

PROBABILITIES FUND MANAGEMENT,LLC

Probabilities Fund Management, LLC
CRD# 144313
Part 2A Brochure

1665 Union Street, Suite A
San Diego, CA 92101
www.probabilitiesfund.com
(800) 519 0438

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Probabilities Fund Management, LLC, is a registered investment adviser. The use of the term registered investment adviser does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Probabilities Fund Management, LLC. If you have any questions about the contents of this brochure, please contact us at (800) 519 0438 and/or mgray@probabilitiesfund.com.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Probabilities Fund Management, LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

Probabilities Fund Management, LLC (“PFM”) has transitioned from state registration to registration with the Securities and Exchange Commission (“SEC”). PFM became eligible for SEC registration because PFM serves as an investment adviser to Probabilities VIT Fund, an investment company registered under the Investment Company Act of 1940. Probabilities VIT Fund is a series of Northern Lights Variable Trust.

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Item 4 – Advisory Business

Probabilities Fund Management, LLC (“PFM”) has been in business since October 2007. The principal owner is Mr. Joseph B Childrey.

Advisory Services

PFM offers variable annuity sub-account allocation strategies through various variable annuity platforms. The clients (or “Annuity Owners”) are referred by registered representatives licensed with broker/dealers or registered investment advisers (“Advisors”). An Advisor typically gathers information about a client’s financial and tax status and investment objectives in order to determine the client’s risk profile. Based on the analysis the Advisor will assist the client in allocating assets among various investments and investment managers to include PFM.

Advisors create the allocation among asset types that is customized to the Annuity Owner’s needs. Advisors are responsible for maintaining communication with the Annuity Owner to monitor the portfolio, make changes in the allocations as appropriate, and ascertain if the Annuity Owner’s objective or risk tolerance has changed over time.

Registered investment advisers may also engage PFM directly. Under these circumstances PFM provides its services in a sub-advisory capacity. The registered investment adviser will continue to operate as the primary investment adviser (“Primary Adviser”) to any client the Primary Adviser introduces to the platform. Primary Advisers are generally required to be registered with the Securities and Exchange Commission (“SEC”) or appropriate authority in all state jurisdictions in which Primary Adviser is doing business.

Client Assets Under Management

As of March 13, 2013, PFM managed \$40,000,000 on a discretionary basis. PFM does not manage assets on a non-discretionary basis.

Item 5 – Fees and Compensation

PFM is a third party investment adviser for annuity platforms. Management fees are calculated based on the account’s quarter end valuation and are charged in arrears. Accounts which are opened during a quarter are charged based on the number of days remaining in the quarter. Fees may be automatically deducted from client’s accounts. All fees are negotiable.

The client shall be responsible for all transactions fees associated with the account. Fees are assessed on all assets under management, including securities, cash and money market balances. Depending on the circumstances, it may be an unethical business practice to charge a management fee on a cash position. Margin debit-balances do not reduce the value of assets under management.

Management Fee

Annualized Fees

PFM charges each account a 1.00% annual management fee. A Primary Adviser may charge a management fee that is separate and in addition to the fees charged by PFM. It is recommended that the Primary Adviser charge a fee that doesn't exceed 1.00%.

| PFM Fee | Primary Adviser | Combined Management Fees |
|---------|---|--------------------------|
| 1.00% | 1.00% (Primary Advisers set their own fees) | 2.00% (Typically) |

Annuity Owners should note that the fee is higher than that normally charged in the industry. An AUM fee above 2.00% may be unreasonable. The account custodian collects investment management fees and allocates them among all interested parties. PFM may be charged fees to access various investment platforms and for other services. These fees are not charged to the Annuity Owner.

Other Fees and Expenses

A new client may request an hourly fee to review assets that are not managed and will not be managed by the Adviser. The hourly fee is at the Adviser's prevailing standard hourly rates, currently \$250 per hour with a four hour minimum.

Advisory clients should note that fees for comparable services vary and lower or higher fees for comparable services may be available from other sources.

Investment funds: Investment funds (pooled investment vehicles such as Variable Investment Trusts (VITs), mutual funds, ETFs, UITs, sub-accounts, etc.) in which client assets are invested charge fees, which are in addition to and separate from the fee paid to PFM. Investment funds have annual expenses and may assess other fees, which are described in each fund's prospectus or equivalent. The internal expense ratios of the passive portfolios PFM constructs typically are in the range of 0.15% to 0.5%. The expense ratios for the active portfolios are expected to be in the range of 0.15% to 0.9%.

