notional value of long future positions of 1.1%.*

## PERFORMANCE

Monthly Average Annual Total Return As of 07/31/16

| | Tickers | YTD | 1 Yr | 3 Yr | 5 Yr | Since Inception |
|---|---|---|---|---|---|---|
| Class I (7/31/2007) | MFLDX | -3.09% | -6.12% | -6.22% | 1.68% | 4.24% |
| Class A (Max. 5.5% load) (10/05/2012) | MFADX | -8.63% | -11.56% | -8.21% | 0.29% | 3.34% |
| Class A (NAV) (10/05/2012) | MFADX | -3.31% | -6.41% | -6.45% | 1.44% | 3.99% |
| Class C (Max. 1.0% CDSC) (10/05/12) | MFCDX | -4.70% | -8.08% | -7.18% | 0.67% | 3.21% |
| Investor Class (Max. 5.5% load) (10/05/12) | MFNDX | -8.63% | -11.51% | -8.22% | 0.29% | 3.34% |
| Class R2 (10/05/2012) | MFRDX | -3.33% | -6.44% | -6.55% | 1.33% | 3.88% |
| Class R6 (10/05/12) | MFRIX | -3.08% | -5.97% | -6.09% | 1.76% | 4.29% |
| Class P* (5/31/2013) | MFPDX | -3.15% | -6.12% | -6.22% | 1.68% | 4.24% |
| S&P 500® Index (7/31/2007) | SPXT | 7.66% | 5.61% | 11.16% | 13.38% | 6.85% |
| HFRI Macro Disc. Them. Index (12/31/07) | HFRIMDT | -1.12% | -3.21% | -0.47% | -0.56% | - |

Quarterly Average Annual Total Return As of 6/30/16

| | Tickers | YTD | 1 Yr | 3 Yr | 5 Yr | Since Inception |
|---|---|---|---|---|---|---|
| Class I (7/31/2007) | MFLDX | -6.58% | -12.63% | -6.52% | 0.36% | 3.85% |
| Class A (Max. 5.5% load) (10/05/2012) | MFADX | -11.88% | -17.67% | -8.49% | -1.01% | 2.95% |
| Class A (NAV) (10/05/2012) | MFADX | -6.58% | -12.89% | -6.75% | 0.12% | 3.60% |
| Class C (Max. 1.0% CDSC) (10/05/12) | MFCDX | -4.70% | -8.08% | -7.18% | 0.67% | 3.21% |
| Investor Class (Max. 5.5% load) (10/05/12) | MFNDX | -11.88% | -17.62% | -8.51% | -1.01% | 2.95% |
| Class R2 (10/05/2012) | MFRDX | -6.79% | -12.94% | -6.85% | 0.01% | 3.49% |
| Class R6 (10/05/12) | MFRIX | -6.56% | -12.47% | -6.39% | 0.44% | 3.90% |
| Class P* (5/31/2013) | MFPDX | -6.64% | -12.63% | -6.52% | 0.36% | 3.85% |
| S&P 500® Index (7/31/2007) | SPXT | 3.84% | 3.99% | 11.66% | 12.10% | 6.49% |
| HFRI Macro Disc. Them. Index (12/31/07) | HFRIMDT | -0.66% | -1.96% | -0.25% | -0.33% | - |

**Information as of March 31, 2016 reflects that of MainStay Marketfield Fund which is the predecessor to Marketfield Fund.**

**Performance data quoted represents past performance. Past performance is no guarantee of future results. Due to market volatility, current performance may be less or higher than the figures shown. Investment return and principal value will fluctuate, so that upon redemption, shares may be worth more or less than their original cost. For performance information current to the most recent month-end, visit our web site at http://www.marketfield.com/fund/.**

Total Annual Fund Operating Expenses are: Class I: 2.34%, Class A: 2.62%, Class C: 3.37%, Investor Class: 2.71%, Class R2: 2.74%, Class R6: 2.33% and Class P: 2.34%. Expenses include Dividend Expense on Securities Sold Short and Broker Fees and Charges on Short Sales.

