JAMES ALPHA GLOBAL REAL ESTATE INVESTMENTS FUND

Market Commentary Newsletter
Provided by Ranger Global Real Estate Advisors, LLC
First Quarter 2017

PERFORMANCE REVIEW

Global real estate stocks performed well in the first quarter, extending last year's strong performance as the U.S. election and the associated hopes for tax cuts, increased stimulus spending and regulatory reform, have fueled the rally since November. The FTSE EPRA/NAREIT Developed Real Estate Index (the "Index") had a total return of 2.30% for the quarter, while the James Alpha Global Real Estate Investments Fund (the "Fund") demonstrated its advantageous positioning and superior stock selection by posting a total return of 4.27%, outperforming the Index by 197 basis points.

The good news for the global economy is that confidence in the economic outlook has also been improving outside the U.S. In Europe, business surveys have risen to their highest levels in over five years and consumer confidence has recovered to close to pre-crisis highs. The improvement in business confidence is widespread across the eurozone and European companies are starting to show broad-based earnings growth.

Furthermore, European elections have so far rejected anti-euro politicians, with the results in both Austria and the Netherlands showing that the widely predicted break-up of the Eurozone is not as imminent as some Euroskeptics believe. Over the coming quarter, all eyes will turn to France to see whether Le Pen's anti-euro stance will also be rejected. The polls currently suggest pro-euro Emmanuel Macron would comfortably defeat her in the second round of the presidential election.

While growth has been improving across most of the world, the start of the year has seen a deterioration in business confidence in the UK. In addition, inflation has been picking up sharply and wage growth has been slowing, putting significant pressure on real wages. Invoking Article 50 fired the starting gun on a period of heightened uncertainty for the UK economy.

Japanese data has been reasonably positive, with business surveys indicating expansion and falling unemployment, now down to only 2.8%. However, the strength in the yen so far this year has weighed on the performance of Japanese property stocks. A large part of the reason for yen strength has been the pause in the upward movement of U.S. government bond yields and the resulting pause in the widening in yield differentials. European government bonds could also come under pressure if market focus shifts to a potential end to ECB quantitative easing once the French election is out of the way.

Despite the loss of momentum in the Trump trade, as evidenced by falling bond yields and the weaker U.S. dollar, REIT investors chose to focus on improving economic data out of the United States and China. Property developers generally outperformed REITs across most markets, with the exception of Japan, a reflection of the general risk-on environment and the reach for growth. Asian property stocks were the strongest performers this quarter, driven by improving sentiment towards China. Economic data, particularly property investment, surprised to the upside. The higher beta Hong Kong property developers delivered the strongest returns since positive macro sentiment translated into a pick-up in residential sales volume. North America was the weakest performer, hampered by many companies issuing 2017 guidance that indicated trend deceleration although overall fundamentals remain healthy. Retail property owners were the notable underperformers as a result of concerns over the store closing outlook. European property stocks delivered modestly positive returns, aided by the tailwind of the weaker USD, improving economic data from continental Europe and abating political risks with positive outcomes for the Dutch and Austrian elections. REITs underperformed non-REITs as investors rotated out of the more defensive larger REITs, preferring smaller companies and developers. Consistent with trends in North America, retail underperformed as the transition to e-commerce continues to take market share from brick and mortar retailers.

U.S. REITs were modestly positive as investors continued to grapple with the implications of potential post-election policy changes. Within North American real estate, returns in the United States underperformed their Canadian peers. The lack of traction on policy implementation during the first quarter was offset by positive economic data that allowed the Fed to hike short-term interest rates. Healthcare reform was the first issue receiving legislative priority, but encountered political gridlock and attention has now switched to tax reform. Ultimate policy details remain cloudy and it has become clear that the implementation of any changes will take longer than originally envisioned. However, as a result of generally encouraging economic data, investors displayed a willingness to overlook these delays. The Fed also displayed increased confidence in the economic growth outlook by raising short term interest rates 25 basis points, although it maintained the pace of future rate hikes is still expected to be gradual. Within the group, healthcare-focused companies performed well as The Affordable Care Act, which has increased the insured population, appeared less likely to be altered. Data center owners also performed well on strong secular growth trends. Conversely, retail property owners were notable underperformers as a result of generally uninspiring guidance, concern regarding the store closing outlook, and weak sentiment.