Custodian/Clearing expenses: Accounts may incur ticket charges, transaction, retirement plan, and administration fees. These fees will be deducted from the Annuity Owner's account.

Advisor fees: Fees paid by clients to their Advisors are established and payable in accordance with the ADV Part 2A brochure or other equivalent disclosure document of each Advisor or the terms of the applicable contracts clients sign. The facts and circumstances of negotiability regarding these fees are addressed through these documents and by the Advisors.

PFM may waive management fees for employees of PFM and financial advisors.

Termination

Client will have a period of five business days from the date of signing the Agreement to unconditionally rescind the Agreement and receive a full refund of all fees without penalty.

Thereafter this agreement may be terminated by either party at any time by sending to the other party, by regular U.S. mail, notice of termination to the address set forth below, effective the first full business day following Adviser's receipt of the notice through the U.S. mail. Termination of this Agreement shall not, in any case, affect or preclude the consummation of any prior transaction. If the agreement is terminated prior to the last day of a quarter fees will be prorated. If fees are prepaid, any unearned fees will be returned to the client.

Item 6 – Performance-Based Fees and Side-By-Side Management

PFM is the managing partner of the Probabilities Fund, LP, a private fund offered to certain PFM clients. PFM may receive performance fees in connection with managing Probabilities Fund, LP, which creates an incentive for PFM to favor the higher paying Fund over other accounts in allocating limited investment opportunities or time. PFM seeks to mitigate this conflict of interest by monitoring all trade allocations for compliance with internal policies requiring that all clients be treated fairly and equitably. Please refer to the "Fees and Compensation" section above additional information.

Item 7 – Types of Clients

PFM provides its services to individuals to include their trusts, and estates, a private pooled investment vehicle, and a registered investment company. Related accounts are aggregated to determine assets under management. PFM requires a minimum of \$25,000 to establish a new advisory account on the variable annuity platform.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

PFM uses quantitative and qualitative fundamental analysis to select investments and construct hybrid assets projected to have equal or lesser risk than their benchmark. The following benchmarks are the most commonly used:

The S & P 500 Index is market-value weighted index. It is meant to reflect the risk/return characteristics of large-cap U.S. equities and is commonly used as a proxy for the domestic market. The S & P SmallCap 600 Index tracks domestic companies with market capitalizations in the range of \$300 million to \$1.4 billion in U.S. dollars.

The S & P GSCI index is calculated primarily on a world production-weighted basis and is comprised of the principal physical commodities that are the subject of active, liquid futures markets.

The MSCI EAFE Index is market capitalization weighted index. It is designed to be a proxy for the developed markets outside of North America and includes countries in Europe, Australasia, and Far East. The MSCI Emerging Markets Index is a market capitalization weighted index that is designed to measure equity market performance in the global emerging markets.

The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. An ETF is an investment fund that holds a basket of assets and trades on a stock exchange. The Dow Jones Industrial Average consists of 30 actively traded U.S. stock representing primary industries.

Investment Strategies

PFM's analyzes historical trends and cycles over multiple decades to systematically identifying entry points (fully invested or leveraged) and exit points (cash). PFM anticipates that the majority of the underlying assets will consist of long and short U.S. large cap (with over \$2 billion in capitalization) stock positions, targeting issues that make up respective indices (e.g., S & P 500/Russell 1000).

The strategies are designed to further enhance the diversification of diversified portfolios by creating a hybrid asset that is non-correlated with the other major asset classes. Asset selection and allocation methods; include but not limited to, forecasting returns, applying statistical techniques (e.g., standard deviations and correlation coefficients) across various investment time horizons.

Risk of Loss

PFM does not guarantee the future performance of the account or any specific level of performance, the performance of any investment decision or strategy that PFM may use, or the performance of PFM's overall management of the account.

