The Vice Global Fund
A New Paradigm for 2021 and Beyond

The Vice Global Fund is not an index fund. We strive to beat the market by intelligently allocating assets among those companies that create products that people consume in their spare time – so-called "vice" stocks. Combined with our thematic investment holdings, the Vice Fund seeks performance above the market while attempting to mitigate downside risk.

The Vice Global Fund has a 19-year history of investing in what people do in their spare time. Historically, that has mostly included alcohol, tobacco, and gambling-focused companies. But times change. With technology and societal shifts influencing which pursuits are top-of-mind, the definition of "vice" has evolved. The Vice Global Fund has likewise morphed into a more nimble, thematically driven investment vehicle, and has developed a more macro view of the spending patterns in the consumer discretionary space. Market sector coverage has grown to include the following:

Recreational marijuana - Governor Andrew Cuomo signed legislation in March 2021 to legalize recreational marijuana in New York. Arizona, Mississippi, Montana, New Jersey, and South Dakota legalized marijuana (either for recreational or medicinal use) on November 3rd, leaving only seven states remaining to pass favorable legislation. We are currently evaluating which companies to add to our holdings in this sector and will provide updates in future commentaries.

Gaming - Online gambling continues to experience significant growth in the U.S. Alliance Bernstein estimates the size of the domestic sports betting market to grow by a factor of 10 to $30 billion by 2030. We feel that this growth is consistent with developed gaming markets such as the UK and Australia. As such, we envision positioning in those companies that are focused most on delivering an online experience. In a similar vein, according to Morgan Stanley online video gaming grew by 30% in 2020, a trend that will likely continue as the activity gains traction with multiple demographics.

Vice also features an opportunistic sleeve that makes up 20% of the Fund's holding. While we highlight several thematic investments in that portion of the portfolio, one that keeps piquing investor interest is our anti-ESG tilt. Although committing capital that supports environmental, societal, and governance principles is a great marketing tool for asset managers, there are many unanswered questions about its real-world efficacy. In our view, accurately measuring a company's ESG impact is tantalizingly difficult. Some comments from a recent academic paper on the subject are as follows:

- Corporate stock and bond prices are unlikely to properly reflect ESG performance as investors struggle to accurately identify out-performers and laggards.
- The divergence can dampen the ambition of companies seeking to improve their ESG performance, thanks to the mixed signals they receive from ratings agencies about which actions are expected and will be valued by the market.

ESG funds tend to be more expensive than their traditionally indexed counterparts, which in our view is the primary reason such funds are more heavily promoted by their sponsors. While there is no evidence that investing in such an approach has any beneficial effect, these artificially constrained portfolios may in fact underperform the overall market due to their suboptimal construction.

In all this politically correct confusion there lies opportunity, in our view. As such, we are maintaining a short ESG position against its respective traditional index.

The Vice Global Fund strives to offer unique attributes not found in all funds. We are opportunistic, strategically employing leverage when appropriate. Our current overweight to global stocks relative to our benchmark reflects our view of a weakening U.S. dollar. A focus on small-cap value stocks is consistent with our view that those long-ignored parts of the equity universe will continue their outperformance versus the crowded and overextended large-cap technology space. Finally, our expectations that inflation will surge higher is reflected in our positions in commodities.

Sincerely yours,

Ben Warwick

Paul Strehle

Important Disclosures
Click here for Prospectus

Mutual fund investing involves risk; principal loss is possible. The Fund will concentrate its net assets in industries that have significant barriers to entry including the alcoholic beverages, tobacco, gaming and defense/aerospace industries, the Fund may be subject to the risks affecting those industries, including the risk that the securities of companies within those industries will underperform due to adverse economic conditions, regulatory or legislative changes or increased competition affecting those industries, more than would a fund that invests in a wide variety of industries. The Fund invests in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. The Fund invests in smaller companies, which involve additional risks, such as limited liquidity and greater volatility. Derivatives may involve certain costs and risks such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most *advantageous. Investing in derivatives could result in losing more than the amount invested. If a security sold short increases in price, the Fund may have to cover its short position at a higher price than the short sale price, resulting in a loss.*

The USA Mutuals Funds are distributed by Northern Lights Distributors, LLC.

Northern Lights Distributors, LLC and USA Mutual Advisors, Inc. are not affiliated.

6077-NLD-04/07/2021