

Form CRS

Client Relationship Summary

June 26, 2020

**Item 1 Introduction**

W.E. Donoghue & Co., LLC is registered with the Securities and Exchange Commission (SEC) as an investment adviser. Brokerage and investment advisory services and fees differ, and it is important for you to understand these differences. Free and simple tools are available to research firms and financial professionals at [Investor.gov/CRS](https://www.investor.gov/CRS), which also provides educational materials about broker-dealers, investment adviser, and investing.

**Item 2 Relationships and Services**

**What investment services and advice can you provide me?**

We offer investment advisory services to retail investors, including discretionary account management to individuals, corporations and other business entities, based on each client's financial circumstances and investment objectives. We combine quantitative analysis and technical research from both proprietary and external sources in developing and maintaining our investment strategies. We apply principles of investment diversification, as well as technical indicators, across broad market segments in an effort to reduce overall portfolio risk while improving potential investment returns.

**Monitoring**

We generally review our discretionary clients' accounts on an annual basis.

**Investment Authority**

Certain client accounts are managed by us on a discretionary basis. When an account is opened, the client signs a limited power of attorney giving us the authority to purchase and sell securities for the account in accordance with the client's investment objective(s) and risk tolerance, deduct management fees and distribute funds in the client's name to the address on record for the account.

**Limited Investment Offering**

Our client accounts are invested in exchange traded securities, investment companies (including exchange-traded funds) and cash and equivalents. Clients have the opportunity to impose reasonable restrictions on the investments made in their accounts, regardless of the portfolio selected.

**Account Minimums and Other Requirements**

The minimum amount required to establish a managed account is generally \$25,000 for all dynamic asset allocation account portfolios and The Power Treasury Portfolio, and \$50,000 for all index account portfolios. Accounts under the minimum may be accepted on an individual basis at our discretion.

**More information** about our services is available on Part 2 of our Form ADV, which can be found at <https://adviserinfo.sec.gov/firm/summary/285403>.

**Conversation Starters.** Ask your financial professional—

- **Given my financial situation, should I choose an investment advisory service? Why or why not?**
- **How will you choose investments to recommend to me?**
- **What is your relevant experience, including your licenses, education and other qualifications? What do these qualifications mean?**

**Item 3 Fees, Costs, Conflicts and Standard of Conduct**

**A. What fees will I pay?**

The specific manner in which advisory fees are charged is established in the client's investment advisory agreement with us. Generally, the annual fee for accounts is 1.00% of assets under management. Fees are generally non-negotiable. Additional information about our firm's fees is included in Item 5 of Part 2 of Form ADV, available at <https://adviserinfo.sec.gov/firm/summary/285403>.

In addition to our management fees, Clients will, in general, pay fees and charges for custodian services, as well as brokerage commissions and other third-party fees for purchases and sales of securities.

We do not charge any performance-based fees.

**You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.**

**Conversation Starter.** Ask your financial professional—

- **Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?**

**B. What are your legal obligations to me when acting as my investment adviser? How else does your firm make money and what conflicts of interest do you have?**

**When we act as your investment adviser**, we must act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the investment advice we provide to you. Here is an example to help you understand what this means.

- When we have the ability to choose the broker-dealer to execute transactions, we seek to obtain “best execution” for client transactions. Portfolio transactions for the Clients are allocated to broker-dealers based on numerous factors and not necessarily lowest pricing. However, Broker-dealers may provide other services that are beneficial to the Company and/or certain Clients, but not beneficial to all Clients.

**Conversation Starter.** Ask your financial professional—

- **How might your conflicts of interest affect me, and how will you address them?**

**More information** about conflicts of interest between us and our clients is available on Part 2 of our Form ADV, which can be found at <https://adviserinfo.sec.gov/firm/summary/285403>.

**How do your financial professionals make money?**

W.E. Donoghue & Co., LLC’s financial professionals receive a salary and may receive a discretionary bonus. Compensation is set with the intention of attracting and retaining highly qualified professionals. Compensation is based on a variety of factors, including the number, value and complexity of accounts under management, the performance of those accounts, and client satisfaction and retention.

#### Item 4 Disciplinary History

**Do you or your financial professionals have legal or disciplinary history?**

Yes

No

Visit [Investor.gov/CRS](http://Investor.gov/CRS) for a free and simple search tool to research us and our financial professionals.

**Conversation Starter.** Ask your financial professional—

- **As a financial professional, do you have any disciplinary history? For what type of conduct?**

#### Item 5 Additional Information

**More information about our services** can be found at [www.donoghue.com](http://www.donoghue.com). If you have any questions about the contents of this brochure or would like to request a copy of this relationship summary, please contact us at 1-800-642-4276.

**Conversation Starter.** Ask your financial professional—

- **Who is my primary contact person?**
- **Is he or she a representative of an investment-adviser or a broker-dealer?**
- **Who can I talk to if I have concerns about how this person is treating me?**

**ITEM 1: COVER PAGE**



**Donoghue Forlines LLC**

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Suite 310  
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1-800-642-4276  
[www.DonoghueForlines.com](http://www.DonoghueForlines.com)  
[www.PowerMutualFunds.com](http://www.PowerMutualFunds.com)

This brochure provides information regarding the qualifications and business practices of Donoghue Forlines LLC (“Donoghue Forlines” or the “Company”). If you have any questions about the contents of this brochure, please contact us at: [AEarp@DonoghueForlines.com](mailto:AEarp@DonoghueForlines.com) or 1-800-642-4276. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about the Company is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (the CRD number for Donoghue Forlines is 285403).

Donoghue Forlines is a registered investment adviser. Registration with the SEC or any state authority does not imply any level of skill or training.

*Please Retain a Copy of This Brochure for Your Records*

## **ITEM 2: MATERIAL CHANGES**

We at Donoghue Forlines LLC (hereafter “Donoghue Forlines” or “the Company”) believe that communication and transparency are the foundation of our relationship with our clients, and continually strive to provide our clients with complete and accurate information at all times. We encourage all current and prospective clients to read this brochure and discuss any questions you may have with us. We always welcome your feedback.

### **Material Changes**

Since the prior amendment filed on October 1, 2020, we note the following updates:

#### **Item 4**

- The names and descriptions of many of the strategies have been modified to better reflect the Company’s approach to managing its strategies.
- The Company now serves as a sub-adviser to two ETFs whose primary adviser is TrimTabs Asset Management, an unaffiliated Registered Investment Adviser.
- The Company has developed new indices in coordination with TrimTabs Asset Management which provides day-to-day control of the indices, and INDXX serves as the calculating agent of the indices.

#### **Item 5**

- A description of the management fees received in connection with sub-advising the ETFs has been added.

Other grammatical and non-material changes have been made throughout the document as well.

### **Future Changes**

From time to time, we may amend this brochure to reflect changes in our business practices, changes in regulations or routine annual updates as required by the securities regulators. This complete brochure or a summary of material changes shall be provided to each client annually and if a material change occurs in the business practices of Donoghue Forlines.

At any time, you may view the current brochure on-line at the SEC’s Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You may also request a copy of this brochure at any time by contacting us at 1 (800) 642-4276 or at [www.DonoghueForlines.com](http://www.DonoghueForlines.com).

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## **ITEM 4: ADVISORY BUSINESS**

Donoghue Forlines LLC (hereafter “we,” “us”, “Donoghue Forlines” or the “Company”) is a fee-based investment advisory firm that offers portfolio management services. The Company is a Delaware Limited Liability Company and commenced operations as an investment adviser in 1986. The Company is majority-owned by WEDCO Acquisition Co., LLC, which is owned and controlled by David A. Minella, through his ownership of Minella Capital Management, LLC. Minority ownership stakes in the Company are held by certain principals and former principals of the Company.

