

# KCM MACRO TRENDS FUND

Semi-Annual Report  
October 31, 2016

1-877-275-5599  
[www.KCMTX.com](http://www.KCMTX.com)

**Distributed by Northern Lights Distributors, LLC  
Member FINRA**

This report and the financial statements contained herein are submitted for the general information of shareholders and are not authorized for distribution to prospective investors unless preceded or accompanied by an effective prospectus. Nothing herein contained is to be considered an offer of sale or solicitation of an offer to buy shares of KCM Macro Trends Fund. Such offering is made only by prospectus, which includes details as to offering price and other material information.

Distributed by Northern Lights Distributors, LLC.  
Member FINRA

**KCM Macro Trends Fund**  
**PORTFOLIO REVIEW (Unaudited)**  
**October 31, 2016**

**Annualized Total Returns as of October 31, 2016**

	<b>Six Months</b>	<b>One Year</b>	<b>Three Year</b>	<b>Five Year</b>	<b>Since Inception (August 4, 2008)</b>	<b>Since Inception (April 2, 2009)</b>
KCM Macro Trends Fund- Class R-1*	4.41%	(0.24)%	2.99%	7.23%	4.88%	N/A
KCM Macro Trends Fund- Class R-2**	3.89%	(1.04)%	2.19%	6.43%	N/A	5.15%
HFRX Equity Hedge Index***	1.42%	(2.30)%	(0.01)%	2.19%	(1.30)%	1.47%

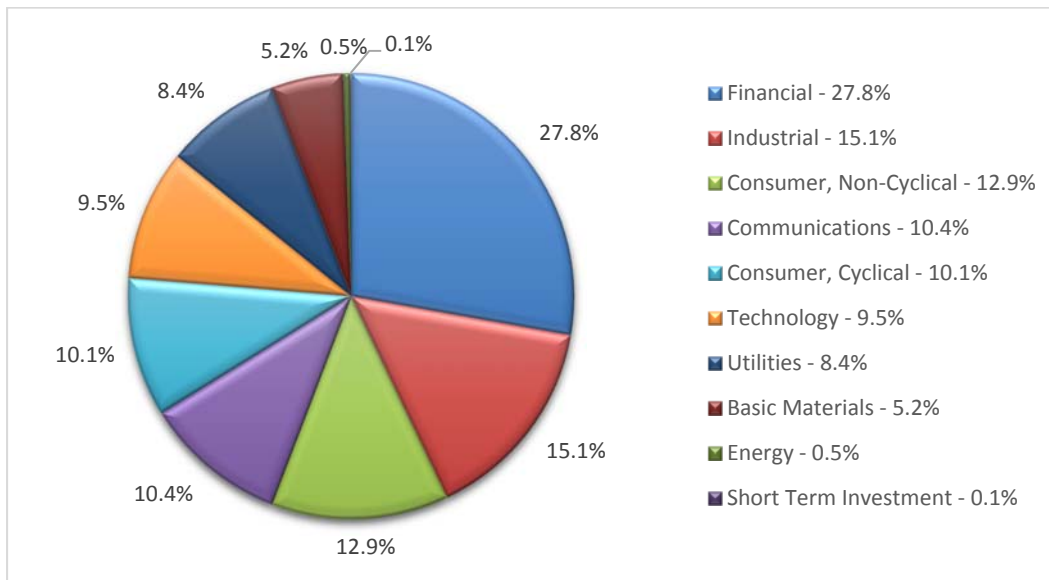
\* Class R-1 commenced operations on August 4, 2008.

\*\* Class R-2 commenced operations on April 2, 2009.

\*\*\*The HFRX Equity Hedge Index is an unmanaged index designed to measure daily performance representative of long-short equity hedge funds. Indices are adjusted for the reinvestment of capital gains and income dividends. Investors cannot invest directly in an index.

Past performance is not predictive of future results. The investment return and principal value of an investment will fluctuate. An investor's shares, when redeemed, may be worth more or less than the original cost. Total return is calculated assuming reinvestment of all dividends and distributions. The Fund's total gross annual operating expenses, including the expenses of investing in underlying funds, are 1.71% for Class R-1 and 2.46% for Class R-2 per the prospectus dated August 29, 2016. The graph does not reflect the deduction of taxes that a shareholder would have to pay on fund distributions or the redemption of fund shares. For performance information current to the most recent month-end, please call 1-877-275-5599.

**PORTFOLIO COMPOSITION<sup>^</sup>**



<sup>^</sup>Based on total portfolio market value as of October 31, 2016.

Please refer to the Portfolio of Investments in this semi-annual report for a detailed analysis of the Fund's holdings.