Investment decisions made by PFM are subject to various market, currency, economic, political and business risks, and that those investment decisions will not always be profitable. Investing in securities involves risk of loss that clients should be prepared to bear. More specifically, these risks include, but are not limited to:

Active Strategy Fund Risk

Portfolios invest in various funds through various investment platforms. As a result, the cost of investing will be higher than the cost of investing directly in the underlying funds and may be higher than mutual funds that invest directly in stocks and bonds. Fees are layered, with internal fees paid to the underlying fund manager coupled with the TPIA Manager's fee and the Advisor's fee, increasing the overall costs.

Manager Risk

The performance of a Model Portfolio is dependent upon the investment adviser's skill in selecting funds and for active portfolios, the manager's skill in making appropriate investments. As a result, a Model Portfolio may underperform its benchmark or its peers. Also, the Model Portfolio could fail to meet its investment objective.

Tracking Risk

Funds in which a Model Portfolio invests are not able to replicate exactly the performance of the indices they track because the total return generated by the securities is reduced by transaction costs incurred in adjusting the actual balance of the securities. In addition, funds in which the Model Portfolio invests incur expenses not incurred by their applicable indices. Certain securities comprising the indices tracked by funds may, from time to time, temporarily be unavailable, which may further impede a funds' ability to track their applicable indices.

Small and Mid-Cap Company Risk

Investing in funds that own securities of small and mid-cap companies may involve greater risks than investing in securities of larger, more established issuers. Small and mid-cap companies generally have limited product lines, markets and financial resources. Their securities may trade less frequently and in more limited volume than the securities of larger, more established companies.

Also, small and mid-cap companies are typically subject to greater changes in earnings and business prospects than larger companies. As a result, their stock prices may experience greater volatility and may decline significantly in market downturns.

Foreign Securities Risk

Investing in funds that invest in foreign issuers involves risks not associated with U.S. investments, including settlement risks, currency fluctuation, local withholding and other taxes, different financial reporting practices and regulatory standards, high costs of trading, changes in political conditions, expropriation, investment and repatriation restrictions and settlement and custody risks.

Emerging Market Risk

A Model may invest in funds that invest in issuers located in emerging markets. Emerging market countries may have relatively unstable governments, less diverse economies and less liquid securities markets. Companies in emerging markets are often smaller, less seasoned and more recently organized.

Fixed Income Risk

Investing in funds that own fixed income securities subject a Model to additional risks, which include, credit risk, interest risk, maturity risk, investment grade securities risk and municipal securities risk.

These risks could affect the value of a particular investment by a Model, possibly causing the Fund's share price and total return to be reduced and fluctuate more than other types of investments.

Commodity Risk

Investing in funds that invest in the commodities market may subject a Model to greater volatility than investments in traditional securities. Commodities include metals, agricultural products, livestock and minerals. Funds may buy certain commodities (such as gold) or may invest in commodity-linked derivative instruments.

Real Estate Investment Trust Risk

Investing in funds that own securities of US and International real estate investment trusts ("REITs") subjects a Model to the risk of changes in the value of the REIT's properties and defaults by borrowers or tenants. Some REITs may have limited diversification and may be subject to risks inherent in investments in a limited number of properties, in a narrow geographic area, or in a single property type.

REITs depend generally on their ability to generate cash flow to make distributions to shareholders, and may be subject to defaults by borrowers and self-liquidations. A REIT's return may be adversely affected when interest rates are high or rising. Distributions from REITs generally are taxed as ordinary income.

Leverage

Portfolios using the "Active" strategy may leverage investment activities not only through selling securities short, but also through borrowing funds, purchasing securities on margin and possibly using options, repurchase and reverse repurchase agreements and swaps. Leverage increases the magnitude of both profits and losses. It also results in interest expense on the borrowings used to leverage its positions.

Item 9 – Disciplinary Information

Neither PFM, nor any of its officers or principals has been involved in any investment-related criminal or civil actions in a domestic, foreign or military court. Neither PFM, nor any of its officers or principals has been found (1) to have caused an investment-related business to lose its authorization to do business or (2) to have been involved in a violation of an investment-related statute or regulation and the subject of an order in connection with any administrative proceedings before the Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority. Neither PFM, nor any of its officers or principals has been involved in any self-regulatory organization proceedings.

Item 10 – Other Financial Industry Activities and Affiliations

Neither PFM, nor any of its officers or principals, is registered as a broker-dealer. Mr. Childrey and Mr. Albert Davis are registered representatives of Ausdal Financial Partners, Inc., a broker-dealer, a member of the Financial Industry Regulatory Authority ("FINRA") the Securities Investor Protection Corporation ("SIPC") and a registered investment adviser.