We provide discretionary account management to individuals, corporations and institutions, and serve as an investment adviser and sub-adviser to mutual funds and ETFs. Model mutual fund, individual equity, and exchange-traded fund (“ETF”) investment portfolios are developed and serve as the basis to meet specific investor needs for risk-adjusted returns and comprise our dynamic asset allocation portfolios and index portfolios.

We combine quantitative analysis and technical research from both proprietary and external sources in developing and maintaining our investment strategies. We apply principles of investment diversification, as well as technical indicators, across broad market segments in an effort to reduce overall portfolio risk while improving potential investment returns.

We employ rules and technically-based screening/analysis to evaluate portfolio holdings and to assist in the selection process. We continuously monitor the financial markets for signs of relative strength or weakness. When a decision is made to shift assets, both instructions regarding execution of orders and execution of orders for all accounts with similar investment objectives are made generally the same day. Some ETF holdings in these portfolios trade like stocks so that brokerage trading fees or asset-based pricing fees will apply in addition to advisory fees assessed by the Company. In addition, some mutual fund classes of shares have transaction fees. Each custodian has its own pricing schedule.

As of June 30, 2020, our combined regulatory assets under management and assets under advisement were \$1.1 billion. Regulatory assets under management were approximately \$442 million. In addition, we provide model portfolios and related trading signals to third-party financial advisers who use these models and trading signals to manage their client accounts. The firm maintained these model portfolio arrangements with approximately 30 firms and platforms. These assets under advisement were approximately \$653 million. Our client accounts are invested in exchange traded securities, investment companies (including exchange traded funds) and cash and equivalents.

### **PORTFOLIOS**

The Company provides discretionary account management services in accordance with the asset allocation portfolios described below. Clients have the opportunity to impose reasonable restrictions on the investments made in their accounts, regardless of the portfolio selected. The Company also provides access to its model portfolios to other Registered Investment Advisers and Broker-Dealers. Recommendations for changes to the model portfolios are generally made monthly or as needed and communicated after the close of the market.

**Donoghue Forlines Income Portfolio:** The Donoghue Forlines Income Portfolio has the objective of maximizing total return from income and capital appreciation with the preservation of capital a secondary objective. The portfolio seeks returns with limited risk and seeks to beat an index of all bonds, corporate and government securities. The portfolio invests in the Donoghue Forlines Tactical Income Fund, the Donoghue Forlines Floating Rate Fund, the TrimTabs Donoghue Forlines Tactical High Yield ETF, and other fixed income investment options. A proprietary defensive trading system, used for a portion of the assets, indicates whether it is time to be invested in the funds or defensively positioned in treasuries or money markets. Since this strategy will invest exclusively in mutual funds and ETFs advised or sub-advised by Donoghue Forlines, no additional fee will be charged by Donoghue Forlines for managing the portfolio to minimize potential

conflicts of interest. When investing in ETFs, the accounts managed pursuant to the Donoghue Forlines Income Portfolio will incur brokerage trading fees or asset-based pricing fees.

The portfolio is an appropriate choice for investors who are seeking current income with capital preservation as a secondary objective.

**Donoghue Forlines Growth & Income Portfolio:** The Donoghue Forlines Growth & Income Portfolio primarily seeks growth and income using a diversified investment strategy which employs a combination of global macro fundamental and technical analysis. The strategy will invest in the following funds: Donoghue Forlines Tactical Allocation Fund; Donoghue Forlines Tactical Income Fund; Donoghue Forlines Dividend Fund; Donoghue Forlines Dividend Mid-Cap Fund; Donoghue Forlines Momentum Fund; and Donoghue Forlines Floating Rate Fund. Many of the aforementioned investments carry a tactical overlay that will shift assets to short-term U.S. Treasury ETFs or cash equivalents predicated upon technical indicators. Since this strategy will invest exclusively in mutual funds advised by Donoghue Forlines, no additional fee will be charged by Donoghue Forlines for managing the portfolio and to minimize potential conflicts of interest. When investing in ETFs, the accounts managed pursuant to the Donoghue Forlines Growth & Income Portfolio will incur brokerage trading fees or asset-based pricing fees.

The Donoghue Forlines Growth & Income Portfolio as a standalone strategy is appropriate for investors with a moderate risk tolerance. The portfolio is suitable for investors with a longer-term time horizon of 5-10 years or more. The strategy is designed to preserve capital during periods of market weakness by investing more heavily in fixed income asset classes and cash.

**Donoghue Forlines Dividend & Yield Portfolio:** The Donoghue Forlines Dividend & Yield Portfolio primarily seeks income and growth using a diversified investment strategy which employs a combination of global macro fundamental and technical analysis. The strategy will invest in the following funds: Donoghue Forlines Tactical Allocation Fund; Donoghue Forlines Tactical Income Fund; Donoghue Forlines Dividend Fund; Donoghue Forlines Dividend Mid-Cap Fund; Donoghue Forlines Momentum Fund; and Donoghue Forlines Floating Rate Fund. Many of the aforementioned investments carry a tactical overlay that will shift assets to short-term U.S. Treasury ETFs or cash equivalents predicated upon technical indicators. Since this strategy will invest exclusively in mutual funds advised by Donoghue Forlines, no additional fee will be charged by Donoghue Forlines for managing the portfolio to minimize potential conflicts of interest. When investing in ETFs, the accounts managed pursuant to the Donoghue Forlines Dividend & Yield Portfolio will incur brokerage trading fees or asset-based pricing fees.

The Donoghue Forlines Dividend & Yield Portfolio is suitable for investors with a relatively short time horizon who may be drawing income from the portfolio. The strategy is designed to preserve capital during periods of market weakness by investing more heavily in fixed income asset classes. In addition, the portfolio strategy will employ tactical investment strategies to attempt to control downside volatility by moving toward defensive money market positions when the market warrants it. The portfolio primarily seeks income and growth from investment assets.

**Donoghue Forlines Dividend Portfolio:** The Donoghue Forlines Dividend Portfolio seeks to track the W.E. Donoghue Power Dividend Index (for more information regarding the W.E. Donoghue Power Dividend Index, see Stock Market Indices section below). It has the objective of maximizing total return from income and capital appreciation with the preservation of capital as a secondary objective. The portfolio is a rules-based strategy that employs a disciplined investment selection process with a tactical overlay that determines whether the portfolio will be in a bullish (invested) or defensive position. The tactical overlay is made up of two triggers to identify potentially negative intermediate-term trends and that more broadly measures the health of the economy and monitors longer term evolving problems that could lead to bear markets or recessions. Based on the status of each tactical indicator, the Index could be 100% in equities, 50% in equities-50% defensive or 100% defensive. When in a defensive position, the Portfolio will invest in short-term U.S. Treasury ETFs or cash equivalents. When bullish, the Portfolio allocates in up to 50 stocks. The stocks are

selected based on having the highest dividend yields in their sector as well as meeting other quality factors.

The Donoghue Forlines Dividend Portfolio as a standalone strategy is appropriate for investors with a high-risk tolerance. The strategy is generally suggested to be a portion of an overall portfolio and used to reduce equity drawdown. The portfolio is suitable for investors with a time horizon of five years or longer, as it can exhibit short-term volatility equal to or potentially greater than the overall stock market.