Japanese equity markets were slightly down in the first quarter of 2017. The key catalyst was the failure of Trump's healthcare reform bill to make it through the House. The BOJ did not change its monetary policy in the first quarter, but instead reiterated that the current policies would be continued for the foreseeable future. Japanese developers, which have a high correlation to inflation expectations, declined during the quarter since investors took a more negative view towards reflation proxies. The inline to slightly better-than-expected results during the quarterly reporting season were not enough to boost sentiment. While the Tokyo office market data continued to be solid, the strong vacancy declines seen in the past have moderated, and there is a risk of increasing vacancy in 2018 due to peak supply of new Grade A offices in Tokyo. J-REITs registered slightly positive first quarter returns, with foreign investors ongoing net sellers as they questioned the effectiveness and durability of the BOJ's yield curve control. While the spread of bond yields versus J-REIT dividend yields (an important measure of J-REIT valuations) continues to linger around multi-year highs, the market is skeptical the BOJ will be able to continue to anchor 10-year JGB yields around zero in the face of rising bond yields elsewhere.

Chinese growth was firm in the first quarter of 2017. Industrial production and fixed asset investment came in ahead of consensus expectations, while continued expansion in China's manufacturing PMI suggest further signs of growth stabilization. The property market remained buoyant, with sales spilling over from tier-1 cities to lower-tier cities, and property investment growth strengthening. The strong outperformance of Hong Kong developers was driven by a recovery in residential transaction volume, alongside a rebound in home prices. In addition, a combination of attractive pricing and a raft of new project launches by developers drove a strong recovery in residential transaction volume during the quarter. Landlords were also among the best performers in the first quarter, driven by a recovery in Hong Kong retail sales and resilient office rentals.

The UK property market underperformed as the reflation trade continued. While the UK economy has been surprisingly resilient over the past year, driven by a boom in debt-funded consumption, early signs are now appearing that the British consumer may be losing confidence. Recent retail sales figures have disappointed and inflation appears likely to exceed wage growth in the short-term, while political uncertainty is likely to linger for some time. Industrial property stocks rebounded strongly, helped by higher-than-expected prices achieved in recent transactions, and the accelerating European economy. Led by Unite Group, owners of student housing also did well in the first quarter. Once again, retail property stocks underperformed since further signs emerged of British consumer confidence declining. Transactional evidence from the sales of retail properties reported over the quarter also showed that the bifurcation in retail assets continues, with the pricing of good quality assets resilient but weaker assets falling.

Continental European property stocks rose modestly over the quarter. Investors continued switching from more defensive to more cyclical assets, though at a slower pace than in the second half of 2016. European economic growth continued to show signs of accelerating. Leading indicators are now signaling that growth should move to a level last enjoyed before the global financial crisis. This acceleration in growth appears very broad-based, with previously lagging economies such as France and Italy now enjoying the sharpest accelerations. Economies where growth has been stronger over the past year, such as Germany, Spain, and Sweden, still show no signs of slowing. With a number of elections being held this year, the main risk to Europe is political. However, the situation has improved, with the Dutch elections showing no swing towards radical parties. Fears of an early Italian election have ebbed, and the constitutional court upheld recently implemented and much needed labor reforms. The most imminent political risk appears in the French elections. That said, recent polls suggest the threat from radical parties has peaked. Early signs that the Italian economy has bottomed out, coupled with falling vacancies in the best business districts, has encouraged investors to become more positive on Italy, propelling Italian property stocks higher and generating the highest returns in Europe over the quarter. A strong performance from the German residential landlords kept Germany among the better performers. Fears that Swedish property companies may suffer from sharply higher taxes if current proposals under discussion are passed by the government led to a sell-off, making Swedish property stocks some of the weakest over the quarter. The residential and office sectors were strongest, closely followed by industrial property stocks. The demand for modern industrial properties is still increasing as the nature of retailing evolves.

Australian REITs continued the trend from the second half of 2016 and underperformed general equities. The weaker performance from A-REITs was established from the beginning of the quarter, with the gap narrowing in early February before diverging again as the quarter progressed. The 10-year Australian Government Bond yield finished the quarter roughly flat. The first quarter of 2017 saw the RBA hold rates steady at 1.50%. February earnings season delivered mixed results, with cap rate compression continuing to come through. Retail sales showed a slowing trend, which does not bode well for future rental growth. Meanwhile, office market conditions in Sydney and Melbourne continue to tighten, with rents continuing to grow and incentive levels declining. Residential activity remains healthy, with settlements at elevated levels and default rates remaining low. Stocks offering higher growth profiles generally outperformed, while A-REITs with discretionary retail exposure lagged, especially at the large cap end of the market.