**KCM Macro Trends Fund**  
**PORTFOLIO OF INVESTMENTS (Unaudited)**

October 31, 2016

Shares	Security	Value
<b>COMMON STOCK - 100.0 %</b>		
<b>AGRICULTURE - 1.8 %</b>		
30,600	Archer-Daniels-Midland Co.	\$ 1,333,242
<b>AUTO MANUFACTURERS - 1.4 %</b>		
19,200	PACCAR, Inc.	1,054,464
<b>AUTO PARTS &amp; EQUIPMENT - 2.1 %</b>		
104,700	Dana, Inc.	1,620,756
<b>BANKS - 13.3 %</b>		
12,950	Banco Macro SA - ADR	987,178
67,600	Banco Santander Brasil SA - ADR	552,968
46,750	BBVA Banco Frances SA - ADR	917,702
20,550	Grupo Financiero Galicia SA - ADR	639,927
2,100	Woori Bank	69,321
43,050	Cathay General Bancorp.	1,289,348
145,100	Huntington Bancshares, Inc.	1,538,060
15,150	PNC Financial Services Group, Inc.	1,448,340
95,550	TCF Financial Corp.	1,366,365
30,250	US Bancorp.	1,353,990
		10,163,199
<b>BUILDING MATERIALS - 1.4 %</b>		
21,700	Owens Corning	1,058,526
<b>CHEMICALS - 1.6 %</b>		
15,500	LyondellBasell Industries NV	1,233,025
<b>COMMERCIAL SERVICES - 3.0 %</b>		
21,900	New Oriental Education & Technology Group, Inc. *	1,097,847
23,550	Total System Services, Inc.	1,174,674
		2,272,521
<b>COMPUTERS - 2.0 %</b>		
69,700	Hewlett Packard Enterprise Co.	1,566,159
<b>COSMETICS/PERSONAL CARE - 1.5 %</b>		
15,950	Colgate-Palmolive Co.	1,138,192
<b>DIVERSIFIED FINANCIAL SERVICES - 0.6%</b>		
11,550	KB Financial Group, Inc.	427,119
<b>ELECTRIC - 5.4 %</b>		
24,550	Ameren Corp.	1,226,273
15,250	Korea Electric Power Corp.	332,603
38,800	FirstEnergy Corp.	1,330,452
29,000	Public Service Enterprise Group, Inc.	1,220,320
		4,109,648
<b>ELECTRONICS - 5.4 %</b>		
28,900	Avnet, Inc.	1,212,355
62,300	Corning, Inc.	1,414,833
69,500	Jabil Circuit, Inc.	1,483,130
		4,110,318
<b>FOOD - 1.6 %</b>		
24,900	ConAgra Foods, Inc.	1,199,682
<b>GAS - 3.0 %</b>		
48,700	CenterPoint Energy, Inc.	1,110,360
16,100	Southwest Gas Corp.	1,166,606
		2,276,966

See accompanying notes to financial statements.

**KCM Macro Trends Fund**  
**PORTFOLIO OF INVESTMENTS (Continued) (Unaudited)**

October 31, 2016

Shares	Security	Value
<b>COMMON STOCK - 100.0 % (Continued)</b>		
<b>HEALTHCARE-SERVICES - 3.1 %</b>		
18,550	LifePoint Health, Inc. *	\$ 1,110,217
10,900	WellCare Health Plans, Inc. *	1,237,259
		<u>2,347,476</u>
<b>HOUSEWARES - 1.9 %</b>		
16,400	Scotts Miracle-Gro Co.	<u>1,444,676</u>
<b>INSURANCE - 9.2 %</b>		
11,600	Aon PLC	1,285,628
26,000	Aspen Insurance Holdings Ltd.	1,254,500
21,800	Axis Capital Holdings Ltd.	1,241,946
28,200	First American Financial Corp.	1,101,492
13,350	Hanover Insurance Group, Inc.	1,017,136
1,278	Markel Corp. *	1,121,356
		<u>7,022,058</u>
<b>INTERNET - 3.7 %</b>		
7,900	Criteo SA *	285,585
50,150	eBay, Inc. *	1,429,776
32,650	Zillow Group, Inc. *	1,078,430
		<u>2,793,791</u>
<b>IRON/STEEL - 1.4 %</b>		
6,875	POSCO	357,156
29,050	Ternium SA	694,586
		<u>1,051,742</u>
<b>LODGING - 1.3 %</b>		
23,750	China Lodging Group Ltd	<u>1,021,488</u>
<b>MEDIA - 2.0 %</b>		
26,300	DISH Network Corp. *	<u>1,540,127</u>
<b>MINING - 2.2 %</b>		
35,100	Newmont Mining Corp.	1,300,104
3,945	Randgold Resources Ltd.	350,040
		<u>1,650,144</u>
<b>MISCELLANEOUS MANUFACTURING - 3.3 %</b>		
6,380	3M Co.	1,054,614
21,000	Crane Co.	1,428,210
		<u>2,482,824</u>
<b>OFFICE/BUSINESS EQUIPMENT - 1.6 %</b>		
123,300	Xerox Corp.	<u>1,204,641</u>
<b>OIL &amp; GAS - 0.5 %</b>		
5,150	China Petroleum & Chemical Corp.	<u>372,963</u>
<b>PACKAGING &amp; CONTAINERS - 1.5 %</b>		
59,650	Owens-Illinois, Inc. *	<u>1,151,245</u>
<b>PHARMACEUTICALS - 1.9 %</b>		
15,950	Express Scripts Holding Co. *	1,075,030
2,080	Shire PLC	350,771
		<u>1,425,801</u>
<b>REITS - 4.8 %</b>		
38,000	Equity Commonwealth *	1,147,980
45,550	Rayonier, Inc.	1,221,651
34,800	Weingarten Realty Investors	1,260,108
		<u>3,629,739</u>

See accompanying notes to financial statements.

**KCM Macro Trends Fund**  
**PORTFOLIO OF INVESTMENTS (Continued) (Unaudited)**

October 31, 2016

Shares	Security	Value
<b>COMMON STOCK - 100.0 % (Continued)</b>		
<b>RETAIL - 3.4 %</b>		
33,400	Kohl's Corp.	\$ 1,461,250
16,600	Wal-Mart Stores, Inc.	1,162,332
		<u>2,623,582</u>
<b>SEMICONDUCTORS - 1.8 %</b>		
11,575	Silicon Motion Technology Corp.	470,061
90,250	Siliconware Precision Industries Co. Ltd.	675,973
7,950	Taiwan Semiconductor Manufacturing Co. Ltd.	247,245
		<u>1,393,279</u>
<b>SHIPBUILDING - 1.7 %</b>		
8,000	Huntington Ingalls Industries, Inc.	1,290,880
<b>SOFTWARE - 4.1 %</b>		
14,600	MSCI, Inc.	1,170,774
5,495	NetEase, Inc.	1,412,160
6,390	SAP SE	561,298
		<u>3,144,232</u>
<b>TELECOMMUNICATIONS - 4.7 %</b>		
55,100	Juniper Networks, Inc.	1,451,333
7,100	Nice Ltd.	471,937
16,950	Telekomunikasi Indonesia Persero Tbk PT	550,705
22,600	Verizon Communications, Inc.	1,087,060
		<u>3,561,035</u>
<b>TRANSPORTATION - 1.8 %</b>		
14,900	Norfolk Southern Corp.	1,385,700
		<u>1,385,700</u>
	<b>TOTAL COMMON STOCK (Cost - \$72,341,720)</b>	<b><u>76,101,240</u></b>
<b>SHORT-TERM INVESTMENTS - 0.1 %</b>		
105,558	Short-Term Investments Trust - Liquid Assets Portfolio - Cash Management Class, 0.01%**	<u>105,558</u>
	<b>TOTAL SHORT-TERM INVESTMENTS (Cost - \$105,558)</b>	
	<b>TOTAL INVESTMENTS - 100.1 % (Cost - \$72,447,278) (a)</b>	<b>\$ 76,206,798</b>
	<b>LIABILITIES IN EXCESS OF OTHER ASSETS - (0.1) %</b>	<b>(52,155)</b>
	<b>NET ASSETS - 100.0%</b>	<b><u>\$ 76,154,643</u></b>

