



Vice Fund (VICEX) Commentary  
December 2023

The Vice Fund ended the month of December with a return of +3.65%.

### Market Review

Equities rallied to close out the year with full participation across eleven equity sectors. The month started with a drop in unemployment and better-than-expected inflation data. After twenty months of Fed hikes, a soft economic landing remains possible. As a result, 2023 was a return to a risk-on environment.

However, current market dynamics indicate fear among institutional investors that markets may return to higher volatility levels. The cost of hedging equity positions with options is near the levels seen in early 2020 ahead of that year's big sell-off. The CBOE Volatility Index and Skew Index are higher this month as Put options are expensive compared to realized volatility this past year.

Based on this volatility positioning, a segment of investors believes equity markets overshot reasonable valuation levels and are positioned defensively. We believe broader indices are very fragile, with the "Magnificent Seven" Big Tech growth stocks accounting for a majority of the returns last year. If any of these stocks have earnings surprises, then a top-heavy market may tumble as well. It is our belief that if markets go lower, it is unlikely to be as tame as 2022.

The Vice Fund remains committed to its core belief that certain stocks are undervalued based on certain factions of society deeming these stocks as morally questionable. Our core holdings remain military defense, casino, alcohol, and tobacco stocks because they typically have an inelastic customer base that is unlikely to be swayed whether the price of the product rises or falls. While it can be frustrating for shareholders to hold the fund during risk-off periods in markets, we believe it is an important part of any portfolio to hold assets that historically have less downside when markets capitulate.

We have gratitude for all of our investors and wish everyone a prosperous and happy 2024. Please reach out to us with any questions.

Sincerely yours,

Paul Strehle

Investors should consider the investment objectives, risks, charges and expenses carefully before investing. For a prospectus or summary prospectus with this and other information about the Fund, please call 1-800-MUTUALS or visit our website at [www.USAMutuals.com](http://www.USAMutuals.com). Read the prospectus or summary prospectus carefully before investing.

**Standardized performance as of (12/31/2023) Fund Inception (08/30/2002)**

	1 Year	5 Year	10 Year	Since Inception
VICEX	-2.15%	4.52%	3.40%	7.49%
MSCI World Index	22.81%	12.27%	8.48%	8.88%

Investor Class performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 1-866-264-8783. Returns over one year are annualized. The Gross and Net expense 1.98% and 1.73%. Contractual fee waivers through 07/31/2024.

**DEFINITIONS:**

**The MSCI All Country World Index Total Return ("MSCI ACWI TR")** captures large and mid-cap representation across 23 Developed Markets (DM) and 26 Emerging Markets (EM) countries.

**Volatility** - The degree of variation of a trading price series over time, usually measured by the standard deviation of logarithmic returns.

**COE Volatility Index** - A popular measure of the stock market's expectation of volatility based on S&P 500 index options.

**Skew Index** - A measure of the perceived tail risk of the distribution of S&P 500 investment returns over a 30-day horizon. The index values are calculated and published by the Chicago Board Options Exchange based on current S&P 500 options market data.

**Put Option** - a derivative instrument in financial markets that gives the holder the right to sell an asset, at a specified price, by a specified date to the writer of the put.

**Important Disclosures**

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**IMPORTANT RISK INFORMATION:**

*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.*

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fundinfo@USAMutuals.com  
1-800-MUTUALS  
www.USAMutuals.com