Performance data for the classes varies based on differences in their fee and expense structures. The performance figures for Class I shares reflect the historical performance of the then-existing shares of MainStay Marketfield Fund (the predecessor to the Fund, for which the Adviser served as the investment sub-advisor) for periods from October 5, 2012 to April 8, 2016. The performance figures for Class I shares also reflect the historical performance of the then-existing shares of the predecessor fund to MainStay Marketfield Fund (which was subject to a different fee structure, and for which a predecessor entity to the Adviser served as the investment adviser) for periods prior to October 5, 2012. The returns in the table below for periods prior to October 5, 2012 have been calculated using the expenses of the predecessor fund to the MainStay Marketfield Fund. Performance figures for Class A, Investor Class, Class C and Class R2 shares, first offered on October 5, 2012, include the historical performance of Class I shares through October 4, 2012 and are adjusted to reflect differences in fees and expenses. Performance figures for Class R6 shares, first offered on June 17, 2013, include the historical performance of Class I shares through June 16, 2013. Performance data for the classes varies based on differences in their fee and expense structures. The performance figures for Class P shares, first offered on May 31, 2013, include the historical performance of Class I shares of the then existing shares of MainStay Marketfield Fund (the predecessor to the Fund, for which the Adviser served as the investment sub-advisor) for periods from October 5, 2012 through April 8, 2016. The performance figures for Class P shares also reflect the historical performance of the then-existing shares of Marketfield Fund (the predecessor to the MainStay Marketfield Fund, which was subject to a different fee structure, and for which a predecessor entity to the Adviser served as the investment adviser) for periods prior to October 5, 2012. The returns in the table below for periods prior to October 5, 2012 have been calculated using the expenses of the predecessor fund to the MainStay Marketfield Fund. Performance data for the classes varies based on differences in their fee and expense structures. Unadjusted, the performance for the newer classes would likely have been different because of differences in certain fees and expenses attributable to each share class.

## Portfolio Management

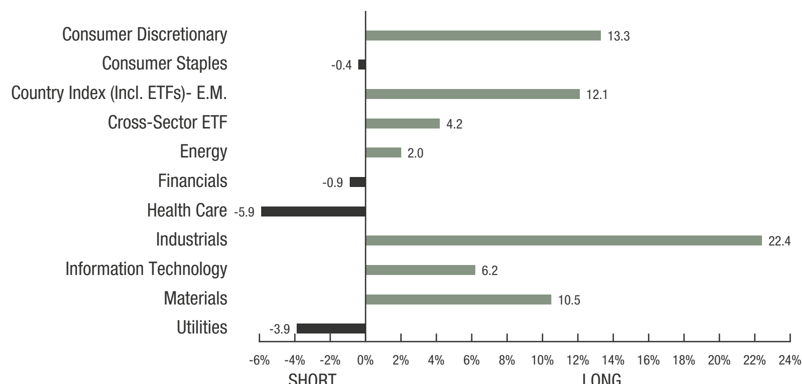
**Michael C. Aronstein**
President, Chief Investment Officer
Portfolio Manager
Marketfield Asset Management LLC

**Michael Shaoul**
Chairman, CEO
Portfolio Manager
Marketfield Asset Management LLC

## Contact Us

**Eilene Nicoll**
Managing Director
Director of Client Services
Marketfield Asset Management LLC
**enicoll@marketfield.com**
**www.marketfield.com**
**212-514-2357**

## Sectors Net Exposure *(As of 07/31/16)*




## Regions Exposure *(As of 07/31/16)*

| | Long | Short | Net |
|---|---|---|---|
| U.S. | 48.2 | 32.3 | 15.90% |
| Emerging Markets | 16.4 | 0.0 | 16.40% |
| Japan | 12.7 | 0.0 | 12.70% |
| Europe | 10.8 | 0.0 | 10.80% |
| Canada | 2.6 | 0.0 | 2.60% |
| Other | 1.2 | 0.0 | 1.20% |