Through these relationships, they hold securities licenses but don't trade for PFM clients through this firm. They maintain small books of business which creates a potential conflict of interest with PFM clients, as they collect commissions on trades enacted through Ausdal, but not through PFM. Ms. Mary Gray also holds securities licenses through Ausdal Financial Partners, Inc. but only serves as a registered assistant to Mr. Childrey and doesn't have clients.

Ms. Gray is in charge of operations, and client services. Mr. Albert Davis works to introduce the Probabilities Variable Annuity Program to broker dealers. Ms. Gray and Mr. Davis are paid salaries by the firm.

Neither PFM nor any of its officers or principals is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or is an associated person of any of the above.

Joseph Childrey and Mary Gray are insurance agents appointed with various insurance companies. Ms. Gray is insurance licensed in order to facilitate insurance related activities on behalf of Mr. Childrey and doesn't sell insurance products.

Mr. Childrey may recommend insurance products, and receive commissions and other compensation if products are purchased through any firms with which he is appointed. This creates an incentive to recommend insurance products which creates a potential conflict of interest exists between his interests and those of the advisory clients. However, clients are under no obligation to act upon any of his recommendations or execute any transactions through him if they decide to follow his recommendations.

Due to the nature of certain insurance products there is sometimes an incentive to exchange one product for a similar product with the primary purpose of generating commissions. Depending on the timing of the exchanges clients may pay additional charges to surrender the old insurance products.

Insurance products can be complex because of the various riders that may be attached, redemption or surrender policies, penalties or tax consequences, liquidity, various charges, loans policies, and the impact on account values and death benefits by withdrawals. A professional could use a position of trust to recommend complex products to clients with limited understanding of the products they are purchasing.

PFM addresses these potential conflicts by adhering to suitability and disclosure obligations and making sure that adequate training is provided.

In addition all insurance related activities are supervised by and all paperwork is routed through and approved by Ausdal Financial Partners, Inc., which has Principal review and approval obligations. In addition Ausdal Financial Partners, Inc., has to establish and maintain supervisory procedures subject to audit by FINRA.

Affiliations With Pooled Investment Vehicles

PFM and its affiliates have sponsored a private investment fund, Probabilities Fund, LP. Probabilities Fund Management, LLC serves as its General Partner. Although this arrangement may give PFM heightened control and discretion over its fund clients, PFM manages any potential conflicts of interest by adhering to the investment strategy and investment allocation policy discussed in each fund client's offering documents.

PFM also serves as investment adviser to the Probabilities VIT Fund, a series of Northern Lights Variable Trust.

PFM selects managed investments available through investment platforms for inclusion in the Model Portfolios. These investments contain internal expenses to pay their own investment managers, charging a fee to Annuity Owners in addition to the fee charged by PFM. PFM will not consider the Probabilities VIT Fund for inclusion in the Model Portfolios.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

PFM has adopted a Code of Ethics which describes the general standards of conduct that PFM expects of all Firm personnel (collectively referred to as "employees"). Failure to uphold the Code of Ethics may result in disciplinary sanctions, including termination with PFM. Any client or prospective client may request a copy of PFM's Code of Ethics which will be provided at no cost by contacting Mary Gray at 800.519.0438. The following basic principles guide all aspects of PFM's business and represent the minimum requirements to which PFM expects employees to adhere:

- Clients' interests come before employees' personal interests and before PFM's interests.
- PFM must fully disclose all material facts about conflicts of which it is aware between PFM and its employees' interests on the one hand and client and PFM's interests on the other.
- Employees must operate on PFM's behalf and on their own behalf consistently with PFM's disclosures and to manage the impacts of those conflicts.
- PFM and its employees must not take inappropriate advantage of their positions of trust with or responsibility to clients.
- PFM and its employees must always comply with all applicable securities laws.

The Code of Ethics focuses on specific areas where employee conduct has the potential to adversely affect the client:

Personal Securities Trading

Trading by PFM personnel in Personal Accounts is subject to review and, in many cases, prior approval by the CCO. Employees are allowed to trade in their personal accounts only in mutual funds, bonds, ETFs, and pre-approved private placements. This creates a potential conflict of interest with respect to recommendations to buy or sell securities. In all cases, recommendations are made in the best interests of the client.