In Singapore, developers outperformed S-REITs because they were perceived as beneficiaries of the global economic recovery and reflation trade. The government's easing of property cooling measures and a pickup in M&A activity also provided a boost to developer share prices. The Singapore government announced that it would be tweaking seller stamp duties and the total debt servicing ratio framework. M&A activity is accelerating in the sector. Global Logistic Properties (GLP) announced that it is exploring the sale of its business and received first round bids from various parties to take it private.

Market Outlook

After a long uphill run, markets are taking a pause for breath to question the new administration's ability to deliver its policy agenda, particularly in light of the recent failure to repeal and replace the Affordable Care Act, which highlights that the Republican majority in Congress is far from united. The outcome of the political wrangling in Washington is likely to remain at the heart of the markets' focus over the rest of this year. Markets have priced in neither the best nor the worst potential policy outcomes and so risks remain both to the upside and downside. Through all the political noise, what does seem clear is that both U.S. consumers and businesses are significantly more positive about the outlook than they were this time last year.

The end of the first quarter marked the beginning of at least two years of enormous uncertainty as the future relationship between the UK and the EU is negotiated. Those negotiations are unlikely to go smoothly. Continued cooperation on security and free trade in goods would seem to be in the interest of both the UK and the EU. But it is in the interest of the EU for some of the European financial (and other) services business that is currently done out of London to be done out of Europe in the future: the associated jobs and tax receipts would be welcome in any European financial center.

Furthermore, it is not in the interest of the EU for Britain to make a resounding success out of Brexit. Some leaders in Europe will be concerned that if the UK's exit from the EU is seen as carrying no cost, then the risk of another country following the UK out of the EU could rise. For this reason, the political and economic imperative to sustain the eurozone is likely to be at the forefront of the EU negotiators' minds when dealing with the UK. The collapse of the euro would be a far more calamitous event for Europe than the exit of the UK from the EU without a trade deal. In this sense, the negotiations are about far more than just the relationship between Britain and the EU; they are about the very future of the European project. And it is this bigger picture that makes the road ahead potentially so difficult and clouded in uncertainty.

Nobody knows exactly how the negotiations will evolve. We do know, however, that each twist and turn could have a significant impact on the value of the pound and of the relative perform of different sectors within the UK stock market. Days when there are hopes that the UK could get a "good" deal could lead to a rally in the pound and the outperformance of domestic focused stocks and vice versa. Large-cap UK REITs get some of their revenues from abroad, while mid- and small-cap REITs get all or most of their revenues from the UK. So in this environment of extraordinary uncertainty as to the relative winners and losers from the upcoming negotiations, it makes sense for investors to focus on companies that are positioned to benefit — or at least not be harmed — by the uncertainty ahead.

In the remainder of 2017, we expect the key market drivers will shift from central bankers to politicians as the potential for anti-EU wins in European elections may create elevated risk for global markets. Likewise, an increasingly unilateral stance by the U.S. government toward trade may erode globalism over the coming months. Expectations of at least two U.S. Fed rate hikes will have important consequences globally as tighter monetary policy will translate via a strengthening U.S. dollar. Long-term bond yields are likely to moderately increase due to low rates internationally and still moderate domestic inflation. *As for REITs, higher interest rates imply higher growth, a positive for real estate cash flows and valuations. We believe that real estate and REIT markets have already discounted the factors that could moderate returns in the underlying real estate markets in 2017, and should continue to show growth.*

Regarding the impact of tax reform, lower corporate tax rates would generally not benefit REITs as they might for other companies, since REITs are not taxed on distributed income. However, because REIT dividends are taxed as ordinary income for investors, *lower personal income tax rates would result in improved after-tax returns on dividends.*

What about rising interest rates? We believe that as long as the rise in long-term rates is commensurate with better economic growth, REITs can perform well. In fact, *REITs have historically delivered strong returns in periods of rising yields, as these periods are generally characterized by accelerating economic growth*. Looking at the past 20 years, there have been seven periods in which 10-year Treasury rates experienced a sustained rise of 50+ basis points over a period of one year or more. REITs had positive returns in six of those periods, and they outperformed the S&P 500 in five. When the economy is improving and fundamentals are strong, yield-driven corrections are often a time to consider adding allocations to real estate securities. While REIT prices may be sensitive to changes in interest rates in the short term, long-term performance depends more on real estate fundamentals and the strength of the overall economy. We believe that investors who are positioned to take advantage of temporary dislocations resulting from rising interest rates will be rewarded in the long term.