ADR - American Depositary Receipt

\* - Non-income producing security.

\*\* - Money Market Fund; interest rate reflects seven-day effective yield on October 31, 2016.

(a) Represents cost for financial reporting purposes. Aggregate cost for federal tax purposes is \$72,609,822 and differs from market value by net unrealized appreciation (depreciation) of securities as follows:

Unrealized appreciation	\$ 5,076,376
Unrealized depreciation	(1,479,400)
Net unrealized appreciation	<u>\$ 3,596,976</u>

**KCM Macro Trends Fund**  
**STATEMENT OF ASSETS AND LIABILITIES (Unaudited)**  
**October 31, 2016**

**ASSETS**

Investment securities:	
At cost	\$ 72,447,278
At value	<u>76,206,798</u>
Receivable for Fund shares sold	10,069
Dividends and interest receivable	41,771
Prepaid expenses and other assets	<u>15,302</u>
<b>TOTAL ASSETS</b>	<b><u>76,273,940</u></b>

**LIABILITIES**

Fund shares repurchased	168
Investment advisory fees payable	67,508
Payable to Related Parties	3,325
Distribution (12b-1) fees payable	33,209
Accrued expenses and other liabilities	<u>15,087</u>
<b>TOTAL LIABILITIES</b>	<b><u>119,297</u></b>

**NET ASSETS**

**\$ 76,154,643**

**Net Assets Consist Of:**

Paid in capital [\$0 par value, unlimited shares authorized]	\$ 70,206,856
Accumulated net investment loss	(599,086)
Accumulated net realized gain from security transactions	2,787,353
Net unrealized appreciation of investments	<u>3,759,520</u>

**NET ASSETS**

**\$ 76,154,643**

Class R-1

Net Assets	\$ 76,092,063
Shares of beneficial interest outstanding	<u>6,306,085</u>
Net asset value and redemption price per share (Net assets/Shares of Beneficial Interest)	<u>\$ 12.07</u>

Class R-2

Net Assets	\$ 62,580
Shares of beneficial interest outstanding	<u>5,450</u>
Net asset value and redemption price per share (Net assets/Shares of Beneficial Interest)	<u>\$ 11.48</u>

See accompanying notes to financial statements.

**KCM Macro Trends Fund**  
**STATEMENT OF OPERATIONS (Unaudited)**  
For the Six Months Ended October 31, 2016

**INVESTMENT INCOME**

Dividends (less \$680 in foreign taxes)	\$ 685,741
Interest	2,529
<b>TOTAL INVESTMENT INCOME</b>	688,270

**EXPENSES**

Investment advisory fees	412,218
Distribution (12b-1) fees:	
Class R-1	102,213
Class R-2	1,076
Administrative services fees	43,743
Accounting services fees	17,822
Transfer agent fees	12,602
Registration fees	12,098
Professional fees	8,067
Legal fees	6,050
Audit fees	9,881
Printing and postage expenses	6,554
Trustees' fees and expenses	5,042
Custodian fees	5,042
Insurance expense	1,512
Other expenses	1,008
<b>TOTAL EXPENSES</b>	644,928

**NET EXPENSES**

644,928

**NET INVESTMENT INCOME**

43,342

**REALIZED AND UNREALIZED GAIN ON INVESTMENTS**

Net realized gain from security transactions and foreign currencies	302,330
Net change in unrealized appreciation of investments	3,164,824

**NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS**

3,467,154

**NET INCREASE IN NET ASSETS FROM OPERATIONS**

\$ 3,510,496

See accompanying notes to financial statements

**KCM Macro Trends Fund**  
**STATEMENTS OF CHANGES IN NET ASSETS**

	<b>For the Six Months Ended October 31, 2016</b>	<b>For the Year Ended April 30, 2016</b>
	<b>(Unaudited)</b>	
<b>FROM OPERATIONS</b>		
Net investment income (loss)	\$ 43,342	\$ (267,142)
Net realized gain from security transactions	302,330	2,871,615
Net change in unrealized appreciation (depreciation) of investments	3,164,824	(9,828,102)
Net increase in net assets resulting from operations	3,510,496	(7,223,629)
<b>DISTRIBUTIONS TO SHAREHOLDERS</b>		
<b>Class R-1:</b>		
From net investment income (\$0.00 and \$0.02 per share, respectively)	-	(163,320)
From net capital gains (\$0.00 and \$0.05 per share, respectively)	-	(359,603)
<b>Class R-2:</b>		
From net capital gains (\$0.00 and \$0.05 per share, respectively)	-	(460)
Net decrease in net assets from distributions to shareholders	-	(523,383)
<b>FROM SHARES OF BENEFICIAL INTEREST</b>		
<b>Class R-1:</b>		
Proceeds from shares sold	3,863,914	14,056,066
Reinvestment of dividends	-	516,832
Payments for shares redeemed	(14,571,054)	(16,796,749)
Net decrease in net assets from shares of beneficial interest	(10,707,140)	(2,223,851)
<b>Class R-2:</b>		
Reinvestment of dividends	-	460
Payments for shares redeemed	-	(46,892)
Net decrease in net assets from shares of beneficial interest	-	(46,432)
<b>TOTAL DECREASE IN NET ASSETS</b>	(7,196,644)	(10,017,295)
<b>NET ASSETS</b>		
Beginning of Period	83,351,287	93,368,582
End of Period *	<b>\$ 76,154,643</b>	<b>\$ 83,351,287</b>
* Includes accumulated net investment loss of:	\$ (599,086)	\$ (642,428)
<b>SHARE ACTIVITY</b>		
<b>Class R-1</b>		
Shares Sold	324,490	664,576
Shares Reinvested	-	-
Shares Redeemed	(1,222,584)	(622,920)
Net increase in shares of beneficial interest outstanding	(898,094)	41,656
<b>Class R-2</b>		
Shares Sold	-	-
Shares Reinvested	-	40
Shares Redeemed	-	(4,182)
Net increase in shares of beneficial interest outstanding	-	(4,142)