**Donoghue Forlines Dividend International Portfolio:** The Donoghue Forlines Dividend International Index Portfolio seeks to track the W.E. Donoghue Power Dividend International Index (for more information regarding the W.E. Donoghue Power Dividend International Index, see Stock Market Indices section below). It has the objective of maximizing total return from income and capital appreciation with the preservation of capital a secondary objective. The portfolio is a rules-based strategy that employs an intermediate-term tactical overlay driven by technical signals that determine whether the Portfolio will be in a bullish or defensive position. The portfolio uses American depositary receipt (ADR) investments to gain international exposure. When in a defensive position, the Portfolio will be invested in short-term U.S. Treasury ETFs or cash equivalents. When in a bullish posture, the Index selects up to 50 stocks. The ADRs are selected based on having the highest dividend yields within each sector from a predetermined universe of ADRs.

The Donoghue Forlines Dividend International Portfolio as a standalone strategy is appropriate for investors with an aggressive risk tolerance. The strategy is generally suggested to be a portion of an overall portfolio and used to reduce equity drawdown. The portfolio is suitable for investors with a time horizon of five years or longer, as it can exhibit short-term volatility equal to or potentially greater than the overall stockmarket.

**Donoghue Forlines Dividend Mid-Cap Portfolio:** The Donoghue Forlines Dividend Mid-Cap Portfolio seeks to track the W.E. Donoghue Power Dividend Mid-Cap Index (for more information regarding the W.E. Donoghue Power Dividend Mid-Cap Index, see Stock Market Indices section below). It has the objective of maximizing total return from income and capital appreciation with the preservation of capital a secondary objective. The portfolio is a rules-based strategy that employs an intermediate-term tactical overlay driven by technical signals to determine whether the Portfolio will be in a bullish or defensive position. When in a defensive position, the Portfolio will be invested in short-term U.S. Treasury ETFs. When bullish, the Index is equally weighted across a portfolio of 50 stocks with the highest dividend yields from a proprietary universe of mid-cap stocks.

The Donoghue Forlines Dividend Mid-Cap Portfolio as a standalone strategy is appropriate for investors with a high-risk tolerance. The strategy is generally suggested to be a portion of an overall portfolio and used to reduce equity drawdown. The portfolio is suitable for investors with a time horizon of five years or longer, as it can exhibit short-term volatility equal to or potentially greater than the overall stock market.

**Donoghue Forlines Momentum Portfolio:** The Donoghue Forlines Momentum Portfolio seeks to track the W.E. Donoghue Power Momentum Index (for more information regarding the W.E. Donoghue Power Momentum Index, see Stock Market Indices section below). It has the objective of maximizing total return from income and capital appreciation with the preservation of capital a secondary objective. The strategy is a rules-based portfolio that employs multiple intermediate-term tactical overlays driven by technical signals that determine whether the strategy will be in a bullish or defensive posture. When in a defensive posture, the portfolio will be invested in short-term U.S. Treasury ETFs or cash equivalents. When bullish, the portfolio invests equally in up to 50 stocks.

The Donoghue Forlines Momentum Portfolio as a standalone strategy is appropriate for investors with a high-risk tolerance. The strategy is generally suggested to be a portion of an overall portfolio and used to reduce equity drawdown. The portfolio is suitable for investors with a time horizon of five years or longer, as it can exhibit short-term volatility equal to or potentially greater than the overall stock market.

**Donoghue Forlines Treasury Portfolio:** The Donoghue Forlines Treasury Portfolio seeks to track the



Donoghue Forlines rules-based treasury strategy. The portfolio utilizes tactical shifts between long-term and intermediate-term Treasuries to provide an optimized return stream with actively managed risk. Historically, the strategy has shown a negative correlation to the S&P 500. The portfolio uses credit sensitive tactical signals that identify crossover points of varying exponential moving averages in a group of underlying securities our research team has identified as providing consistent data in relation to shifts in the Treasury market. During negative credit conditions, the portfolio allocates into longer duration Treasury Bond ETFs, and when a more defensive position is warranted as credit conditions improve, the portfolio shifts investments into short to intermediate term Treasury Bond ETFs.

The Donoghue Forlines Treasury Portfolio is suitable for investors with a relatively intermediate term time horizon who may be drawing income from the portfolio. The strategy is generally suggested to be combined with other fixed income strategies or within an overall more diversified portfolio. The portfolio primarily seeks income and growth from investment assets.

### **Donoghue Forlines Global Tactical Product Suite**

The Donoghue Forlines Global Tactical Product Suite offers Advisors and their clients the opportunity to implement a managed Exchange Traded Fund (“ETF”) portfolio. Donoghue Forlines provides ETF selection and asset allocation services through its Global Tactical Product Suite. These services are different from and in addition to the investment management services provided by an underlying ETF’s investment manager. As with any investment in a pooled investment vehicle, investors will incur indirectly the fees and expenses of the underlying ETFs in addition to fees and expenses charged by their broker or advisor. The portfolios may include ETFs managed by Donoghue Forlines or with whose investment advisor Donoghue Forlines has a joint marketing or other relationship. An investor’s broker or advisor pays Donoghue Forlines a fee for the ETF selection and asset allocation services related to the Global Tactical Product Suite.

**Donoghue Forlines Global Tactical Allocation (“GTA”) Portfolio:** GTA is designed to be a core, long-term investment, presenting moderate growth potential and risk management across all asset classes. This strategy seeks to lower costs and volatility, while producing long-term capital appreciation. This strategy seeks to achieve moderate capital appreciation while using its tactical nature to preserve capital during times of market stress and invests across three asset classes: equities, fixed income and alternatives with a global orientation. The strategy is unconstrained and treats cash as a tactical asset class to help preserve capital and can raise cash levels as a defensive measure against volatile market downturns.

This is the “flagship” portfolio of the Donoghue Forlines Global Tactical Product Suite and employs the main strategic and tactical approaches. It is a core portfolio that contains three asset classes in one brokerage account—equities, fixed income and alternatives (commodities and hard assets) through investment in Exchange Traded Funds (ETFs) or other exchange traded products. The strategy targets long term global macro-economic trends while utilizing shorter term economic variables in analyzing potential price movements in the three main asset classes.

The GTA portfolio holds fixed income investments in almost all market conditions, but has immense flexibility in holding equities, alternatives and cash. As a result, the level of investment risk in this portfolio may be lower than similar moderate allocation strategies. GTA employs larger and more frequent shifts in asset allocation to the modern volatile investment environment.

**Donoghue Forlines Global Tactical Income (“GTI”) Portfolio:** GTI seeks to deliver high current income while preserving principal. As a secondary goal, the portfolio also seeks conservative capital appreciation. Concerns about the bond market and potential for rising interest rates make it timely to consider this portfolio. The strategy seeks to provide high current income and preservation of principal, while taking advantage of market opportunities to achieve conservative capital appreciation. It invests in ETFs across three asset classes – primarily fixed income and alternatives, and to a much lesser extent equities. The strategy is unconstrained and treats cash as a tactical asset class to help preserve capital and can raise cash levels as a defensive measure

against volatile market downturns.

**Donoghue Forlines Global Tactical Conservative (“GTC”) Portfolio:** GTC is designed to be a core, long-term investment, presenting conservative growth potential and risk management across all asset classes. This strategy seeks to achieve conservative capital appreciation while emphasizing preservation of capital. The Strategy seeks to achieve conservative capital appreciation with an emphasis on preservation of capital by investing across three asset classes: equities, fixed income and alternatives with a global orientation through investment in ETFs or other exchange traded products. The strategy is unconstrained and treats cash as a tactical asset class to help preserve capital and can raise cash levels as a defensive measure against volatile market downturns.