As investors look to construct portfolios suited for the current environment, we believe REITs offer attractive attributes:

- Yield with growth potential;
- Inflation protection: REITs have historically been positively correlated to changes in inflation, compared to the negative correlation to inflation associations with broad stocks and bonds; and
- Potential diversification benefits: Since 1990, REITs have had a 0.55 correlation with broad equities and a 0.19 correlation with bonds. *Combining assets with different performance drivers offers the potential to improve risk-adjusted returns.*

We also expect the cycle to be propelled by greater supply and demand for credit. We do not foresee any significant increase in cap rates, given the cushion offered by the significant risk premium to bonds and the benefit of declining credit spreads. The defining cyclical factors of the real estate market have begun to change, ushering in new areas of growth and shifting secular demand. Infrastructure is likely to benefit from increased investment and relaxed regulations, presenting an investing opportunity to profit from. Despite declining fundamentals in the apartment and retail sectors, valuations are still attractive and worthy of consideration. Looking past 2017, we believe REITs offer an inexpensive entry point into the reflation cycle, as real estate will be a beneficiary of U.S. economic expansion. As the economy improves and markets digest the near-term supply, NOI growth is likely to reaccelerate. *We believe that there are still several years left in this real estate cycle, with the ultimate conclusion likely not reached until we see a significant supply increase as a result of strong economic growth and looser lending standards.* However, between now and the inevitable end of the cycle, we forecast higher real estate values as we move through a transitional 2017. Global REIT investors may have the benefit of a discounted entry point that offers the potential for returns in excess of those typically available at this stage in the private real estate cycle.

Thus, we believe the bull case for global REITs remains intact. *Despite the length of the current bull market, we remain focused on the truism that bull markets don't die of old age, they die of excesses*. For real estate, that means *excess new supply from development*, which continues to be muted. Gains will be tougher to come by which means that selectivity and stock-picking have become increasingly important.

JA Global Real Estate Investments Fund

	As of 3/31/17			
	1-Year	3-Year	5-Year	Since Inception
I Shares	6.76%	6.68%	9.20%	8.30%
FTSE/EPRA NAREIT	1.86%	6.18%	8.18%	7.09%
A Shares (NAV)	6.18%	6.09%	8.55%	9.94%
A Shares (5.75% max load)	0.09%	4.02%	7.27%	8.83%
FTSE/EPRA NAREIT	1.86%	6.18%	8.18%	9.81%*

*Performance data quoted above is historical. Past performance does not guarantee future results and current performance may be lower or higher than the performance data quoted. The investment return and principal value of an investment will fluctuate, so that shares when redeemed may be worth more or less than their original cost. The Fund's management has contractually waived a portion of its management fees until December 31, 2017. The performance shown reflects the waivers without which the performance would have been lower. Total annual operating expenses before the expense reduction/reimbursement are 2.02% for A Shares, 1.77% for I Shares, and 2.77% for C Shares; total annual operating expenses after the expense reduction/reimbursement are 1.99% for A Shares, 1.49% for I Shares, and 2.67% for C Shares. 5.75% is the maximum sales charge on purchases of A Shares. A redemption fee of 2% will be levied on shares held 30 days or less; the performance data above does not reflect the deduction of the fee that would reduce the performance quoted. For more performance numbers current to the most recent month-end please call 888.814.8180. *Data analysis period: 10/30/2009-3/31/2017.*

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DEFINITIONS

Bank of Japan (BoJ): The Bank of Japan is the Japanese central bank. The bank is responsible for issuing and handling currency and treasury securities, implementing monetary policy, maintaining the stability of the Japanese financial system, and providing settling and clearing services.

Brexit: An abbreviation of "British exit" that mirrors the term Grexit, refers to the possibility of Britain's withdrawal from the European Union.