See accompanying notes to financial statements.



## KCM Macro Trends Fund FINANCIAL HIGHLIGHTS

Per Share Data and Ratios for a Share of Beneficial Interest Outstanding Throughout Each Period Presented

	Class R-I					
	For the Six Months Ended	For the Year Ended	For the Year Ended	For the Year Ended	For the Year Ended	For the Year Ended
	October 31, 2016 (Unaudited)	April 30, 2016	April 30, 2015	April 30, 2014	April 30, 2013	April 30, 2012
Net asset value, beginning of period	\$ 11.56	\$ 12.57	\$ 12.63	\$ 12.12	\$ 10.94	\$ 12.44
Activity from investment operations:						
Net investment loss (1)	0.01	(0.04)	(0.06)	(0.09)	0.03	(0.09)
Net realized and unrealized loss on investments	0.50	(0.90)	1.07	1.92	1.17	(1.41)
Total from investment operations	0.51	(0.94)	1.01	1.83	1.20	(1.50)
Less distributions from:						
Net investment income	-	(0.02)	(0.05)	(0.03)	(0.02)	-
Net realized gains	-	(0.05)	(1.02)	(1.29)	-	-
Total distributions	-	(0.07)	(1.07)	(1.32)	(0.02)	-
Net asset value, end of period	\$ 12.07	\$ 11.56	\$ 12.57	\$ 12.63	\$ 12.12	\$ 10.94
Total return (2)	4.41% (5)	(7.50)%	8.22%	15.38%	11.02%	(12.06)%
Net assets, end of period (000s)	\$ 76,092	\$ 83,291	\$ 93,253	\$ 78,660	\$ 60,395	\$ 83,210
Ratio of expenses to average net assets (3)	1.56% (6)	1.55%	1.55%	1.59%	1.60%	1.52%
Ratio of net investment (loss) to average net assets (4)	0.11% (6)	(0.30)%	(0.45)%	(0.71)%	0.26%	(0.79)%
Portfolio Turnover Rate	179% (5)	437%	272%	272%	240%	862%

(1) Per share amounts calculated using the average shares method, which more appropriately presents the per share data for the period.

(2) Assume reinvestment of all dividends and distributions if any

(3) The ratios of expenses to average net assets and net investment income (loss) to average net assets do not reflect the expenses of the underlying investment companies in which the Fund invests.

(4) Recognition of net investment income by the Fund is affected by the timing and declaration of dividends by the underlying investment companies in which the Fund invests.

(5) Not Annualized.

(6) Annualized

See accompanying notes to financial statements.

## KCM Macro Trends Fund FINANCIAL HIGHLIGHTS

Per Share Data and Ratios for a Share of Beneficial Interest Outstanding Throughout Each Period Presented

	Class R-2					
	For the Six Months Ended October 31, 2016 (Unaudited)	For the Year Ended April 30, 2016	For the Year Ended April 30, 2015	For the Year Ended April 30, 2014	For the Year Ended April 30, 2013	For the Year Ended April 30, 2012
	\$	\$	\$	\$	\$	\$
Net asset value, beginning of period	11.04	12.08	12.22	11.82	10.74	12.29
Activity from investment operations:						
Net investment loss (1)	(0.04)	(0.16)	(0.15)	(0.18)	(0.03)	(0.16)
Net realized and unrealized loss on investments	0.48	(0.83)	1.03	1.87	1.11	(1.39)
Total from investment operations	0.44	(0.99)	0.88	1.69	1.08	(1.55)
Less distributions from:						
Net realized gains	-	(0.05)	(1.02)	(1.29)	-	-
Total distributions	-	(0.05)	(1.02)	(1.29)	-	-
Net asset value, end of period	\$ 11.48	\$ 11.04	\$ 12.08	\$ 12.22	\$ 11.82	\$ 10.74
Total return (2)	3.89% (5)	(8.22)%	7.42%	14.59%	10.06%	(12.61)%
Net assets, end of period (000s)	\$ 63	\$ 60	\$ 116	\$ 111	\$ 138	\$ 414
Ratio of expenses to average net assets (3)	2.32% (6)	2.30%	2.30%	2.35%	2.34%	2.24%
Ratio of net investment (loss) to average net assets (4)	(0.66)% (6)	(1.37)%	(1.19)%	(1.45)%	(0.32)%	(1.51)%
Portfolio Turnover Rate	179% (5)	437%	183%	272%	240%	862%

(1) Per share amounts calculated using the average shares method, which more appropriately presents the per share data for the period.

(2) Assume reinvestment of all dividends and distributions if any

(3) The ratios of expenses to average net assets and net investment income (loss) to average net assets do not reflect the expenses of the

(4) Recognition of net investment income by the Fund is affected by the timing and declaration of dividends by the underlying investment companies in which the Fund invests.

(5) Not Annualized.

(6) Annualized

See accompanying notes to financial statements.