## Before You Invest

**Mutual fund investing involves risk. Principal loss is possible. Before considering an investment in the Fund, you should understand that you could lose money.**

*The Fund regularly makes short sales of securities, which involves the risk that losses may exceed the original amount invested. The Fund may also use options and futures contracts, which have the risks of unlimited losses of the underlying holdings due to unanticipated market movements and failure to correctly predict the direction of securities prices, interest rates, and currency exchange rates. However, a mutual fund investor's risk is limited to the amount invested in a fund. Investments in absolute return strategies are not intended to outperform stocks and bonds during strong market rallies. Investing in ETFs are subject to additional risks that do not apply to conventional mutual funds, including the risks that the market price of the shares may trade at a discount to its net asset value ("NAV"), an active secondary trading market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact a Funds ability to sell its shares.*

*Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks. These risks may be greater for emerging markets. Investing in smaller companies involves special risks, including higher volatility and lower liquidity. Investing in mid-cap stocks may carry more risk than investing in stocks of larger, more well-established companies. This risk is usually greater for longer-term debt securities. Investment by the Fund in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher-rated securities. Investments in asset-backed and mortgage-backed securities involve additional risks such as credit risk, prepayment risk, possible illiquidity and default, and increased susceptibility to adverse economic developments. The Fund involves the risk that the macroeconomic trends identified by portfolio management will not come to fruition and their advantageous duration may not last as long as portfolio management forecasts. The Fund may invest in derivatives, which may increase the volatility of the Fund's NAV and may result in a loss to the Fund.*

Notional value is the total value of a leveraged position's assets. Correlation is a statistical measure of the degree to which the movements of two variables (stock/option/convertible prices or returns) are related. Option Delta is the relationship between the option price and the underlying price, which reflects the sensitivity of the price of the option to changes in the price of the underlying security.

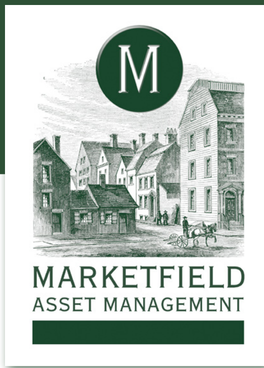
The S&P 500® Index is a trademark of McGraw Hill Financial Inc. The S&P 500® Index is widely regarded as the standard index for measuring large-cap U.S. stock market performance. The securities holdings and volatility of the Fund differ significantly from the stocks that make up the S&P 500 Index. The HFRI Macro Discretionary Thematic Index is a broad-based hedge fund index, consisting of strategies that are primarily reliant on the evaluation of market data, relationships, and influences, as interpreted by an individual or group of individuals who make decisions on portfolio positions. These strategies employ an investment process most heavily influenced by top-down analysis of macroeconomic variables. An investment cannot be made directly into an index.

Regions and Sectors Exposures are subject to change and are not recommendations to buy or sell any security. Only equities and equity instruments classified in Regions and Sectors Exposures. The Global Industry Classification Standard (GICS®) was developed by and/or is the exclusive property of MSCI, Inc. and Standard & Poor Financial Services LLC ("S&P"). GICS is a service mark of MSCI and S&P and has been licensed for use by U.S. Bancorp Fund Services, LLC.

**Diversification does not assure a profit nor protect against loss in a declining market.**

**For more information about Marketfield Fund, call 800-311-6583 for a prospectus or summary prospectus. Investors are asked to consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus or summary prospectus contains this and other information about the investment company. Please read the prospectus or summary prospectus carefully before investing.**

The Marketfield Fund is managed by Marketfield Asset Management LLC and distributed by Quasar Distributors, LLC.