**Donoghue Forlines Global Tactical Growth (“GTG”) Portfolio:** GTG is designed to be a core, long-term investment, presenting growth potential and risk management across all asset classes. This strategy seeks to achieve greater capital appreciation than GTA. while using its tactical nature to preserve capital. It invests in ETFs across three asset classes: equities, fixed income and alternatives with a global orientation. The strategy is unconstrained and treats cash as a tactical asset class to help preserve capital and can raise cash levels as a defensive measure against volatile market downturns.

**Donoghue Forlines Global Tactical Equity (“GTE”) Portfolio:** GTE is designed to be a core, long-term investment, presenting growth potential and risk management across all asset classes. It is a core portfolio that contains three asset classes in one account: equities, and to a much less extent fixed income and alternatives (commodities, real estate and hard assets). The macro top-down approach strategy targets long-term global macro-economic trends while analyzing shorter-term economic variables in assessing potential price movements in the three main asset classes, while GTE focuses on our best equity ideas. The GTE portfolio invests in ETFs across three asset classes – primarily equity, and to a much lesser extent fixed income and alternative investments. It holds equity investments in almost all market conditions. It holds fixed income and alternatives investments for diversification and to lower standard deviations.

## **MUTUAL FUNDS**

The Company acts as adviser to a number of mutual funds described below. Investors in the mutual funds that the Company advises do not have the option to impose restrictions on the funds’ investments.

**Donoghue Forlines Tactical Allocation Fund (formerly known as Power Tactical Allocation/JAForlines Fund):** This mutual fund is a series of Northern Lights Fund Trust. The Fund’s investment strategy is predicated upon the Donoghue Forlines Global Tactical Allocation Portfolio, described above. The Fund may hold proxy (or substitute) positions when compared to the Portfolio. The Donoghue Forlines Tactical Allocation Fund’s investment objectives and principal investment strategies are described in the Fund’s prospectus.

**Donoghue Forlines Tactical Income Fund:** This mutual fund is a series of Northern Lights Fund Trust. The Fund’s investment strategy is predicated upon the Donoghue Forlines Global Tactical Income Portfolio, described above. The Fund may hold proxy (or substitute) positions when compared to the Portfolio. The Fund’s investment objectives and principal investment strategies are described in the Fund’s prospectus.

**Donoghue Forlines Dividend Fund:** This mutual fund is a series of Northern Lights Fund Trust. This fund is predicated upon our proprietary W.E. Donoghue Power Dividend Index, described below. The Donoghue Forlines Dividend Fund’s investment objectives and principal investment strategies are described in the Fund’s prospectus.

**Donoghue Forlines Dividend Mid-Cap Fund:** This mutual fund is a series of Northern Lights Fund Trust. This fund is predicated upon our proprietary W.E. Donoghue Power Dividend Mid-Cap Index, described below. The Donoghue Forlines Dividend Mid-Cap Fund’s investment objectives and principal investment strategies are described in the Fund’s prospectus.

**Donoghue Forlines Momentum Fund:** This mutual fund is a series of Northern Lights Fund Trust. This fund is predicated upon our proprietary W.E. Donoghue Power Momentum Index, described below. The Donoghue Forlines Momentum Fund's investment objectives and principal investment strategies are described in the Fund's prospectus.

**Donoghue Forlines Floating Rate Fund:** This mutual fund is a series of Northern Lights Fund Trust. This fund is predicated upon our proprietary W.E. Donoghue's Power Floating Rate Index, described below. The Donoghue Forlines Floating Rate Fund's investment objectives and principal investment strategies are described in the Fund's prospectus.

### **EXCHANGE TRADED FUNDS (ETFs)**

The Company acts as sub-adviser to certain exchange traded funds (ETFs) described below. Investors in the ETFs that the Company sub-advises do not have the option to impose restrictions on the ETFs' investments.

**TrimTabs Donoghue Forlines Risk Managed Innovation ETF (DFNV):** This ETF is a series of TrimTabs ETF Trust. This fund is predicated upon the TrimTabs Donoghue Forlines Risk Managed Free Cash Flow Innovation Index. The ETF's investment objectives and principal investment strategies are described in its prospectus.

**TrimTabs Donoghue Forlines Tactical High Yield ETF (DFHY):** This ETF is a series of TrimTabs ETF Trust. This fund is predicated upon the TrimTabs Donoghue Forlines Tactical High Yield Index. The ETF's investment objectives and principal investment strategies are described in its prospectus.

### **VARIABLE INSURANCE TRUST (VIT) FUNDS**

**Power Income VIT Fund:** This mutual fund is a series of Northern Lights Variable Trust, a Delaware statutory trust designed to be a funding vehicle for variable annuity contracts and flexible premium variable life insurance policies offered by the separate accounts of various insurance companies. Its shares are sold to those separate accounts and pension and retirement plans that qualify for special income tax treatment. Shares of the Power Income VIT Fund are not offered directly to the general public. Individual variable annuity contract holders and flexible premium variable life insurance policyholders are not shareholders of the Power Income VIT Fund. However, clients of the Company are also holders of variable annuity contracts and variable life insurance policies whose separate accounts invest in the Power Income VIT Fund. The Power Income VIT Fund's primary and secondary objectives and strategies are similar to those of the Donoghue Forlines Global Tactical Income Portfolio described above.

**Power Dividend Index VIT Fund:** This mutual fund is a series of the Northern Lights Variable Trust, a Delaware statutory trust designed to be a funding vehicle for variable annuity contracts and flexible premium variable life insurance policies offered by separate accounts of various insurance companies. Its shares are sold to those separate accounts and pension and retirement plans that qualify for special income tax treatment. Shares of the Power Dividend Index VIT Fund are not offered directly to the general public. Individual variable annuity contract holders and flexible premium variable life insurance policyholders are not shareholders of the Power Dividend Index VIT Fund. However, clients of the Company are also holders of variable annuity contracts and variable life insurance policies whose separate accounts invest in the Power Dividend Index VIT Fund. This fund is predicated upon our proprietary W.E. Donoghue Power Dividend Index, described below. The Power Dividend Index VIT Fund's investment objectives and principal investment strategies are described in the Fund's prospectus.

**Power Momentum Index VIT Fund:** This mutual fund is a series of the Northern Lights Variable Trust, a Delaware statutory trust designed to be a funding vehicle for variable annuity contracts and flexible premium variable life insurance policies offered by separate accounts of various insurance companies. Its shares are

sold to those separate accounts and pension and retirement plans that qualify for special income tax treatment. Shares of the Power Momentum Index VIT Fund are not offered directly to the general public. Individual variable annuity contract holders and flexible premium variable life insurance policyholders are not shareholders of the Power Momentum Index VIT Fund. However, clients of the Company are also holders of variable annuity contracts and variable life insurance policies whose separate accounts invest in the Power Momentum Index VIT Fund. This fund is predicated upon our proprietary W.E. Donoghue Power Momentum Index, described below. The Power Momentum Index VIT Fund's investment objectives and principal investment strategies are described in the Fund's prospectus.