**KCM Macro Trends Fund**  
**NOTES TO FINANCIAL STATEMENTS**  
**October 31, 2016 (Unaudited)**

**I. ORGANIZATION**

The KCM Macro Trends Fund (the “Fund”) is a diversified series of shares of beneficial interest of Northern Lights Fund Trust (the “Trust”), a trust organized under the laws of the State of Delaware on January 19, 2005, and registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as an open-end management investment company. The Fund’s investment objective is long-term growth of capital. As a secondary goal, the Fund seeks to manage volatility and market risk. The Fund offers two classes of shares designated as Class R-1 and Class R-2. Each class represents an interest in the same assets of the Fund and classes are identical except for differences in their ongoing service and distribution charges. Class R-1 commenced operations on August 4, 2008, and Class R-2 commenced operations on April 2, 2009.

Class R-1 shares and Class R-2 shares are offered at net asset value.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies followed by the Fund in preparation of the financial statements. These policies are in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses for the period. Actual results could differ from those estimates. The Fund follows the specialized accounting and reporting requirements under GAAP that are applicable to investment companies.

**Security valuation** – Securities listed on an exchange are valued at the last reported sale price at the close of the regular trading session of the exchange on the business day the value is being determined, or in the case of securities listed on NASDAQ at the NASDAQ Official Closing Price (“NOCP”). In the absence of a sale such securities shall be valued at the mean between the current bid and ask prices on the primary exchange on the day of valuation. Short-term investments that mature in 60 days or less may be valued at amortized cost. Investments in open-end investment companies are valued at net asset value.

**Valuation of Fund of Funds** - The Fund may invest in portfolios of open-end or closed-end investment companies. Open-end investment companies are valued at their respective net asset values as reported by such investment companies. Open-end investment companies value securities in their portfolios for which market quotations are readily available at their market values (generally the last reported sale price) and all other securities and assets at their fair value to the methods established by the board of directors of the open-end investment companies.

**KCM Macro Trends Fund**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**October 31, 2016 (Unaudited)**

The Fund may hold securities, such as private investments, interests in commodity pools, other non-traded securities or temporarily illiquid securities, for which market quotations are not readily available or are determined to be unreliable. These securities will be valued using the “fair value” procedures approved by the Trust’s Board of Trustees (“Board”). The Board has delegated execution of these procedures to a fair value team composed of one or more representatives from each of the (i) Trust, (ii) administrator, and (iii) advisor. The team may also enlist third party consultants such as a valuation specialist at a public accounting firm, valuation consultant or financial officer of a security issuer on an as-needed basis to assist in determining a security-specific fair value. The Board has also engaged a third party valuation firm to attend valuation meetings held by the Trust, review minutes of such meetings and report to the Board on a quarterly basis. The Board reviews and ratifies the execution of this process and the resultant fair value prices at least quarterly to assure the process produces reliable results.

**Fair Valuation Process.** As noted above, the fair value team is composed of one or more representatives from each of the (i) Trust, (ii) administrator, and (iii) advisor, the applicable investments are valued collectively via inputs from each of these groups. For example, fair value determinations are required for the following securities: (i) securities for which market quotations are insufficient or not readily available on a particular business day (including securities for which there is a short and temporary lapse in the provision of a price by the regular pricing source), (ii) securities for which, in the judgment of the advisor, the prices or values available do not represent the fair value of the instrument. Factors which may cause the advisor to make such a judgment include, but are not limited to, the following: only a bid price or an asked price is available; the spread between bid and asked prices is substantial; the frequency of sales; the thinness of the market; the size of reported trades; and actions of the securities markets, such as the suspension or limitation of trading; (iii) securities determined to be illiquid; (iv) securities with respect to which an event that will affect the value thereof has occurred (a “significant event”) since the closing prices were established on the principal exchange on which they are traded, but prior to a Fund’s calculation of its net asset value. Specifically, interests in commodity pools or managed futures pools are valued on a daily basis by reference to the closing market prices of each futures contract or other asset held by a pool, as adjusted for pool expenses. Restricted or illiquid securities, such as private investments or non-traded securities are valued via inputs from the advisor based upon the current bid for the security from two or more independent dealers or other parties reasonably familiar with the facts and circumstances of the security (who should take into consideration all relevant factors as may be appropriate under the circumstances). If the advisor is unable to obtain a current bid from such independent dealers or other independent parties, the fair value team shall determine the fair value of such security using the following factors: (i) the type of security; (ii) the cost at date of purchase; (iii) the size and nature of the Funds holdings; (iv) the discount from market value of unrestricted securities of the same class at the time of purchase and subsequent thereto; (v) information as to any transactions or offers with respect to the security; (vi) the nature and duration of restrictions on disposition of the security and the existence of any registration rights; (vii) how the yield of the security compares to similar securities of companies of similar or equal creditworthiness; (viii) the level of recent trades of

**KCM Macro Trends Fund**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**October 31, 2016 (Unaudited)**

similar or comparable securities; (ix) the liquidity characteristics of the security; (x) current market conditions; and (xi) the market value of any securities into which the security is convertible or exchangeable.

The Fund utilizes various methods to measure the fair value of its investments on a recurring basis. GAAP establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of input are:

**Level 1** – Unadjusted quoted prices in active markets for identical assets and liabilities that the Fund has the ability to access.

**Level 2** – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

**Level 3** – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Fund's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following tables summarize the inputs used as of October 31, 2016 for the Fund's assets measured at fair value:

Assets	Level 1	Level 2	Level 3	Total
Common Stocks*	\$ 76,101,240	-	-	\$ 76,101,240
Short-Term Investment	105,558	-	-	105,558
Total	\$ 76,206,798	\$ -	\$ -	\$ 76,206,798

The Fund did not hold any Level 2 or 3 securities during the period.

There were no transfers between Levels during the period presented. It is the Fund's policy to record transfers between levels at the end of the reporting period.

\*Please refer to the Portfolio of Investments for industry classifications.

