

INVESTMENT PARTNERS OPPORTUNITIES FUND (IPOFX)

THIRD QUARTER REPORT

We are pleased to report the Fund's results for the third quarter of 2010 as well as the year-to-date performance ending September 30, 2010.

PERFORMANCE

At the end of the quarter, the Fund's net assets were \$9,049,916.30 or \$10.56 per share, an improvement in net asset value/share of 7.76% since June 30, 2010.

The year-to-date performance since the January 15th, 2010 inception date was 5.60%.

Investment Partners Opportunities Fund Class A – Expense Ratio: 3.34%

The performance data quoted here represents past performance. Current performance may be lower or higher than the performance data quoted above. Investment return and principal value will fluctuate, so that shares, when redeemed, may be worth more or less than their original cost. Past performance is no guarantee of future results. The Fund's investment adviser has contractually agreed to reduce its fees and/or absorb expenses of the fund, at least until April 30, 2011, to ensure that the net annual fund operating expenses will not exceed 2.75% for Investment Partners Opportunities Fund Class A, subject to possible recoupment from the Fund in future years. Please review the Fund's prospectus for more detail on the expense waiver. Results shown reflect the waiver, without which the results could have been lower. A Fund's performance, especially for very short periods of time, should not be the sole factor in making your investment decisions. For performance information current to the most recent month-end, please call toll-free 1-866-390-0440.

It should be noted that the S&P 500 Total Return Index during the same period was 1.90%.

Our relative "out-performance" is a function of our strategic focus on income as part of total return as well as tactical allocation to offset risk.

As we noted in our semi-annual report, we remained largely unconvinced that accommodative Federal Reserve policy would have the intended effort of creating employment gains and stabilizing prices.

In retrospect it appears that since early August we may have been a bit too cautious. The equity markets rallied on the anticipation that the Federal Reserve would fight deflationary forces by creating fiat paper money (read IOU's) for as long as it takes, without regard to the long-range consequences of their actions.

It was somewhat remarkable that our portfolio would out-perform the S&P 500 Total Return Index given that cash, on average, represented over 50% of our total Net Assets throughout the quarter. A question you might ask is: Why so much cash? We believe that there has not been sufficient focus on flaws in the global banking system and the need at home to deal with massive overleveraged assets held by Fannie Mae and Freddie Mac. Until real estate assets are reappraised and their decreased values are recognized by the banks, markets in the U.S. still remain vulnerable to a potential downdraft.

By having cash when assets and equities are more realistically valued, we want to be opportunistic to buy companies at more reasonable levels.

MARKET REVIEW

It is uncanny that markets have a way of predicting the outcome of future events.

By the end of the third quarter markets already seemed to measure the impact that a change in Congressional leadership would have on future governmental policy.

More importantly, the equity markets appeared to understand the policy implications of Ben Bernanke's intentions as presented at Jackson Hole, Wyoming on August 27, 2010 in a speech at the Federal Reserve Bank of Kansas City Economic Symposium, entitled "The Economic Outlook and Monetary Policy."

Faced with anemic recovery and a slowdown in the U.S. GDP growth to below 2% in June, 2010, the notion of a "Double Dip" recession was becoming more probable. All the while the official unemployment rate was 9.5% in June, 2010 but shadow economists calculated a number closer to 16% when those who have stopped looking for employment were added to the count.

Consumer confidence had been trending lower for most of 2010. In July, the Conference Board reported survey results indicating a reading of about 50, which was considerably below the 20-year average reading of about 94. A low reading suggests consumer belief that the real economy might be faltering and faith and confidence in the future was lacking.

For contrarians, gloom often spells opportunity. In times like these, low consumer confidence spills over to the markets. The retail investor remains squarely on the

sidelines, as those with long memories may never return to the equity markets with the same fervor as they had in the past. However, the recent rally, fueled by an unprecedentedly accommodative Federal Reserve, is (temporarily) rewarding “risk” for those investors who are willing to part with just enough cash as needed to keep pace with the intentional devaluation of the greenback. This has been the posture of the management of IPOFX, and so we feel our strategy has been the correct one for the environment.

OUTLOOK AND STRATEGY

In September 2010, confidence returned to the market, not from the investor class *per se*, but courtesy of Permanent Open Market injections of capital via the Federal Reserve and primary dealer network. The Fed bought US bonds with money it freshly-minted; primary dealers received liquidity and, in turn, used their newfound fortune to purchase high correlation securities in the equity markets. As a result, the summer doldrums were replaced by new fuel for the fire, of which there seems to be a never-ending supply.

However, as of this writing, the market, at least the part of it that is not centrally managed, is beginning to call the Fed’s bluff – with rates and the dollar actually rising and commodities surging to all-time highs in most cases. In our opinion the quantitative ease may not produce the binary results for the planners without some severe unintended consequences. Stocks across the board no longer seem cheap, bonds have limited upside potential, save for the strategic default from the Fed (already in progress and running at least through next June,) and a scamper from the global investment community to legitimize their dollars as quickly as possible. We at IPOFX have invested the fund in the manner prescribed in a world gone wild with devaluations. With high beta (market) correlation on the equity side coupled with a hefty cash position on the other is the only reasonable way (to us) to play these uncharted monetary and fiscal imbalances.

PORTFOLIO CONSTRUCTION

During the quarter we identified a number of sectors and companies that conform to our central theme:

- Infrastructure companies that benefit if additional governmental stimulus occurs.
- Companies which generate sufficient cash which permits debt reduction, dividend increases, share buybacks and acquisitions.
- Companies with unique franchises and marketplace presence in distressed industries.