## **COLLECTIVE INVESTMENT TRUST**

Donoghue Forlines manages Employee Retirement Income Security Act of 1974, as amended, ("ERISA") assets in the Donoghue Forlines Global Collective Investment Trust ("CIT"). The CIT is bank maintained and not registered with the Securities and Exchange Commission. The CIT is not a mutual fund registered under the Investment Company Act of 1940, as amended, ("1940 Act") or other applicable law, and unit holders are not entitled to the protections of the 1940 Act. The regulations applicable to the CIT are different from those applicable to a mutual fund. The CIT's units are not securities registered under the Securities Act of 1933, as amended or applicable securities laws of any state or other jurisdiction.

**Donoghue Forlines Global Tactical Allocation Fund:** This collective investment trust ("CIT") is a pooled vehicle structured for participating pension and profit-sharing plans that is managed by the Company. The CIT's investment strategy is predicated upon the Donoghue Forlines Global Tactical Allocation Portfolio, described above. The CIT may hold proxy (or substitute) positions when compared to the Portfolio. The CIT employs the Global Tactical Allocation strategy, discussed above.

## **MARKET INDICES**

The Company sponsors indices (the "Indices"), the value of which is calculated by S-Network Global Indexes, Inc. (the "Calculation Agent"). The Calculation Agent will distribute end of day index values to vendors via the various exchanges. The indices will be calculated and disseminated in USD. The Calculation Agent will distribute price only and total return index values immediately following the close of trading on U.S. stock markets on each business day. Values for the indices are distributed once daily, at approximately 4:30PM (EST), Monday through Friday, excluding exchange holidays. To maintain a high standard of data integrity, a series of procedures have been implemented to ensure accuracy, timeliness and consistency. While every effort is taken to ensure the accuracy of the information used for the index calculation, an index error may occur due to incorrect or missing data, including trading prices, due to operational errors or other reasons. Corrections will be made as soon as possible after detection. The indices are not investable by clients, nor are the compositions of the indices the Company sponsors subject to restriction by our clients.

**W.E. Donoghue Power Dividend Index:** The Power Dividend Index (PWRDX) is a rules-based strategy that employs a disciplined investment selection process with a tactical overlay that determines whether the Index will be in a bullish (invested) or defensive position. The tactical overlay is made up of two triggers. The first trigger tracks exponential moving averages of the stocks in the Index to identify potentially negative intermediate-term trends. The second is an economic indicator that more broadly measures the health of the economy and monitors longer term evolving problems that could lead to bear markets or recessions. Based on the status of each tactical indicator, the Index could be 100% in equities, 50% in equities-50% defensive or 100% defensive. When in a defensive position, the Index will allocate to a 1-3 Year U.S. Treasury Index. When bullish, the Index allocates equally in up to 50 stocks, 5 from 10 different sectors. The stocks are selected based on having the highest dividend yields in their sector as well as meeting other quality factors. If fewer than five eligible stocks meet the yield and quality requirements in any sector, only stocks that meet all the requirements are included, and the remaining allocation is equally divided between the full final list of selected securities. The 10 sectors used in the Index are Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Technology, Materials, and Utilities. Additionally, when

bullish, the Index rebalances quarterly to bring the holdings back to an equal weighting and reconstituted annually.

**W.E. Donoghue Power Dividend International Index:** The Power Dividend International Index (PWRIDX) is a rules-based strategy that employs an intermediate-term tactical overlay driven by technical signals that determine whether the Index will be in a bullish or defensive position. The Index uses American depositary receipt (ADR) investments to gain international exposure. When in a bullish posture, the Index selects 50 stocks, 5 from 10 different sectors. The ADRs are selected based on having the highest dividend yields within each sector from a predetermined universe of ADRs. The 10 sectors used in the Index are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Technology, Materials, and Utilities. Additionally, when bullish, the Index rebalances quarterly to bring the holdings back to an equal weighting, and it is reconstituted annually. When in a defensive position, the Index will be allocated to a 1-3 Year U.S. Treasury Index.

**W.E. Donoghue Power Dividend Mid-Cap Index:** The Power Dividend Mid-Cap Index (PWRMDX) is a rules-based strategy that employs an intermediate-term tactical overlay driven by technical signals to determine whether the Index will be in a bullish or defensive position. When bullish, the Index allocates equally in up to 50 mid-cap stocks from 11 different sectors. The stocks are selected based on having the highest dividend yields in their sector. The allocation to each sector is cap weighted based on a proprietary index of mid-cap stocks. The 11 sectors used in the Index are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Technology, Materials, Utilities, and REITs. Additionally, when bullish, the Index rebalances quarterly to bring the holdings back to an equal weighting, and it is reconstituted annually. When in a defensive position, the Index will be allocated to a 1-3 Year U.S. Treasury Index.

**W.E. Donoghue Power Momentum Index:** The Power Momentum Index (PWRMOX) is a rules-based strategy that employs multiple intermediate-term tactical overlays driven by technical signals that determine whether the Fund will be in a bullish or defensive posture by sector. When bullish, the Index allocates equally in up to 50 stocks, 5 from 10 different sectors. The stocks are selected based on having the highest risk-adjusted returns, measured by a trailing 90-day Sharpe Ratio, in their sector. The 10 sectors used in the Index are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Technology, Materials, and Utilities. Additionally, when bullish, the Index will reconstitute and rebalance quarterly. Technical indicators are used within each sector to determine whether to be in a bullish or defensive posture in that sector. When in a defensive position, the Index will be allocated to a 1-3 Year U.S. Treasury Index.

**W.E. Donoghue Power Floating Rate Index:** The Power Floating Rate Index (PWRFLX) is a rules-based strategy that employs a tactical overlay driven by multiple technical signals to determine whether the Index will be in a bullish or defensive posture. The Index uses a short-term and an intermediate-term tactical overlay to determine whether to be in a bullish or defensive posture. Each tactical overlay will trigger 50% of the Index into a defensive position, should market conditions warrant. When bullish, the Index will allocate into a selection of Floating Rate mutual funds/ETFs and High Yield Bond ETFs. Additionally, when in a bullish posture, the Fund will rebalance holdings and reconstitute annually. When in a defensive position, the Index will be allocated to a 1-3 Year U.S.

In addition, Donoghue Forlines has developed certain indices in coordination with TrimTabs Asset Management. For these indices Donoghue Forlines provides certain methodology, TrimTabs provides day to day control and oversight, and INDXX serves as calculating agent.

**TrimTabs Donoghue Forlines Tactical High Yield Index:** The index tracks the performance of a rules-based tactical strategy that employs technical signals to determine a bullish or defensive posture: when bullish, the Index is fully invested into selected High Yield Bond exchange-traded funds (“ETFs”); when defensive, the Index directs 80% of its position into selected intermediate-term U.S. Treasury ETFs.

**TrimTabs Donoghue Forlines Risk Managed Free Cash Flow Innovation Index:** The index tracks the performance of a rules-based strategy that seeks to provide downside-protected exposure to U.S. equities with strong Free Cash Flow and R&D Investment, selected by a proprietary Free Cash Flow Innovation factor model. The index directs 50% of its position into short-term U.S. Treasury during a defensive regime.

**TrimTabs Donoghue Forlines U.S. High Yield Bond Index:** The index tracks the performance of a rules-based strategy that seeks to provide exposure to U.S. High Yield Bond. The index invests in a selection of U.S. High Yield Bond ETFs, based on a proprietary model using expense ratios and assets under management.

**TrimTabs Donoghue Forlines U.S. Intermediate Treasury Index:** The index tracks the performance of a rules-based strategy that seeks to provide exposure to U.S. Intermediate Treasuries. The index invests in a selection of U.S. Intermediate Treasury ETFs, based on a proprietary model using expense ratios and assets under management.