**KCM Macro Trends Fund**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**October 31, 2016 (Unaudited)**

**Exchange Traded Funds (“ETFs”)** – The Fund may invest in exchange traded funds. ETFs are a type of index fund bought and sold on a securities exchange. An ETF trades like common stock and represents a fixed portfolio of securities designed to track the performance and dividend yield of a particular domestic or foreign market index. The Fund may purchase an ETF to temporarily gain exposure to a portion of the U.S. or a foreign market while awaiting purchase of underlying securities. There are risks of owning the underlying securities the ETFs are designed to track, and the lack of liquidity of an ETF may result in it being more volatile. Additionally, ETFs have fees and expenses that reduce their value.

**Security transactions and related income** – Security transactions are accounted for on the trade date. Interest income is recognized on an accrual basis. Discounts are accreted and premiums are amortized on securities purchased over the lives of the respective securities. Dividend income is recorded on the ex-dividend date. Realized gains or losses from sales of securities are determined by comparing the identified cost of the security lot sold with the net sales proceeds. Withholding taxes on foreign dividends have been provided for in accordance with the Fund’s understanding of the applicable country’s tax rules and rates.

**Dividends and distributions to shareholders** – Dividends from net investment income, if any, are declared and paid at least annually. Distributable net realized capital gains, if any, are declared and distributed annually. Dividends from net investment income and distributions from net realized gains are determined in accordance with federal income tax regulations, which may differ from GAAP. These “book/tax” differences are considered either temporary (e.g., deferred losses, capital loss carryforwards) or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the composition of net assets based on their federal tax-basis treatment; temporary differences do not require reclassification. Any such reclassifications will have no effect on net assets, results of operations, or net asset values per share of the Fund.

**Federal income tax** – The Fund intends to continue to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income to shareholders. Therefore, no provision for Federal income tax is required.

The Fund recognizes the tax benefits of uncertain tax positions only where the position is “more likely than not” to be sustained assuming examination by tax authorities. Management has analyzed the Fund’s tax positions and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for open tax years 2013-2015, or expected to be taken in the Fund’s 2016 tax returns. The Fund identifies its major tax jurisdictions as U.S. Federal, Nebraska and foreign jurisdictions where the Fund makes significant investments; however, the Fund is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

**KCM Macro Trends Fund**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**October 31, 2016 (Unaudited)**

**Expenses** – Expenses of the Trust that are directly identifiable to a specific fund are charged to that fund. Expenses, which are not readily identifiable to a specific fund, are allocated in such a manner as deemed equitable, taking into consideration the nature and type of expense and the relative sizes of the funds in the Trust.

**Indemnification** – The Trust indemnifies its officers and Trustees for certain liabilities that may arise from the performance of their duties to the Trust. Additionally, in the normal course of business, the Fund enters into contracts that contain a variety of representations and warranties and which provide general indemnities. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the risk of loss due to these warranties and indemnities appears to be remote.

### **3. INVESTMENT TRANSACTIONS**

For the six months ended October 31, 2016, cost of purchases and proceeds from sales of portfolio securities, other than short-term investments and U.S. Government securities, amounted to \$135,197,004 and \$142,713,075, respectively.

### **4. ADVISORY FEES AND OTHER RELATED PARTY TRANSACTIONS**

Kerns Capital Management, Inc. serves as the Fund's Investment Advisor (the "Advisor"). Pursuant to an advisory agreement between the Trust and the Advisor, with respect to the Fund, the Advisor, under the supervision of the Board, oversees the daily operations of the Fund and supervises the performance of administrative and professional services provided by others. As compensation for its services and the related expenses borne by the Advisor, the Fund pays the Advisor a management fee, computed and accrued daily and paid monthly, at an annual rate of 1.00% of the Fund's average daily net assets. For the six months ended October 31, 2016, the Fund incurred \$412,218 of advisory fees.

*Distributor* – The distributor of the Fund is Northern Lights Distributors, LLC (the "Distributor"). The Board of the Trust has adopted, on behalf of the Fund, the Trust's Master Distribution and Shareholder Servicing Plans for Class R-1 and Class R-2 shares (the "Plans"), as amended, pursuant to Rule 12b-1 under the 1940 Act, to pay for certain distribution activities and shareholder services. Under the Plans, the Fund may pay up to 0.25% and 1.00% of its average daily net assets for Class R-1 shares and Class R-2 shares, respectively. For the six months ended October 31, 2016, pursuant to the Plans, Class R-1 shares paid \$102,213 and Class R-2 shares paid \$1,076.

In addition, certain affiliates of the Distributor provide services to the Fund as follows:

*Gemini Fund Services, LLC ("GFS")*, an affiliate of the Distributor, provides administration, fund accounting, and transfer agent services to the Trust. Pursuant to separate servicing agreements with GFS, the Fund pays GFS customary fees for providing administration, fund accounting, and transfer agency services to the Fund. A Trustee and certain officers of the Trust are also

**KCM Macro Trends Fund**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**October 31, 2016 (Unaudited)**

officers of GFS, and are not paid any fees directly by the Fund for serving in such capacities.

Northern Lights Compliance Services, LLC (“NLCS”) NLCS, an affiliate of GFS and the Distributor, provides a Chief Compliance Officer to the Trust, as well as related compliance services, pursuant to a consulting agreement between NLCS and the Trust. Under the terms of such agreement, NLCS receives customary fees from the Fund.

BluGiant, LLC (“BluGiant”), an affiliate of GFS and the Distributor, provides EDGAR conversion and filing services as well as print management services for the Fund on an ad-hoc basis. For the provision of these services, BluGiant receives customary fees from the Fund.