Employees may invest simultaneously with clients as long as the same price is obtained. Personal trades must be reported quarterly to the PFM CCO and holdings are reported annually. Both personal trades and holdings are reviewed on a periodic basis to ensure compliance with PFM's policy. Breaches to the policy are taken seriously and may be met with disciplinary action including termination of employment.

Outside Business Activities

Employees are required to report any outside business activities generating revenue. If any are deemed to be in conflict with clients, such conflicts will be fully disclosed.

Private Fund Manager

PFM offers its clients an opportunity to invest in a private fund to which PFM is a general partner. PFM will furnish each offeree with a copy of the offering documents, which disclose the relationship between PFM and the private fund.

Item 12 – Brokerage Practices

Broker Selection

PFM selects the account custodians. PFM seeks to obtain the overall best execution perception of the breadth of services offered and quality of execution by taking into account a number of factors, including but not limited to:

- The availability of fixed income, real estate, currencies, commodities, index and leveraged index funds; trading and administrative costs; efficiency of execution and error resolution; financial strength and stability and reputation

Clients may pay fees that are higher or lower than those that may be obtained elsewhere for similar services.

Research and Other Soft-Dollar Benefits

“Soft dollars” is a term applied to commission revenue generated by client trades which is then used to pay for services provided to an investment advisor. These services must apply to benefit clients and include research and other related services as defined by Section 28(e) of the Securities and Exchange Act of 1934.

PFM has no formal soft dollar relationships; although it receives benefits as a result of the assets it manages which are held with a custodian. These benefits include access to electronic trading platforms, manager and investment research, marketing materials, investment policy guidelines, practice management assistance, seminars and conferences.

Brokerage for Client Referrals

PFM does not directly or indirectly compensate any person or broker for client referrals.

Directed Brokerage

Client directed brokerage is not permitted. If clients are allowed to direct brokerage the Adviser may be unable to achieve the most favorable execution of client transactions and this may cost clients more money.

Order Aggregation

PFM does utilize block trading for Annuity Owners.

Item 13 – Review of Accounts

When registered representatives or registered investment advisers allocate client assets to PFM through variable annuity sub-accounts they are responsible for client account reviews based on client-specific needs.

Mr. Childrey, the principal owner performs reviews of all investment advisory accounts no less than quarterly. He reviews accounts for consistency with the investment strategy chosen and performance.

Reviews by Mr. Childrey (only for clients whose assets were not allocated by registered representatives or registered investment advisers) may be triggered by changes in an account holder's personal, tax or financial status. Macroeconomic and company specific events may also trigger reviews for all clients. There is currently no limit on the number of accounts that can be reviewed by Mr. Childrey.

Periodic Reports

Statements are generated no less than quarterly and the account custodian provides copies to clients. These reports reflect the account performance, positions, activity in the account over the covered period and other related information.

Item 14 – Client Referrals and Other Compensation

PFM does not, nor do any of its principals or employees, receive any economic benefit from non-clients for providing advisory services to its clients.

Item 15 – Custody

PFM withdraws fees directly from client accounts. Assets are held by qualified custodians. Clients receive information about the qualified custodian's name, address, and the manner in which the funds or securities are maintained. The qualified custodian also sends account statements on at least a quarterly basis.

PFM will send itemized invoices to clients each time that an advisory fee is deducted. These invoices will include the formula used to calculate the fee, the amount of assets under management the fee is based on, and the time period covered by the fee.

Item 16 – Investment Discretion

PFM has discretionary authority over all Model Portfolios and the sub-accounts within each, determining which securities to buy, what amount and when. This authority is granted through the investment management agreement with PFM.

Item 17 – Voting Client Securities

PFM does not accept authority to vote proxies on behalf of clients as a matter of policy. Clients will receive their proxy information directly from their custodian. Account custodians may deploy various systems to assist with the proxy voting process, e.g. the "Echo Voting System." To learn more please contact PFM at (800) 519 0438 and/or mgray@probabilitiesfund.com.

Item 18 – Financial Information

There is no financial condition that is reasonably likely to impair PFM's ability to meet its contractual commitments to its clients or the Fund.