**TrimTabs Donoghue Forlines U.S. Short-Term Treasury Index:** The index tracks the performance of a rules-based strategy that seeks to provide exposure to U.S. Short-Term Treasuries. The index invests in a selection of U.S. Short-Term Treasury ETFs, based on a proprietary model using expense ratio and assets under management.

## **ASSET MANAGEMENT**

We provide investment management services to clients through various channels. We manage proprietary mutual funds and select individually managed accounts on a discretionary basis, but the majority of our strategies are offered to end clients on separately managed account and 401k platforms sponsored by Registered Investment Advisory firms and Broker-Dealers (“Platforms”) for a fee based on a percentage of assets under management. In most cases, the Company does not have a relationship with the end-clients using the Company’s models, as the relationships are generally between with the Platforms and/or the advisers and broker-dealers. Variations in the fee may occur depending on the relationship between the Company and the adviser or broker-dealer introducing the client. Any such variations are disclosed and agreed to in the client’s investment advisory agreement.

The majority of accounts are managed in accordance with model portfolios selected by the Platforms. We and the Platforms agree that they may “customize” their investment alternatives by providing “reasonable restrictions” to exclude from the investment alternatives as held by the client’s account(s) certain types of classes or categories of securities or industries. We allow clients to change the direction with respect to the investment of their accounts and/or rebalance the holdings in their accounts daily. If a client requests these modifications, there may be greater need for liquidity in the portfolios than we would otherwise maintain.

## **ITEM 5: FEES AND COMPENSATION**

### **MANAGED ACCOUNTS**

We offer our services on a discretionary basis to select clients on both a fee and non-fee basis. The advisory fees are deducted from the client’s account. The specific manner in which advisory fees are charged is established in the client’s investment advisory agreement with the Company. Generally, the annual fee for accounts is 1.00% of assets under management. Fees are generally non-negotiable.

We offer our services to Platforms on a non-discretionary/advised basis, wherein we provide our model portfolios and associated trading signals to the Platforms, and investment advisers and broker-dealers invest their clients’ assets using our model portfolios. Fees for Platforms using the Company’s models range from 0 – 50 basis points.

Fees are payable quarterly in arrears and are based on the average daily balance, including cash and cash equivalents, of each account. Clients will, in general, pay fees and charges for custodian services in addition to management fees, as well as brokerage commissions for purchases and sales of securities. See Item 12, Brokerage Practices. Where fees are payable in advance clients who withdraw assets during a quarter may obtain a *pro rata* refund based on the number of days in the quarter the assets remained under management.

A client may cancel the client's investment advisory agreement by providing the Company 30 days' prior written notice executed by all owners of the account. The account can be liquidated or transferred in less than 30 days, however, the notice period will serve as the basis for the computation of any *pro rata* refund due on any unused portion of the prepaid quarterly management fee.

Clients should be aware that advisers to mutual funds, the shares of which are held in client accounts, debit the mutual funds' assets for advisory and other fees and expenses. These mutual fund fees and expenses are in addition to the fees and expenses described above to which client accounts are subject. If a prospective client purchases shares directly from the mutual fund and does not include the shares in the account managed by the Company, the client will not pay an account management fee to the Company with respect to that investment.

The Company is the investment adviser to mutual funds, listed above, which may be held in client accounts or variable annuity contracts or insurance policies owned by clients, respectively. This presents a conflict of interest because the Company's investment adviser representatives may be incentivized to recommend the mutual funds advised by the Company based on the compensation received, rather than on a client's needs. Clients who have shares of a Donoghue Forlines fund in their accounts will have the management fees for those accounts adjusted downward in an attempt to eliminate fee duplication and address potential conflicts of interest.

**Conditions for Managing Accounts:** The minimum amount required to establish a managed account is generally \$25,000 for all dynamic asset allocation account portfolios and \$50,000 for all index account portfolios. The Company may, however, accept accounts that are opened with less than the minimum amount, such as an Individual Retirement Account, if the client has opened at least one account that meets the minimum requirement. In addition, accounts under the minimum may be accepted on an individual basis at the discretion of the Company.

## **MUTUAL FUNDS**

The Company acts as adviser or sub-adviser to several mutual funds, which are described in greater detail in Item 4. Generally, the annual fee for the mutual funds that we advise range from 0.65 to 1.00% of fund assets under management. Fees are non-negotiable as the fees are set by the Board of Trustees of the mutual fund.

The annual fee is calculated by a third party and is deducted by such third party from the mutual fund's account and wired to the Company on a monthly basis, in arrears.

Investors in the mutual funds that we advise may be subject to certain other mutual fund expenses, which are described in greater detail in the prospectus of each mutual fund. Please review the prospectus for the applicable mutual fund for more detail about how fees are calculated and the applicable rates.

## **ETFs**

TrimTabs Asset Management pays to Donohue Forlines an annual sub-advisory equal to 50% of the net advisory fee. Fees are non-negotiable as the fees are set by the Board of Trustees of the ETF.

Investors in the ETFs that we sub-advise may be subject to certain other mutual fund expenses, which are described in greater detail in the prospectus of each ETF. Please review the prospectus for the applicable ETF for more detail about how fees are calculated and the applicable rates.

**Other Compensation:** Aside from the mutual fund and ETF fees described above, neither the Company nor any of its investment advisory representatives will accept any compensation for the sale of securities or other investment products.

#### **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

The Company does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

#### **ITEM 7: TYPES OF CLIENTS**

We provide investment advisory services to individuals (including high net worth individuals), mutual funds, ETFs, collective investment trust, pension and profit sharing plans, charitable organizations and corporations and other business entities. In addition, we supply other financial professionals and platforms with model portfolios and related trading signals used in the management of their client accounts.

#### **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

We wish to remind our clients that investing in securities involves risk of loss that they must be prepared to bear. To aid clients in discerning their investment needs, we measure investors' goals, risk tolerance and time horizon through a comprehensive interview process.

For accounts managed by us under an agreement directly with the client the initial and ongoing review process and method of analysis includes the following procedures:

1. **Initial Interview** – An initial interview is conducted with each client to determine the client's financial circumstances, goals, acceptable levels of risk, any reasonable restrictions on the management of their account, and other relevant circumstances. In the process of signing the client agreement, the client is asked to fill out an extensive questionnaire as to the client's financial situation, risk tolerance and investment objectives. Clients should note that we are entitled to rely without further inquiry on any information received from the client or from the client's other professionals (*e.g.*, attorneys, accountants, etc.) and are expressly authorized to rely on such information.
2. **Individual Treatment** – The client's account is managed on the basis of the client's stated financial circumstances and investment objectives and any reasonable restrictions.
3. **Consultation** – Our supervised persons shall be reasonably available to consult with the client relative to the status and management of their account.
4. **Quarterly Statement** – The client shall be provided with a quarterly statement containing a description of all activity in the account from each investment custodian on behalf of the Company.

Moreover, each client is advised that it remains the client's responsibility to promptly notify us if there is ever any change in the client's financial situation or investment objectives for the purpose of reviewing, evaluating, or revising our previous recommendations and/or services.

Many of our managed accounts are managed on behalf of our employees and their families. Because of the nature of the relationship and the knowledge of these client's personal and financial situation, these accounts are not subject to the same level of routine review as would be applied to accounts of unrelated clients.