**5. DISTRIBUTIONS TO SHAREHOLDERS AND TAX COMPONENTS OF CAPITAL**

The tax character of fund distributions paid for the six months ended April 30, 2016 and April 30, 2015 was as follows:

	Fiscal Year Ended April 30, 2016	Fiscal Year Ended April 30, 2015
Ordinary Income	\$ -	\$ 6,243,785
Long-Term Capital Gain	523,383	1,128,451
Return of Capital	-	-
	<u>\$ 523,383</u>	<u>\$ 7,372,236</u>

As of April 30, 2016, the components of accumulated earnings/(deficit) on a tax basis were as follows:

Undistributed Ordinary Income	Undistributed Long-Term Gains	Post October Loss and Late Year Loss	Capital Loss Carry Forwards	Other Book/Tax Differences	Unrealized Appreciation/ (Depreciation)	Total Accumulated Earnings/(Deficits)
\$ -	\$ 2,490,818	\$ (116,995)	\$ -	\$ -	\$ 432,152	\$ 2,805,975

The difference between book basis and tax basis accumulated net realized gain and unrealized appreciation from investments is primarily attributable to the tax deferral of losses on wash sales.

Late year losses incurred after December 31 within the fiscal year are deemed to arise on the first business day of the following fiscal year for tax purposes. The Fund incurred and elected to defer such late year losses of \$116,995.

Permanent book and tax differences, primarily attributable to net operating losses, the reclass of Fund distributions, and adjustments for partnerships, resulted in reclassifications for the Fund for the fiscal year ended April 30, 2016 as follows:



**KCM Macro Trends Fund**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**October 31, 2016 (Unaudited)**

Paid In Capital	Undistributed Net Investment Income (Loss)	Accumulated Net Realized Gains (Loss)
\$ (368,684)	\$ 525,433	\$ (156,749)

**6. SUBSEQUENT EVENTS**

Subsequent events after the date of the Statement of Assets and Liabilities have been evaluated through the date the financial statements were issued. Management has concluded that there is no impact requiring adjustment or disclosure in the financial statements.

**KCM Macro Trends Fund**  
**EXPENSE EXAMPLES**  
**October 31, 2016 (Unaudited)**

As a shareholder of the KCM Macro Trends Fund you incur ongoing costs, including management fees; distribution and/or service (12b-1) fees and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the KCM Macro Trends Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period as disclosed in the table below.

**Actual Expenses**

The “Actual Expenses” line in the table below provides information about actual account values and actual expenses. You may use the information below, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the table under the heading entitled “Expenses Paid During Period” to estimate the expenses you paid on your account during this period.

**Hypothetical Example for Comparison Purposes**

The “Hypothetical” line in the table below provides information about hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund’s actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balances or expenses you paid for the period. You may use this information to compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as contingent deferred sales charges (loads), or redemption fees. Therefore, the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Beginning Account Value 5/1/16	Ending Account Value 10/31/16	Annualized Expense Ratio	Expense Paid During Period* 5/1/16 - 10/31/16
<b>Actual</b>				
Class R-1	\$1,000.00	\$ 1,044.10	1.56%	\$ 8.06
Class R-2	\$1,000.00	\$ 1,038.90	2.32%	\$ 11.90
<b>Hypothetical</b> (5% return before expenses)				
Class R-1	\$1,000.00	\$ 1,017.32	1.56%	\$ 7.95
Class R-2	\$1,000.00	\$ 1,013.53	2.32%	\$ 11.75

\* Expenses are equal to the average account value over the period, multiplied by the Fund’s annualized expense ratio, multiplied by the number of days in the six month period ended October 31, 2016 (184) divided by the number of days in the fiscal year (365).

## **KCM Macro Trends Fund**

### **SUPPLEMENTAL INFORMATION (Unaudited)**

KCM Macro Trends Fund \* – Adviser: Kerns Capital Management, Inc.

In connection with the regular meeting held on December 8-9, 2015 the Board of Trustees (the “Board” or the “Trustees”) of the Northern Lights Fund Trust (the “Trust”), including a majority of the Trustees who are not “interested persons,” as that term is defined in the Investment Company Act of 1940, as amended, discussed the approval of an investment advisory agreement (the “Advisory Agreement”) between Kerns Capital Management, Inc. (“Kerns Capital”) and the Trust, with respect to KCM Macro Trends Fund (the “Fund”). In considering the approval of the Advisory Agreement, the Trustees received materials specifically relating to the Advisory Agreement.

The Trustees relied upon the advice of legal counsel and their own business judgment in determining the material factors to be considered in evaluating the Advisory Agreement, and the weight to be given to each such factor. The conclusions reached by the Trustees were based on a comprehensive evaluation of all of the information provided and were not the result of any one factor. Moreover, each Trustee may have afforded different weight to the various factors in reaching his conclusions with respect to the Advisory Agreement.

*Nature, Extent and Quality of Services.* The Trustees noted that Kerns Capital, founded in 1994 as a fee based investment advisory firm, manages approximately \$190 million in assets, offering investment management, fiduciary advice, and retirement planning services to high net worth individuals, investment companies, corporations, trusts, pension and profit sharing plans, and retirement plans. The Trustees reviewed the background information of the key investment personnel responsible for servicing the Fund, taking into consideration their education and their financial industry experience. The Trustees noted that Kerns Capital added a new portfolio manager with 20 years of investment experience to the investment team in September 2015. The Trustees observed that Kerns Capital's investment process consists of research and analysis of specific countries, regions, industries, and companies of all capitalizations examining for trends, market biases, and future expectations in order to build and manage the portfolio. The Trustees acknowledged that Kerns Capital demonstrates a focus on risk management by attempting to mitigate risks by trading in highly liquid diverse securities, limiting leverage to periods when the market trend is strong, removing leverage when momentum weakens, utilizing stop-loss orders to protect gains, adding a temporary hedge strategy to protect the investment during market corrections, and shifting up to 100% of the portfolio to cash when a defensive strategy is mandated. The Trustees considered Kerns Capital's methods of monitoring compliance and evaluating broker-dealers, as well as Kerns Capital's compliance and litigation history. The Trustees noted that Kerns Capital has remained consistent with its investment process through the years and its focus on risk management has thus far limited large drawdowns, which is also consistent with its goal to conserve capital during volatile markets. The Trustees commented that Kerns Capital has added resources to the firm, demonstrating its commitment to support its growth. The Trustees concluded that Kerns Capital should continue to provide a high level of quality service to the Fund for the benefit of the shareholders.