# MARKETFIELD FUND

June and July 2016

## Commentary

August 8th, 2016

Chairman's Report June/July 2016

This letter covers the two month period of June and July during which there was increasing evidence of the shift in relative performance that we had anticipated in favor of emerging markets over their developed peers. This has proved helpful to the portfolio's performance over this period, as has the general trend of appreciation in commodity related equities.

The brief Brexit shock, which came at the end of June, means that the monthly performance figures show all of the gains taking place in July, but a glance at any chart would show that the positive trends started to become apparent somewhat earlier and were briefly interrupted by the sharp three day correction that followed the UK referendum.

In any event, July's performance was the best for the Fund in any month since January 2013 and the first time that we have outperformed a rise greater than 3% by the S&P 500 index since March 2012. This suggests that our decision to increase our net exposure during the second quarter was correct, as was our choice to tilt the allocations towards emerging markets and commodity related equities. The fact that these allocations outperformed in the face of a supposedly "risk off" event is significant and supports our belief that a key turning point was reached in early 2016.

We made few changes to the portfolios composition over this two month period. We did use the Brexit swoon to cut back on short exposure to US financial equities and build new long positions in Brazil and Taiwan.

We have continued to trim our short exposure to financial equities and media but remain short "safe haven" sectors such as Utilities, Staples and REITs. Our net long position remains at the high end of normal, generally higher volatility of sectors we are long versus those we are short.

Overall our portfolio is positioned to attempt to take advantage of a more optimistic allocation towards global equities and the more economically sensitive portion of the US equity market.

August 5, 2016

Michael Shaoul

Chairman, CEO & Portfolio Manager

For the past three years we have witnessed a global scavenger hunt for current yield. Central banks, with their nearly insatiable appetite for high grade bonds and suppressed deposit rates, have left institutional and retail investors to roam farther and farther afield in their search for income.

The yield seeking dynamic has extended to the point of mania, as trillions of dollars of bonds trade with yields to maturity below zero. Paying borrowers to borrow is reminiscent of practices a decade ago, where mortgage lenders were willing to lend substantially more than the actual purchase price of a property, thus allowing leveraged buyers at all credit strata to walk away from closings with checks. This virtually assured an eventual loss for the lender, but for two or three years, no one seemed to care about the arithmetic.

Guaranteed losses for lenders, decades into a bull market for the favorite asset class (in this case, the full faith and credit of developed world governments) historically mark secular peaks in credulousness among creditors and the price appreciation underlying their blind faith.

The decision by the British electorate to break away from Brussels' governance may mark a turning point in the process. It

## Commentary (continued)

appears to have solidified official anxieties at all levels and provided additional rationale for both monetary and fiscal expansion. In that vein, one of the first potential responses bandied about by the UK government was a dramatic cut in the corporate tax rate.

In the immediate aftermath of Britain's vote to leave, markets took the flight toward perceived "safety" and away from apparent risk to extremes that were reminiscent of 2009. Like March 2009, the market moves of late June 2016 did not follow through. The classic perceived "safe havens"—U.S. bonds, the Japanese Yen, German Bunds—have retraced most or all of their surges. The peaks occurred in early July, consistent with a tendency for important market trends to reverse right after the end of the second quarter (oil peaked at $147 on July 12, 2008, housing stocks during the third week of July 2005, gold made its secular lows in July and August of 1999) as many institutions close their fiscal years on June 30th and make major allocations at the beginning of July, generally toward assets that have worked for a long while and away from those that have not.

The early July surge in bond prices has been the most notable reflection of these seasonally intense flows, and feels like the obverse of the final collapse in bonds in 1981, at the tail end of a 35 year bear market. The widespread anxiety of that time focused on inflation (and the threat of hyperinflation, which was forecast by several large sell side firms) rather than deflation. The ten year forecasts for inflation and long-term bond yields that guided investment policy at most institutions never envisioned either dropping below double digits.