European Central Bank (ECB): The central bank of the euro and administers monetary policy of the Eurozone, which consists of 19 EU member states and is one of the largest currency areas in the world.

FTSE EPRA/NAREIT Developed Global REIT Index: An index whose constituents include publicly-traded real estate investment trusts ("REITs") located on both domestic and foreign exchanges in developed countries. The Index includes securities of companies that derived in the previous full fiscal year at least 75% of its total earnings before interest, depreciation and amortization ("EBIDA") from the ownership, trading and development of income-producing real estate.

Purchasing Managers Index (PMI): An indicator of the economic health of the manufacturing sector. The PMI index is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment.

Quantitative Easing (QE): An unconventional monetary policy in which a central bank purchases government securities or other securities from the market in order to lower interest rates and increase money supply.

Reserve Bank of Australia (RBA): The Reserve Bank of Australia is Australia's central bank and its main responsibility is to be involved in Australia's monetary policy. In addition, the RBA is also involved in banking and registry services for federal agencies and some international central banks. The RBA is tasked with contributing to three objectives: a) The stability of Australia's currency, b) Maintenance of full employment in Australia and c) The economic prosperity of the people of Australia.

S&P 500 Index: An index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

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Andrew Duffy is the Senior Portfolio Manager of the Global Real Estate Investments Fund (JAREX/JACRX/JARIX), a mutual fund that invests in publicly-traded global REIT securities. Mr. Duffy has more than 25 years of global real estate securities investment experience.

Mr. Duffy co-founded Ranger Global Real Estate Advisors, LLC in 2016 and serves as the Chief Investment Officer. Prior he served as the Senior Portfolio Manager with Ascent Investment Advisors. Prior to joining Ascent Investment Advisors, Mr. Duffy was a Managing Director with Citigroup Principal Strategies, where he managed a long/short portfolio of global real estate securities. From February 2005 until January 2008 he was with Hunter Global Investors, L.P. where he was the Co-Portfolio Manager of the Hunter Global Real Estate Fund, LP. Before that he was a portfolio manager at TIAA-CREF for over six years, during which time he was directly responsible for managing over $3 billion in global real estate equity and debt securities. Between 1993 and 1999, Mr. Duffy was a Senior Research Analyst at Eagle Asset Management, where he launched and managed a dedicated real estate securities investment program.

Prior to his career in investments, Mr. Duffy served for five years as an officer in the United States Army, where his assignments included serving in the 7th Special Forces Group and the 82nd Airborne Division. Mr. Duffy received a BS from the United States Military Academy at West Point in 1979 as a Distinguished Graduate (top 5% of class) and an MBA from Harvard Business School in 1986. He earned the Chartered Financial Analyst designation in 1996.

RISKS AND DISCLOSURES

Past performance is not a guarantee or a reliable indicator of future results. As with any investment, there are risks. There is no assurance that the portfolio will achieve its investment objective. Mutual funds involve risk, including possible loss of principal. Certain members of James Alpha Advisors are also registered representatives of FDX Capital, LLC, member FINRA/SIPC. Saratoga Capital Management, LLC, FDX Capital, LLC and Ranger Global Real Estate Advisors, LLC are not affiliated with Northern Lights Distributors. The Saratoga Advantage Trust's Funds are distributed by Northern Lights Distributors, LLC, Member FINRA/SIPC. 11/11

Investors should carefully consider the investment objectives, risks, charges and expenses of the Fund. This and other information is contained in the Fund's prospectus, which can be obtained by calling 888.814.8180 and should be read carefully before investing. Additional Fund literature may be obtained by visiting www.SaratogaCap.com or www.JamesAlphaAdvisors.com.

As with any investment, there are multiple risks associated with REITs. Risks include declines from deteriorating economic conditions, changes in the value of the underlying property, and defaults by borrowers, to name a few. Please see the prospectus for a full disclosure of all risks and fees.

THE OPINIONS STATED HEREIN ARE THAT OF THE AUTHOR AND ARE NOT REPRESENTATIVE OF THE COMPANY. NOTHING WRITTEN IN THIS COMMENTARY OR WHITE PAPER SHOULD BE CONSTRUED AS FACT, PREDICTION OF FUTURE PERFORMANCE OR RESULTS, OR A SOLICITATION TO INVEST IN ANY SECURITY.

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