## **KCM Macro Trends Fund**

### **SUPPLEMENTAL INFORMATION (Unaudited)**

*Performance.* The Trustees reviewed the performance of the Fund over the 1-year, 2-year, 3-year, and 5-year periods, noting that the Fund underperformed its benchmark index, its peer group average, and the Multialternative Morningstar category average over the 1-year period, while outperforming each metric over all other periods. They noted that the Fund has exhibited a higher standard deviation than its benchmarks as well, contributing to the Fund's underperformance in the third quarter of 2015. The Trustees concluded that Kerns Capital was successfully pursuing the Fund's objective and performance has been acceptable.

*Fees and Expenses.* The Trustees noted that the 1.00% management fee and 1.61% net expense ratio for the Fund were lower than the average fee and net expense ratio charged by funds in its peer group, and lower than the Morningstar category averages. They considered that Kerns Capital receives 12b-1 fees for reimbursement of distribution expenses, and soft dollar credits used to pay for proprietary research created and developed by various providers. The Trustees concluded that the advisory fee was reasonable.

*Economies of Scale.* The Trustees considered whether there will be economies of scale with respect to the management of the Fund. The Trustees concluded that based on the current asset level of the Fund, economies of scale had not been achieved to an extent necessary to warrant breakpoints. They further noted that Kerns Capital had indicated that it was not inclined to further reduce fees because its fees already represent a value to shareholders as the fees are lower than the averages of its peers. After discussion, it was the consensus of the Trustees that while material economies of scale had not been reached at this time, the issue would be revisited as the size of the Fund materially increases.

*Profitability.* The Trustees noted that based on the profitability analysis provided by Kerns Capital, Kerns Capital is reasonably profitable, in terms of both dollar amount and percentage, before consideration of distribution expenses. After further discussion, the Trustees concluded that Kerns Capital was not earning excessive profits from its relationship with the Fund.

*Conclusion.* Having requested and received such information from Kerns Capital as the Trustees believed to be reasonably necessary to evaluate the terms of the Advisory Agreement, and as assisted by the advice of independent counsel, the Trustees concluded that they were satisfied with the services provided by Kerns Capital, and that the advisory fee is reasonable and that renewal of the Advisory Agreement is in the best interests of the Trust and the shareholders of the KCM Macro Trends Fund.

\* Due to timing of the contract renewal schedule, these deliberations may or may not relate to the current performance results of the Fund.

# PRIVACY NOTICE

## NORTHERN LIGHTS FUND TRUST

Rev. February 2014

### FACTS

#### WHAT DOES NORTHERN LIGHTS FUND TRUST DO WITH YOUR PERSONAL INFORMATION?

#### Why?

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some, but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

#### What?

The types of personal information we collect and share depends on the product or service that you have with us. This information can include:

- Social Security number and wire transfer instructions
- account transactions and transaction history
- investment experience and purchase history

When you are *no longer* our customer, we continue to share your information as described in this notice.

#### How?

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Northern Lights Fund Trust chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information:	Does Northern Lights Fund Trust share information?	Can you limit this sharing?
For our everyday business purposes - such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus.	YES	NO
For our marketing purposes - to offer our products and services to you.	NO	We don't share
For joint marketing with other financial companies.	NO	We don't share
For our affiliates' everyday business purposes - information about your transactions and records.	NO	We don't share
For our affiliates' everyday business purposes - information about your credit worthiness.	NO	We don't share
For nonaffiliates to market to you	NO	We don't share

**QUESTIONS?** Call 1-402-493-4603

# PRIVACY NOTICE

## NORTHERN LIGHTS FUND TRUST

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### What we do:

<b>How does Northern Lights Fund Trust protect my personal information?</b>	<p>To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.</p> <p>Our service providers are held accountable for adhering to strict policies and procedures to prevent any misuse of your nonpublic personal information.</p>
<b>How does Northern Lights Fund Trust collect my personal information?</b>	<p>We collect your personal information, for example, when you</p> <ul style="list-style-type: none"><li>• open an account or deposit money</li><li>• direct us to buy securities or direct us to sell your securities</li><li>• seek advice about your investments</li></ul> <p>We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.</p>
<b>Why can't I limit all sharing?</b>	<p>Federal law gives you the right to limit only:</p> <ul style="list-style-type: none"><li>• sharing for affiliates' everyday business purposes – information about your creditworthiness.</li><li>• affiliates from using your information to market to you.</li><li>• sharing for nonaffiliates to market to you.</li></ul> <p>State laws and individual companies may give you additional rights to limit sharing.</p>

### Definitions

<b>Affiliates</b>	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"><li>• <i>Northern Lights Fund Trust does not share with our affiliates.</i></li></ul>
<b>Nonaffiliates</b>	<p>Companies not related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"><li>• <i>Northern Lights Fund Trust does not share with nonaffiliates so they can market to you.</i></li></ul>
<b>Joint marketing</b>	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"><li>• <i>Northern Lights Fund Trust doesn't jointly market.</i></li></ul>

### **PROXY VOTING POLICY**

Information regarding how the Fund voted proxies relating to portfolio securities for the most recent twelve month period ended June 30 as well as a description of the policies and procedures that the Fund uses to determine how to vote proxies is available without charge, upon request, by calling 1-877-275-5599 or by referring to the Securities and Exchange Commission's ("SEC") website at <http://www.sec.gov>.

### **PORTFOLIO HOLDINGS**

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. Form N-Q is available on the SEC's website at <http://www.sec.gov> and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC (1-800-SEC-0330). The information on Form N-Q is available without charge, upon request, by calling 1-877-275-5599.

### **INVESTMENT ADVISOR**

Kerns Capital Management, Inc.  
9821 Katy Freeway, Suite 400  
Houston, TX 77024

### **ADMINISTRATOR**

Gemini Fund Services, LLC  
80 Arkay Drive  
Hauppauge, New York 11788