



Wellesley Asset
Management

Convertible Bond Specialists

Wellesley Asset Management Commentary | July 2017

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Second Quarter Total Return Comparison (% through 06/30/2017):

	Q2 2017	YTD	1 Year	3 Years*	5 Years*	Since Inception 12/31/2007*	10 Years*	Since 1/1/2000*
Miller Convertible Bond Fund I (MCIFX)	1.35	3.04	9.60	3.67	8.65	6.73	N/A	N/A
TRW	1.57	3.52	11.31	4.67	9.53	7.58	7.54	8.49
S&P 500 TR	3.09	9.34	17.90	9.61	14.63	7.73	7.18	4.91
Bloomberg Barclays U.S. Aggregate Bond	1.45	2.27	(0.31)	2.48	2.21	4.09	4.48	5.19
V0A0	3.08	8.86	19.98	5.63	11.58	7.85	7.20	5.70

The performance data quoted here represents past performance. Current performance may be lower or higher than the performance data quoted above. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that investor's shares, when redeemed, may be worth more or less than their original cost.

Please review the Fund's prospectus for more information regarding the Fund's fees and expenses including other share classes. For performance information current to the most recent month-end, please call toll-free 877-441-4434.

Total operating expenses for the Miller Convertible Bond Fund are Class A 1.49%, Class C 1.99% and Class I .99%. See index descriptions and accompanying footnotes.

**Returns are annualized.*

2nd Quarter Update

“Never short a dull market.” This saying couldn’t have been truer in the second quarter as the equity market made new highs while the VIX, a measure of expected price swings, made multi-year lows. The Dow Jones Industrial Average, Nasdaq Composite, and S&P 500 traded at record highs during the second quarter. In early May, the VIX fell below 10, a level it hadn’t seen in ten years. Similar to the first quarter, the combination of higher stock prices, lower yields, and lower credit spreads led to a flurry of activity in the convertible new issue market.

The S&P 500 Total Return Index continued to march higher in the second quarter, returning 3.09%. Despite the fact that the Federal Reserve raised rates and politicians failed to reform the health care system, equities continued to climb the “Wall of Worry.” A May 15th article in *The Wall Street Journal* discussed the fact that the Dow Jones Industrial Average had only moved 1% four times year to date. The last time the market was this calm was 1965.

The convertible market saw \$10 billion of new issuance in the second quarter. Year to date, new issuance is up 70% over the same period last year. The combination of higher stock prices, higher bond prices and lower credit spreads created the ideal environment for convertible issuance. Technology has been the largest sector for new issuance, followed by healthcare and financials.

Convertible returns closely followed the returns of the stock market during the quarter. The Bank of America Merrill Lynch V0A0 Index was up 3.08%; 1 basis point lower than the return of the S&P 500 Total Return Index.

The TRW was up 1.57% and the Bloomberg Barclays U.S. Aggregate Bond Index was up 1.45% for the quarter. The TRW lagged the VOA0 because the average bond price is much higher in the VOA0 index, making its returns more equity-like than those of the TRW.

For the first six months of the year, the TRW has lagged the S&P 500 Total Return Index. It's important to note that many of the companies we invest in are small-cap companies. So far, this year, small-cap companies have significantly underperformed large-cap companies. In addition, a handful of our holdings have had negative news events this year, sending their bond prices substantially below par. In each case, we remain optimistic about the prospects for these companies and expect these bonds to trade back closer to par. While the third quarter is still young, we have seen many of these bonds trade substantially higher in July.

A recent article in *Barron's* titled "Time to Go Large in Small-Caps" highlights the attractive valuations of small-cap stocks. The article discusses the fact that large-cap stocks have outperformed small-caps over the last six years. However, throughout history small-cap stocks have outperformed large-cap stocks; albeit with more volatility. Deploying our convertible bond strategy that focuses on high quality small-cap companies helps to reduce the volatility associated with small-cap investing. More importantly, our strategy has outperformed large-cap stocks over the most recent full market cycle.