For accounts managed through Platforms or insurance separate accounts, we do not obtain end-client information from the investment manager designated for the account, as that is their responsibility. On certain dual contract relationships, we will receive end-client information from the investment manager designated for the account, and we will be responsible for trading these accounts. Our responsibility is to create the investment models and to educate the investment professional regarding the composition and risks inherent in each of the models. The strategies that we apply on behalf of our clients are based on pre-arranged formulas. While we believe that those formulas will generate returns in line with their respective risk profiles, there can be no guarantee that market circumstances will not result in significant losses for our clients.

## **Investment Risks**

**Risk of Loss:** No guarantee or representation is made that the Company's investment programs, including, without limitation, client investment objectives, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time. No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred. Past results are not necessarily indicative of future performance.

**General Economic and Market Conditions:** The success of the Company's activities will be affected by general economic and market conditions, such as global and local economic growth, interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the clients' investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts, or security operations), and more recently in 2020, a pandemic (i.e. coronavirus). These factors may affect the level and volatility of the prices and the liquidity of the clients' investments. Volatility or illiquidity could impair the clients' profitability or result in losses. The Company may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

**Quantitative Trading Risks:** The Company's trading decisions are based on quantitative analyses of technical data such as the price of a security, that price relative to historic pricing of the security, that price relative to prices of comparable securities, volume of trading and other factors.

**Exchange-Traded Funds (ETFs):** ETFs are typically investment companies that are legally classified as open-end mutual funds or unit investment trusts. However, they differ from traditional mutual funds, in particular, in that ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly traded companies. ETF shares may trade at a discount or premium to their net asset value. The difference between the bid price and the ask price is often referred to as the "spread." The spread varies over time based on the ETF's trading volume and market liquidity and is generally lower if the ETF has a lot of trading volume and market liquidity and higher if the ETF has little trading volume and market liquidity. Although many ETFs are registered as an investment company under the Investment Company Act of 1940 like traditional mutual funds, some ETFs, in particular those that invest in commodities, are not registered as an investment company.

**The Company may rely on information that turns out to be wrong:** The Company selects investments based, in part, on information provided by issuers to regulators or made directly available to the Company by the issuers or other sources. We also rely on information from third-party research vendors. The Company is not always able to confirm the completeness or accuracy of such information, and in some cases, complete and accurate information is not available. Incorrect or incomplete information increases risk and a result in losses.

**Business Continuity and Cybersecurity Risk:** We have adopted a business continuation strategy to maintain critical functions in the event of a partial or total building outage affecting our offices or a technical problem affecting applications, data centers or networks. The recovery strategies are designed to limit the impact on clients from any business interruption or disaster including pandemics. Nevertheless, our ability to conduct

business may be curtailed by a disruption in the infrastructure that supports our operations and the regions in which our offices are located. In addition, our asset management activities may be adversely impacted if certain service providers to the Company or our clients fail to perform. In addition, with the increased use of technologies such as the Internet to conduct business, your portfolio could be susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber security failures or breaches by a third party service provider and the issuers of securities in which the portfolio invests, have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, the inability to transact business, and violations of applicable privacy and other laws.

#### **ITEM 9: DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the registered investment adviser or the integrity of its management. Neither Donoghue Forlines, its principals, nor its employees have a history of any legal or disciplinary action.

#### **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

We provide investment advisory services to other investment advisers and professionals for use in managing their client accounts. These arrangements are generally referred to as signal or platform agreements.

Under a signal or platform agreement, the Company will provide a model portfolio to the client's main investment adviser. As a general rule, the main investment adviser will manage its clients' assets in accordance with the investment objectives the client has identified to the main investment adviser. In exchange for providing model portfolio services, the Company will receive a fee for from the other investment adviser or professional.

The Company may also enter into solicitation agreements where we may also provide investment advisory services directly to clients of other investment advisers, broker-dealers, accounting firms or law firms who refer these clients to us under solicitor arrangements with us. We provide investment advisory services directly to these clients and will share our fees with the solicitor provided that the solicitor is properly licensed to share in such fees. The solicitor portion of our fee will not exceed 50% of the fee.

The Company has entered into an arrangement with TrimTabs Asset Management ("TrimTabs"), an unaffiliated Registered Investment Adviser, under which the Company and TrimTabs have agreed to cooperate in the joint marketing and support of certain ETFs. Under this agreement, the Company may provide management, sales and marketing support related to the TrimTabs ETFs and include one or more TrimTabs ETFs in its portfolios. TrimTabs will pay Donoghue from its revenues, profits or retained earnings. TrimTabs also serves as the adviser and Donoghue Forlines is sub-adviser to two ETFs (DFNV and DFHY) mentioned above. Donoghue Forlines recommends these ETFs in certain model portfolios for which it receives a fee, and it also receives a fee as sub-adviser to these ETFs.

#### **ITEM 11: CODE OF ETHICS**

As a fiduciary, we have an affirmative duty to render continuous, unbiased investment advice and at all times act in the client's best interest. We have adopted a Code of Ethics that sets forth the standards of conduct expected of our associated persons and requires compliance with applicable securities laws. In accordance with Section 204A of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), our Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by the Company or any of our associated persons. The Code of Ethics also requires that certain of our personnel who have access to, or control over our securities research and trading ("Access Persons"), report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings. Unless specifically permitted in the Code of Ethics, none of our Access

Persons may effect for themselves or for their immediate family (*i.e.*, spouse, minor children, and adults living in the same household as the Access Person) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of our clients.

From time to time officers and employees of the Company may invest in the same or related securities that are included in client portfolios. These transactions may or may not take place at about the same time as transactions that occur in client portfolios. The securities are generally mutual funds, ETFs, and other publicly traded securities. Generally, the portfolio and individual transactions in these securities are not large enough to affect market prices. The Company's Code of Ethics prescribes the conditions under which these transactions must be effected in order to protect the interests of clients.

Our Code of Ethics is designed to deter inappropriate behavior and heighten awareness as to what is right, fair, just and good by promoting: honest and ethical conduct; full, fair and accurate disclosure; compliance with applicable rules and regulations; reporting of any violations of the Code of Ethics, and accountability. To help clients understand our ethical culture and standards and what steps have been taken to prevent personnel from abusing their inside position, a copy of our Code of Ethics is available for review upon request.

**Participation or Interest in Client Transactions:** The Company is the investment adviser to the several mutual funds described above. John Forlines, Chief Investment Officer, Jeffrey Thompson, Chief Executive Officer, Richard Molari, Chief Operating Officer and Nicholas Loble, Portfolio Manager act as Portfolio Co-Managers. Shares of Donoghue Forlines funds are often selected by the Company as investments for its managed accounts. The same individual stocks that are chosen for the Funds are often selected by the Company as investments for its managed accounts.

The Company is independent of the mutual fund management companies of all other mutual funds recommended or selected by it for client portfolios. The fund selection process (and the direction of client assets to the funds selected) is based only on the Company's analysis of past performance and estimation of potential future returns. Officers of the Company may, from time to time, provide marketing and consulting services to mutual fund management companies that provide administrative services or investment advice to the same funds that are selected for purchase by the Company's clients. However, the existence of such relationship does not affect in any way the investment decisions that the Company makes for its clients. The Company, its directors and officers may from time to time buy or sell shares of mutual funds that are also purchased or sold for the Company's clients. The nature and timing of such personal investment transactions may differ from investment actions taken on behalf of any client, depending on their respective investment goals. The Company does not discourage these purchases and sales because the price of mutual fund shares cannot be affected by trading activity. The daily market price of a mutual fund share is determined by the net asset value of the fund's portfolio, not by the volume of trading in those shares. Client transactions are executed prior to acceptance of orders placed on behalf of employees or related persons and under no circumstances will the interest of our employees be placed before the interests of our clients. These transactions are consistent with policies and strategies recommended by the firm. Some employees may invest in accounts managed by the Company and will have their trade orders placed at the same time as all other clients.

