

# THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

## Constructing an Opportunistic Balanced Fund



**BRAD COHEN, JD** is Chief Equity Strategist and Senior Portfolio Manager of North Star Investment Management Corp. Mr. Cohen has 25 years of financial industry experience. In addition to working with individual clients, Mr. Cohen acts as Portfolio Manager for the North Star Opportunity Fund and the North Star Bond Fund. Previously, he had 13 years of security experience as a member, specialist and trader on the Chicago Stock Exchange. Mr. Cohen graduated from the University of Maryland and received his J.D. from Marquette Law School. Mr. Cohen and his family live in Highland Park, Illinois.



**JIM TASSONI, CFA**, is the founder and Chief Investment Officer of Durand Capital Partners. Jim's primary responsibilities are portfolio management and equity research for the Durand Capital Partners All-Cap Equity Strategies. Prior to founding Durand Capital Partners in 2012, his decade plus of investment experience includes positions as an analyst, consultant, and portfolio manager with WCM Investment Management, Morgan Stanley and UBS Financial Services, Inc. Jim earned his B.S. from Michigan State University and has earned his Chartered Financial Analyst (CFA) designation. Jim is also a member of the CFA Society of Detroit. Jim is a co-portfolio manager of the North Star Opportunity Fund.

### SECTOR — GENERAL INVESTING

**TWST:** Tell us about the recent merger of your two funds: North Star Opportunity and Regal Total Return. What was behind the merger and what are your synergies?

**Mr. Cohen:** North Star Investment Management and Regal Investment Advisors, LLC, have been working together for a few years to provide Regal's affiliated advisors with additional mutual fund options for their clients. Our goal in merging the assets of the Regal Total Return Fund (RTRTX) with the North Star Opportunity Fund (NSOPX) was to take advantage of the collective expertise and vast experience of both firms. We wanted to use the attributes of Jim Tassoni, CFA® and Regal Investment Advisors, and Eric Kuby, MBA and myself at North Star to accomplish one main goal: to construct an opportunistic balanced investment fund. Our newly-combined fund invests on average 75% in stocks and 25% in fixed income. We believe our newly-formed team provides a deeper level of experience and expertise, which we hope will

translate into a positive outcome for our investors and potential new investors. Finally, we are also able to take advantage of economies of scale and lower expenses for clients.

**TWST:** Give us a closer look at some of the expertise that you gained in merging with Regal and Mr. Tassoni's specific expertise?

**Mr. Tassoni:** I've been managing money and investment strategies professionally for over 15 years. This 15-year live track record formed the core of the Regal Total Return Fund, which was the fund that ultimately merged into the North Star Opportunity Fund. My background in investment management includes working for firms such as Morgan Stanley, UBS and a few other smaller boutique firms. I bring those years of experience to the fund, along with my CFA designation. At the end of the day, North Star gained by adding another viewpoint, another experienced stock picker, and an investment manager to the team.

**TWST: Can you share some specific portfolio adjustments that you've made since the merger? What were some of your portfolio changes?**

**Mr. Cohen:** The merger took place in February 2019. And since then Jim, Eric, and I have talked regularly every week to discuss and construct the portfolio. We collectively decided to process in place for buying and selling as we add or remove positions from the portfolio. If we were making an addition to the portfolio, all three of our portfolio managers have to agree. And for us to sell a position, two out of the three PMs have to agree.

**TWST: How do you mitigate against risk? Do you hold cash? And if so, how might that positioning have changed over the first half and as we head into the second half?**

**Mr. Cohen:** As a fund, the three of us would never sell short in the fund if we were negative on a stock or a sector. But if we were cautious about the overall market, we would lighten up in one or more of our positions, or outright sell to increase our exposure to cash. Additionally, we have been more active trying to maximize that cash by taking advantage of the inverted yield curve and investing in one- and three-month T-Bills. We've been laddering our cash to take advantage of the higher short-term rates.

**TWST: How much has your relative exposure to the equity market changed over the recent past?**

**Mr. Cohen:** Our exposure to the equity markets has slightly been reduced in keeping with our goal, to create an opportunistic balanced fund. We've gravitated to a more conservative 75% in stocks, 25% in fixed income. To clarify, the North Star Opportunity considers corporate bonds, preferred stocks, T-Bills and money markets as fixed income.

**TWST: Overall, what's your broad view of the market for the second half? Any other ways you are positioning that reflect your view?**

**Mr. Tassoni:** Given where we're at right now in the economic cycle, the overall markets, and looking at corporate earnings, I believe we are fairly valued to maybe slightly overvalued given historical valuation metrics. Valuations aren't sky-high, but

they are slightly elevated. Considering that the US equity market is up over 20% year-to-date, a prudent man would say that the likelihood, given historical rates of returns and average annualized rates of returns of us going meaningfully higher over the next six to 12 months is probably a low probability bet. Although cautious, I don't see a deep, lasting correction as a result of the Federal Reserve spiking the punch bowl by adding additional stimulus measures. On the other hand, I do not see us going up another 20% over the next six months. But Brad may have additional thoughts to add.

**Mr. Cohen:** I echo Jim's thoughts, but the only thing that I would add is, as fund managers and in view of what our investors expect from us, we will only make slight alterations. We are always going to be cautiously optimistic and maintain a certain level of equity exposure. And at this point, we see no reason to go below 75% equities in the Opportunity Fund.

**TWST: Thank you.**

**Mr. Cohen:** Thank you for allowing me to express North Star's excitement about adding Jim to the

Opportunity Fund management team and our association with Regal Investment Advisors.

### Highlights

*Brad Cohen, JD and Jim Tassoni, CFA discuss the North Star Opportunity Fund and its recent merger with the Regal Total Return Fund. The goal of the merger was to construct an opportunistic balanced fund. The fund currently invests in 75% equities and 25% fixed income. The micro- to large-cap investments present both value and growth opportunities.*

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The investment objective of the North Star Opportunity Fund (the "Opportunity Fund") is long-term capital appreciation.

#### Important Risk Information:

Mutual Funds have investment risks including loss of principal. There is no guarantee the fund will meet its objective. In general, the price of a fixed income security falls when interest rates rise. There is a risk that issuers and counterparties will not make payments on securities and other investments held by the Fund, resulting in losses to the Fund. The Fund may invest in high yield securities, also known as "junk bonds". High yield securities provide greater income and opportunity for gain, but entail greater risk of loss of principal. Foreign common stocks and currency strategies will subject the Fund to currency trading risks that include market risk, credit risk and country risk. Municipal securities are subject to credit risk where a municipal security might not make interest and principal payments as they come due. The Advisor follows an investing style that favors value investments. At

times when the value investing style is out of favor, the Fund may underperform other funds that use different investing styles. Investments in lesser known, small and medium capitalization companies may be more vulnerable than larger, more established organizations. As with any investment, there are risks associated with REITs. Investments in lesser-known, small and medium capitalization companies may be more vulnerable than larger, more established organizations. The Advisor does not attempt to keep the portfolio structure or fund performance consistent with any market index. Increased portfolio turnover may result in higher brokerage commissions, and other transaction costs may result in taxable capital gains.

*Investors should carefully consider the investment objectives, risks, charges and expenses of the North Star Funds. No-Load Mutual funds are sold without sales charge; however, they have ongoing expenses, such as management fees. This and other important information about each of the Funds are contained in the prospectus, which can be obtained at [www.nsinvestfunds.com](http://www.nsinvestfunds.com) or by calling (855)580-0900. The prospectus should be read carefully before investing. The North Star Funds are distributed by Northern Lights Distributors, LLC member FINRA/SIPC. 7064-NLD-8/22/2019*