Important Disclosures: *Past performance is no guarantee of future results. No content in this article should be construed as specific investment advice, or replacement for investment advice from Wellesley Asset Management, Inc. (Wellesley), or any other investment professional. All investments, including convertible bonds, have a risk of loss. Investors should carefully consider the investment objectives, risks, charges and expenses of the Miller Convertible Bond Fund. This and other important information about the Fund is contained in the prospectus, which can be obtained by calling 781-416-4000. The prospectus should be read carefully before investing. The Miller Convertible Bond Fund is distributed by Northern Lights Distributors, LLC, member FINRA/SIPC. Wellesley Asset Management, Inc. and Northern Lights Distributors, LLC are not affiliated entities.*

Drawdown is the peak-to-trough decline during a specific record period of an investment, fund or commodity. A drawdown is usually quoted as the percentage between the peak and the trough. Beta is a measure of the volatility, or systematic risk of a security or a portfolio in comparison to the market as a whole. Alpha is a risk-adjusted measure of the active return on an investment. It is a measure of the manager's contribution to performance. A positive annual Alpha indicates the portfolio outperformed the market on a risk-adjusted basis, and a negative Alpha indicates the portfolio underperformed in relation to the market. Sharpe Ratio is a risk-adjusted measure of return that is used to evaluate the performance of one portfolio comparable to another by adjusting for risk. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken, the higher the Sharpe ratio number the better.

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Index Descriptions:		
Index	Description	Source
Thomson Reuters Wellesley	TRW is the Thomson Reuters Wellesley Absolute Convertible Bond Index ("TRW"). The Index is a joint venture between Thomson Reuters and Wellesley Asset Management (WAM) that was created in January 2013. Index performance for the period from February 2002 to the creation date is calculated based upon a model portfolio maintained by WAM. TRW is intended to represent a strategy with the goals of absolute returns and outperforming both equities and fixed income over complete market cycles deploying convertible bonds. WAM has discretion over the selection of index constituents and their weighting in the index.	Thomson Reuters
Standard & Poor's 500 Total Return	A free-float capitalization-weighted index based on the common stock prices of 500 top publicly traded American companies, as determined by S&P and considered by many to be the best representation of the market.	Bloomberg data / Standard & Poor's
Bloomberg Barclays U.S. Aggregate Bond	A market capitalization-weighted index often used to represent investment grade bonds being traded in United States. The index includes Treasury securities, government agency bonds, mortgage-backed bonds, corporate bonds and a small amount of foreign bonds traded in the U.S.	Bloomberg data / Barclays
Bank of America/Merrill Lynch All Convertibles ex Mandatory (VOA0)	Represents all U.S. convertibles, excluding mandatory convertibles, small issues and bankruptcies.	Bank of America
Bloomberg Barclays U.S. Convertible Bond > \$500MM Index	The index is designed to represent the market of U.S. convertible securities, such as convertible bonds, with outstanding issue sizes greater than \$500 million.	Bloomberg data / Barclays

Investors cannot directly invest in an index and unmanaged index returns do not reflect any fees, expenses or sales charges.

Investments in convertible securities subject the Fund to the risks associated with both fixed-income securities, including credit risk and interest risk, and common stocks. A portion of the Fund's convertible securities may be rated below investment grade. Exchangeable and synthetic convertible securities may be more volatile and less liquid than traditional convertible securities. In general, stock and other equity security values fluctuate, and sometimes widely fluctuate, in response to activities specific to the company as well as general market, economic and political conditions. Lower rated fixed-income securities are subject to greater risk of loss of income and principal than higher-rated securities. The prices of lower rated bonds are likely to be more sensitive to adverse economic changes or individual corporate developments. All fixed-income securities are subject to two types of risk: credit risk and interest rate risk. When the general level of interest rates goes up, the prices of most fixed-income securities go down. When the general level of interest rates goes down, the prices of most fixed income securities go up.

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