**Other Potential Conflicts of Interest:** To the extent permitted by law and/or account guidelines, the Company will invest client accounts in one or more ETFs advised by TrimTabs with which the Company has a material business relationship, which includes a revenue sharing and joint marketing agreement between the two companies. The revenue sharing arrangement poses a potential conflict of interest for the Company since it will receive revenue from TrimTabs related to TrimTabs ETFs included in our client portfolios. To mitigate the conflict, the Company's investment committee will review the appropriateness of the investment selection as well as the fees charged by the TrimTabs ETFs as compared with similar ETFs managed by other investment advisers. As well, it is our policy to always place our clients' interests ahead of our own, and to only recommend investments that fulfill our fiduciary duty to clients.

## **ITEM 12: BROKERAGE PRACTICES**

When a discretionary account is opened, the client also designates the broker-dealer that the Company should use to execute transactions for the account, from a list of broker-dealers with whom the Company has clearing agreements. The Company endeavors to recommend that the client select the best transactional broker for the client's needs, based on size of account, type of portfolio and commission schedule, among other factors. The Company has developed a relationship with TD Ameritrade Institutional and National Financial Services (together the "Institutional Brokers") for client use. Neither TD Ameritrade Institutional or National Financial Services is affiliated with the Company. These relationships provide the Company with the ability to purchase certain load mutual fund shares for its clients' accounts without a sales load because of sales load waivers that are made available to accounts managed by investment advisers. Clients who select other broker-dealers may incur sales loads or higher transaction charges as the Company may not be able to achieve comparable savings on execution.

Although most mutual fund shares or equity positions may be purchased without a sales load, most transactions executed through the Institutional Brokers do involve nominal transaction fees that are deducted from the client's account. Pricing schedules of the various broker-dealers are provided to the client at the time the account is opened. Pricing schedules may change at any time. The Company attempts to negotiate lower fees with custodians for its clients whenever possible.

Client transactions may be aggregated from time to time where price improvement or lower transaction costs may be achieved.

When the Company has the ability to choose the broker-dealer to execute transactions, the Company seeks to obtain "best execution" for client transactions. In evaluating whether a broker-dealer provides best execution, portfolio transactions for the Clients are allocated to broker-dealers based on numerous factors and not necessarily lowest pricing. Broker-dealers may provide other services that are beneficial to the Company and/or certain Clients, but not beneficial to all Clients. Subject to best execution, in selecting broker-dealers to execute transactions, the Company may consider, among other factors that are deemed appropriate to consider under the circumstances, the following: the ability of the brokers and dealers to effect the transaction; the broker-dealers' facilities, reliability and financial responsibility. The Company, however, will not necessarily consider each factor in every trade. In addition, and subject to its obligation to seek best execution, the Company is not required to consider any particular criteria, need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. The Company maintains policies and procedures to review the quality of executions, including periodic reviews by our trading, operations, and compliance professionals.

**Additional Compensation:** The Company does not receive or accept compensation from non-clients for providing investment advice or other advisory services, and therefore has nothing to report in this regard.

### **ITEM 13: REVIEW OF ACCOUNTS**

The Company generally reviews its discretionary clients' accounts on an annual basis. For directly managed accounts, an officer or account reviewer is assigned to an account at the time that the account is opened and assists the client in determining the client's investment objective(s) and risk tolerance. The client is encouraged through quarterly mailings to contact the client's account reviewer by writing or calling a toll-free number if the client's investment objective(s) or risk tolerance has changed. In addition, at least once a year each account reviewer attempts to interview all clients assigned to him/her. Each reviewer is instructed to review compliance with the clients' objective(s) and the current recommendations of the Company's Investment Policy Committee.

Each client receives trade confirmations and monthly statements from the broker-dealer that the client has designated to execute transactions for his or her account. These reports confirm all transactions that the broker-dealer has executed for the client's account at the Company's direction. In addition, at least quarterly, the

Company provides each client with a quarterly statement detailing the status of the account at of the close of that quarter, including performance, account balance(s) and fees.

The Company reviews the mutual funds that it advises in accordance with the Investment Company Act of 1940, as amended, and the specific requirements of the board of trustees of each such mutual fund.

#### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

If a client is introduced to the Company by either an unaffiliated or an affiliated solicitor, the Company may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Company's investment management fee and shall not result in any additional charge to the client. If the client is introduced to the Company by an unaffiliated solicitor, the solicitor shall provide the client with a copy of the Company's written disclosure statement which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation.

Any solicitor on behalf of the Company shall disclose the nature of the solicitor's relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of the Company's written disclosure statement at the time of the solicitation.

#### **ITEM 15: CUSTODY**

The broker-dealer, bank or other qualified custodian that holds and maintains our client's investment assets sends statements at least quarterly, indicating all cash movements. in the account including the amount of management fees paid directly to the Company. Clients also receive quarterly statements from the Company. Clients should carefully review all statements and contact the Company if there are any discrepancies or other questions.

The Company urges clients to carefully review such statements and compare such official custodial records to the account statements that the Company may provide to you. The Company's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

All customer assets will be held by the custodian selected by the client at the time it enters into an investment advisory agreement with the Company. The Company will not hold customer funds or securities and is independent of the custodians of its clients' accounts.

The Company generally debits its advisory fees from client accounts. While fee debiting creates technical custody, the Custody Rule provides an exception from the requirement for the adviser with custody in this manner to obtain an annual surprise asset verification provided the only reason the adviser is deemed to have custody is by its automatic fee debiting authority. The Company does not obtain custody of client assets in any way other than its fee debiting authority.

#### **ITEM 16: INVESTMENT DISCRETION**

Certain client accounts are managed by the Company on a discretionary basis. When an account is opened, the client signs a limited power of attorney giving the Company authority to purchase and sell securities for the account in accordance with the client's investment objective(s) and risk tolerance, deduct management fees and distribute funds in the client's name to the address on record for the account. The Company does not have investment discretion over Accounts managed by unaffiliated advisers and broker-dealers through Platforms who select model portfolios that we provide.

## **ITEM 17: VOTING CLIENT SECURITIES**

Generally, for any security that entails a voting right in the underlying company, the Company will not have or accept authority for voting proxies with respect to securities held in its client's managed accounts, except on a conditional basis as approved by the Company. All voting issues, proxies, and solicitations will be communicated to clients through the client's custodian. The Company will not provide advice regarding voting of proxies.

With respect to the mutual funds and ETFs managed by the Company, as well as other accounts, we have engaged Institutional Shareholder Services ("ISS") to assist us with the proxy voting process. The Company's Chief Compliance Officer is currently the Company's proxy voting manager (the "Proxy Voting Manager"). When the Proxy Voting Manager exercises voting rights in consultation with ISS, by proxy or otherwise, with respect to the investment companies held by mutual funds we manage, the Proxy Voting Manager will vote the shares held in the same proportion as the votes of all other holders of such security.

Clients may obtain a copy of the Company's proxy voting policies and procedures upon request. The primary contact with respect to this policy is the Chief Compliance Officer.

## **ITEM 18: FINANCIAL INFORMATION**

The Company has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of any bankruptcy proceedings.