

June 29, 2015

Office of Chief Counsel  
Division of Investment Management  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549

Re: Northern Lights Fund Trust on behalf of its series, Grant Park Multi Alternative Strategies Fund – Request for No-Action Assurance

Dear Ladies and Gentlemen

We respectfully request that the staff of the Division of Investment Management (the “Staff”) of the Securities and Exchange Commission (the “Commission”) advise that it will not recommend enforcement action under Section 12(d)(1)(A) and (B) of the Investment Company Act of 1940 (“1940 Act”) against Grant Park Multi Alternative Strategies Fund, a series of Northern Lights Fund Trust (“Trust”, and the series “Fund of Funds”), an open-end management investment company registered under the 1940 Act, if the Fund of Funds invests in another series of the Trust in the same group of investment companies, as defined in Section 12(d)(1)(G)(ii) of the 1940 Act,<sup>1</sup> as the Fund of Funds (“Underlying Fund”), if the arrangement meets all of the provisions of Section 12(d)(1)(G) of the 1940 Act and Rule 12d1-2 under the 1940 Act, except for Rule 12d1-2(a)(2) to the extent that it restricts the Fund of Funds from investing in assets that might not be securities as defined in Section 2(a)(36) of the 1940 Act.

#### Background

Dearborn Capital Management, LLC, (“DCM”) an Illinois limited liability company and an investment adviser registered under the Investment Advisers Act of 1940, serves as investment adviser to the Fund of Funds and the Underlying Funds. The Fund of Funds’ investment objectives, policies and restrictions allow it to invest in the Underlying Funds as well as in various other assets that may or may not be securities under the 1940 Act.

The Fund of Funds purchases shares of the Underlying Funds, and the Underlying Funds sell their shares to the Fund of Funds, in reliance on Section 12(d)(1)(G) of the 1940 Act and

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<sup>1</sup> Section 12(d)(1)(G)(ii) of the 1940 Act defines a “group of investment companies” as “any 2 or more registered investment companies that hold themselves out to investors as related companies for purposes of investment and investor services.”

Rule 12d1-2 under the 1940 Act.<sup>2</sup> Section 12(d)(1)(G) and Rule 12d1-2 do not provide for the Fund of Funds to invest in assets that might not be securities under the 1940 Act.<sup>3</sup>

### Analysis

Section 12(d)(1)(A) of the 1940 Act, in relevant part, prohibits the Fund of Funds from purchasing or otherwise acquiring securities issued by an Underlying Fund if immediately after the acquisition the Fund of Funds owns more than 3% of the outstanding voting stock of the Underlying Fund, has more than 5% of its total assets invested in the Underlying Fund, or has more than 10% of its total assets invested in the Underlying Fund and all other investment companies. Section 12(d)(1)(B) of the 1940 Act, in relevant part, prohibits an Underlying Fund from knowingly selling its securities to the Fund of Funds if the sale will cause the Fund of Funds to own more than 3% of the Underlying Fund’s total outstanding voting stock, or if the sale will cause more than 10% of the Underlying Fund’s total outstanding voting stock to be owned by investment companies. Sections 12(d)(1)(A) and (B) were designed to prevent certain abuses that might arise when investment companies invest in other investment companies. Such potential abuses generally include the pyramiding of control and undue influence, the layering of fees, and complex fund of funds structures that are difficult for investors to understand.<sup>4</sup>

Section 12(d)(1)(G) of the 1940 Act, in relevant part, provides a conditional exemption from the limits in Sections 12(d)(1)(A) and (B) for certain fund of funds arrangements within the same group of investment companies, such as the Fund of Funds. One of the conditions in

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<sup>2</sup> Section 12(d)(1)(G), in relevant part, provides an exemption from Sections 12(d)(1)(A) and (B) for “securities of a registered open-end investment company or a registered unit investment trust (hereafter in this subparagraph referred to as the ‘acquired company’) purchased or otherwise acquired by a registered open-end investment company or a registered unit investment trust (hereafter in this subparagraph referred to as the ‘acquiring company’) if (I) the acquired company and the acquiring company are part of the same group of investment companies; (II) the securities of the acquired company, securities of other registered open-end investment companies and registered unit investment trusts that are part of the same group of investment companies, Government securities, and short-term paper are the only investments held by the acquiring company; (III) with respect to (aa) securities of the acquired company, the acquiring company does not pay and is not assessed any charges or fees for distribution-related activities, unless the acquiring company does not charge a sales load or other fees or charges for distribution-related activities; or (bb) securities of the acquiring company, any sales loads and other distribution-related fees charged, when aggregated with any sales load and distribution-related fees paid by the acquiring company with respect to securities of the acquired company, are not excessive under rules adopted pursuant to section 22(b) or section 22(c) by a securities association registered under section 15A of the Securities Exchange Act of 1934, or the Commission; [and] (IV) the acquired company has a policy that prohibits it from acquiring any securities of registered open-end investment companies or registered unit investment trusts in reliance on this subparagraph or subparagraph (F).” Rule 12d1-2 under the 1940 Act provides an exemption for investment companies relying on Section 12(d)(1)(G) to acquire certain securities other than those referenced in Section 12(d)(1)(G)(II).

<sup>3</sup> The term “security” is defined in Section 2(a)(36) of the 1940 Act.