The fight against inflation in the U.S. reached maximum intensity and ultimate success during the late 1970s and early 1980s. The battle was won long after the investment community had become resigned to the idea that turning back the long-term tide of inflation was impossible.

It took Paul Volcker four years and several unexpectedly severe moves to tighten policy before the natural pressures of high real rates made borrowing to buy inflating assets a losing business in nearly every circumstance. The fundamental non-monetary turning point in the cycle occurred following the election of President Reagan, who almost immediately deregulated the price of oil, the rise of which had been a foundational element in the inflationary process. The move was met with derision by many of his political opponents and a good many market watchers, all of whom assumed that it would simply assure years and years of higher energy prices and runaway inflation. Instead, oil peaked shortly thereafter and did not see its highs for more than a decade. The overall inflation rate fell below double digits (on an annualized basis) in 1981, and has not been near that level since.

The foundations for a long period of rising consumer prices are currently in place. Chief among them is the steadily rising cost of labor, particularly in the lower to middle echelon of services and in most skilled and semi-skilled trades. Worker shortages are beginning to become more common, driven by a combination of demographics, disappearing immigration, expansions of social benefits for those not working and changing preferences among recent entrants to the labor force.

Compounding the developing scarcity of eligible workers is a new regulatory framework that continues to raise minimum wages, benefits, overtime costs and the likelihood of employment litigation and compulsory unionization in small consumer service businesses.

The shortage of workers in a variety of enterprise is not confined to the domestic economy. Tightening labor markets and accelerating wage growth are evident in Japan, Germany, Great Britain, China and Korea. Taken as a group, these economies provide a large portion of globally traded manufactured goods. They are also enjoying real interest rates well into negative territory, providing borrowers with positive carry for almost every tangible asset that produces cash flow.

The first stage of monetary inflation is generally marked by asset price rises, which eventually come to dominate the attention of central bankers. At present, it seems clear that bond prices, credit spreads, foreign exchange and equity market volatility and commodity prices have become principal influences on monetary policy.

We would argue that it was the extraordinary decline in commodity prices between 2014 and early 2016 that focused central bankers' attentions on fighting deflation and pushed back any real normalization of policy even in face of rapidly improving labor markets and the initial stages of input cost inflation.

The annualized decline in producer prices seen in the aftermath of the commodity and energy price collapse was, with the sole exception of 2009, the largest in 65 years. It had the effect of further expanding margins for most consumer product companies and pushing the ratio of input costs to final selling prices (Producer Price Index (PPI) to Consumer Price Index (CPI)) to historic extremes.

Official responses to the British vote have verged on panic, with widespread expectations of recession and further deflation. Markets seem to believe otherwise. During the past month, in the face of the post-secession hysteria, cyclical sectors have been

## Commentary (continued)

the best performers in nearly all equity markets, and markets which, taken in their entirety, e.g. Brazil, Russia, Malaysia, have been among the strongest overall performers.

We will be alert during the next several months for signs that businesses are beginning to pass through higher labor and input costs, confirming the hints that are beginning to emerge in capital markets. We are aware that we have anticipated several false dawns over the past years, but our portfolio is beginning to behave as though there is something more robust at work.

July 22, 2016

Michael C. Aronstein

President, CIO & Portfolio Manager

The information provided herein represents the opinions of the Portfolio Manager & Chairman and are not intended to be a forecast of future events, a guarantee of future results, or investment advice.

Yield to maturity (YTM) is the total return anticipated on a bond if the bond is held until the end of its lifetime.

Cash Flow: The net amount of cash and cash-equivalents moving into and out of a business. Positive cash flow indicates that a company's liquid assets are increasing

A credit spread is the difference in yield between a U.S. Treasury bond and a debt security with the same maturity but of lesser quality.

The Producer Price Index (PPI) is a weighted index of prices measured at the wholesale, or producer level.

The consumer price index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care.