Our top ten holdings, representing 73.52% of the Net Asset Value of the Fund at September 30, 2010, are as follows:

- UB Instl Trust Deposit (Cash) – 52.72%
- International Business Machines – 2.96%
- Cohen & Steers Infrastructure Fund – 2.81%
- Novell, Inc. – 2.37%
- Motorola, Inc. – 2.36%
- Constellation Energy Partners – 2.23%
- Brookfield Infrastructure Partners, LP – 2.14%
- Domtar Corp – 2.07%
- Whiterock Real Estate Investment Trust – 1.97%
- EBAY, Inc. – 1.89%

We further segmented the portfolio as follows:

Development of Infrastructure & Natural Resource Assets (18.19% of Net Asset Value)

Participants in world infrastructure development representing 7.75% of Net Assets are:

- Cohen and Steers Infrastructure Fund, Inc.
- Brookfield Infrastructure Partners, LP
- Whiterock Real Estate Investment Trust
- Bell Aliant Regional Communications Income Fund

In addition, the fund has 10.44% of its Net Assets in shares of natural resource companies:

- IShares Silver Trust
- Silver Wheaton Common Shares
- Provident Energy Trust
- Pace Oil & Gas Ltd
- Constellation Energy Partners
- Molycorp, Inc.
- Yamana Gold Inc
- Wisdom Tree Dreyfus China Yuan Fund

Technology efforts and/or Cash Generators (20.52% of Net Asset Value)

- Domtar Corp
- EBAY, Inc.
- Intel Corporation
- IBM
- Microsoft Corporation
- Motorola, Inc.
- Novell, Inc.

- Sprint Nextel Corp
- Eastman Kodak Company
- Xerox Corporation
- Syneron Medical Ltd
- Micron Technology, Inc.

Closed-End Funds and Other Funds (5.88% of Net Asset Value)

- Wisdom Tree Dreyfus China Yuan Fund
- Aberdeen Asia-Pacific Income Fund, Inc.
- Aberdeen Global Income Fund, Inc.
- Black Rock S&P Quality Rankings Global Equity Managed Trust
- Swiss Helvetia Fund

Companies with Unique Businesses (2.60% of Net Asset Value)

- Roctest Ltd (purchased for over 100% return subsequent to quarter-end)
- SkyPeople Fruit Juice Inc.
- Rainmaker Systems Inc.
- Calgon Carbon Corporation

We continue to research issues, which we believe give us some margin of safety if we choose to include them in the portfolio.

We are particularly attracted to some smaller companies, which could have a meaningful impact on the Fund's future performance. Please note, through our relatively high cash balances we feel we have sufficient liquidity to invest a greater percentage of our assets if we find a company or sector we feel will benefit the fund by meeting our longer-term objectives.

If our current investments continue to perform and the assets in the fund grow we may increase our investment in our existing holdings.

On the other hand, we expect to utilize a technique that the legendary investor, John Templeton, employed i.e., to compare any new investment candidate with an already existing portfolio holding, selling the lesser value issue and replacing it with something of greater potential.

ADVOCACY AND ACTIVISM

We refer you to the detailed discussion of our strategy in our semi-annual report of being an advocate and, where necessary, an activist on behalf of our portfolio companies.

Needless to say, the fund was the beneficiary of a 72.94% return on our investment in Osteotech, when activists led a proxy fight which ended in the company entering a merger pact with Medtronic.

In the months ahead, certain companies in the portfolio may require our attention as a means to protect our investment. We think we differentiate ourselves from other value style funds with an ability to act quickly.

We wish to thank you for investing in the Fund. If you are a holder of the Fund and believe you have a value or special situation investment that may fit the Fund, please contact us at Investment Partners Asset Management at 732-205-0391.

Sincerely,

Frank J. Abella, Jr.

Gregg T. Abella

Frank J. Abella, III

Beta describes how the expected return of a stock or portfolio is correlated to the return of the financial market as a whole. A Beta greater than 1.00 indicates the portfolio is more volatile than the market, and a Beta less than 1.00 indicates the portfolio is less volatile than the market.

The S&P 500 Total Return Index is an unmanaged composite of 500 large capitalization companies and includes the reinvestment of dividends. This index is widely used by professional investors as a performance benchmark for large-cap stocks. You cannot invest directly in an index.

When the Fund writes call options on its portfolio securities it limits its opportunity to participate in the gains on the securities on which the options are written. When the Fund invests in fixed income securities directly or indirectly by investing in mutual funds that invest primarily in fixed income securities, the value of the Fund will fluctuate with changes in interest rates. The Fund's investments in junk bonds carry a higher risk of default than higher rated securities. When the Fund invests in foreign securities directly or through American Depositary Receipts, the Fund could be subject to greater risks. Foreign securities typically have less financial disclosure than U.S. securities and may expose the Fund to tax, currency exchange rate and repatriation risks. The fund has a greater potential to realize losses upon the occurrence of adverse events affecting a particular issuer. Mutual funds, closed-end funds and ETFs are subject to expenses, which will be indirectly paid by the Fund. Investments in the real estate industry may be

subject to substantial fluctuations and declines due to general and local economic conditions. Small-cap and mid-cap companies may be more vulnerable than larger, more established organizations to adverse business or economic developments.

Investors should carefully consider the investment objectives, risks, charges and expenses of the Investment Partners Opportunities Fund. This and other important information about the Fund is contained in the prospectus, which can be obtained by calling 1-866-390-0440. The prospectus should be read carefully before investing. The Investment Partners Opportunities Fund is distributed by Northern Lights Distributors, LLC, member FINRA.

1685-NLD-11/15/2010