<sup>4</sup> See, e.g., *Public Policy Implications of Investment Company Growth*, H.R. Rep. No. 2337, 89th Cong., 2d Sess. 312-324 (1966).

Section 12(d)(1)(G), which was enacted in 1996,<sup>5</sup> limited a fund of funds’ other investments to Government securities and short-term paper. In 2006, the Commission adopted Rule 12d1-2 to permit a fund of funds relying on Section 12(d)(1)(G) to invest, among other things, in any types of securities that are consistent with its investment policies.<sup>6</sup> The Commission noted that allowing such greater flexibility for a fund of funds to meet its investment objectives did not present any additional concerns that Section 12(d)(1)(G) was intended to address.<sup>7</sup>

In 2008, the Commission proposed amendments to Rule 12d1-2 to permit, among other things, a fund of funds relying on Section 12(d)(1)(G) to invest in assets, such as real estate, futures contracts, and other financial instruments, that might not qualify as securities under the 1940 Act.<sup>8</sup> The Commission noted that it had issued exemptive orders providing such relief and that such greater flexibility did not appear to present any additional concerns that Section 12(d)(1)(G) was intended to address.<sup>9</sup> The larger rulemaking of which the proposed amendments to Rule 12d1-2 were a part remains on the Commission’s Regulatory Flexibility Agenda as a potential rule re-proposal.<sup>10</sup> The Commission has continued to issue exemptive orders providing the relief that would have been codified in the Rule 12d1-2 amendments. The Commission has conditioned such exemptive orders on compliance with all of the provisions of Rule 12d1-2 except for paragraph (a)(2) to the extent that it restricts a fund of funds from investing in assets that might not be securities under the 1940 Act.<sup>11</sup>

Consistent with the rationale behind these exemptive orders and the Commission’s proposed amendments to Rule 12d1-2, the Trust and the Fund of Funds respectfully request that the Staff not recommend enforcement action to the Commission under Sections 12(d)(1)(A) and

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<sup>5</sup> *National Securities Markets Improvements Act*, Pub. L. No. 104-290, 110 Stat. 3416 (1996).

<sup>6</sup> *Fund of Funds Investments*, Investment Company Act Release No. 27399 (June 20, 2006) (“Adopting Release”). Prior to the adoption of Rule 12d1-2, the Commission had granted exemptive orders permitting a fund of funds relying on Section 12(d)(1)(G) to invest also in other securities and financial instruments. *See, e.g.*, MPAM Funds Trust, Investment Company Act Release Nos. 24593 (Aug. 3, 2000) (notice) and 24624 (Aug. 29, 2000) (order); Bond Fund Series, Investment Company Act Release Nos. 23265 (June 23, 1998) (notice) and 23324 (July 21, 1998) (order).

<sup>7</sup> Adopting Release at n.61 and accompanying text.

<sup>8</sup> *Exchange-Traded Funds*, Investment Company Act Release No. 28193 (March 11, 2008).

<sup>9</sup> *Id.* at n.259 and accompanying text.

<sup>10</sup> Spring 2015 Unified Agenda, available at <http://www.sec.gov/public/do/eAgendaViewRule?pubId=201504&RIN=3235-AJ60>. The commenters supported the proposed amendment to Rule 12d1-2.

<sup>11</sup> *See, e.g.*, SSgA Mastertrust and SSgA Funds Management, Inc., Investment Company Act Release Nos. 31249 (Sept. 11, 2014) (notice) and 31278 (Oct. 07, 2014) (order); Goldman Sachs Trust, et al., Investment Company Act Release Nos. 30471 (April 19, 2013) (notice) and 30522 (May 15, 2013) (order); and Ivy Funds Variable Insurance Portfolios, et al., Investment Company Act Release Nos. 30427 (March 15, 2013) (notice) and 30458 (April 10, 2013) (order).

(B) of the 1940 Act against the Fund of Funds or an Underlying Fund if the Fund of Funds' investment in the Underlying Funds meets all of the provisions of Section 12(d)(1)(G) of the 1940 Act and Rule 12d1-2 under the 1940 Act, except for Rule 12d1-2(a)(2) to the extent that it restricts the Fund of Funds from investing in assets that might not be securities under the 1940 Act.

We believe that investing in derivatives and other financial instruments allows a fund of funds to have greater flexibility in meeting its investment objectives than if the fund of funds was only permitted to invest solely in securities. Furthermore, we believe that investments in derivatives and other financial instruments do not appear to raise concerns that the investment limit on fund of funds arrangements contained in Section 12(d)(1) of the 1940 Act.

Conclusion

For the reasons discussed above, we respectfully request that the Staff assure us that it would not recommend enforcement action to the Commission under Section 12(d)(1)(A) and(B) of the 1940 Act against the Trust, the Fund of Funds or an Underlying Fund if the Fund of Funds' investment in the Underlying Funds meets all of the provisions of Section 12(d)(1)(G) of the 1940 Act and Rule 12d1-2 under the 1940 Act, except for Rule 12d1-2(a)(2) to the extent that it restricts the Fund of Funds from investing in assets that might not be securities under the 1940 Act.

Please contact JoAnn Strasser at (614) 469-3265 or Andrew Davalla at (614) 469-3353 if you have any questions regarding this request.

Respectfully submitted,

/s/ JoAnn Strasser

JoAnn Strasser