JAMES ALPHA GLOBAL REAL ESTATE INVESTMENTS FUND

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

PERFORMANCE REVIEW

Global real estate stocks continued to perform well in the second quarter, extending the rally that began late last year after the U.S. election, as 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 3.01% 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 4.65%, outperforming the Index by 164 basis points. Year-to-date, the Fund has generated a total return of 9.12%, outperforming the Index by 342 basis points.

In the second quarter of 2017, the global REIT market took comfort from the "Goldilocks" economic conditions that reinforced expectations of a moderate Fed rate-hike trajectory, with the fall in bond yields through most of the quarter anchoring the performance of REITs. The path of least resistance remained higher for investment markets, despite mixed economic data and continued uncertainty on the policy implementation front. Lower volatility property stocks outperformed during the quarter, reflecting a rally that had a more defensive bias, given mixed economic data out of the U.S. and increased uncertainty on potential policy changes from the Trump administration. While recent employment reports fit into this mixed scenario and generally came in below expectations, the unemployment rate still pushed to its lowest level in 16 years at 4.3%. This gave the Fed confidence to overlook softer core inflation readings that it believes are transitory and raise short-term interest rates another 25 basis points in June. The Fed also detailed its intended balance sheet normalization plans, which could begin as early as this Fall.

U.S. property stocks benefited from the decline in long-term interest rates, yet returns varied greatly by property type. The weakest returns came from companies with retail exposure, given increased concern regarding the segment's outlook. Investors were unnerved by disappointing results from retailers, as well as by an uptick in store closing announcements thus far in 2017. News that e-commerce giant Amazon agreed to purchase Whole Foods also sent shock waves through the retail landscape as investors feared additional disruption in the sector. Shopping centers, malls, and net lease companies with retail exposure all declined during the quarter. Other property types fared much better, including industrial, data centers, and manufactured home parks, with many companies posting double-digit returns on continued robust fundamentals. Healthcare owners also displayed strong returns during the quarter, given the lower path of interest rates and investor rotation away from retail.

In the UK, REITs outperformed the global index despite being the weakest country in Europe. Political uncertainty rose sharply during the second quarter as the decision to call an early general election backfired on the ruling Conservative party and they lost their majority. The result of the election has left the government unstable and substantially weaker. The Bank of England added to this uncertainty with a surprising split vote on whether to raise interest rates at its last Monetary Policy Committee meeting. Industrial properties enjoyed another good quarter, helped along by the tailwinds of an accelerating European economy and more transactional evidence of rising property values. Retail property remained one of the weakest sectors, underperforming once again as consumer confidence fell and real income growth turned negative. With both retail and office properties underperforming, the diversified property sector was weakest over the quarter. The self-storage stocks were again the best quarterly performers, followed by the student housing sector.

Continental Europe outperformed the UK as European risks continued receding over the second quarter, with previously-lagging peripheral economies catching up to the EU core. The prospect of an early Italian election now appears unlikely, while Macron's resounding win in the French elections gives him a strong mandate to implement long-overdue reforms. The slow healing of the European banking industry also showed further progress with a few more Spanish and Italian banks being taken over or wound down. The European economy is in a sweet spot, enjoying solid, widespread and evenly-distributed growth. While unemployment is falling consistently, inflationary pressures are still absent. Given this improving dynamic, the European Central Bank began to lay the groundwork for an eventual policy adjustment, while stressing that monetary policy will remain accommodative for some time and that when implemented any adjustments will be gradual. Property stocks in the booming Spanish and Irish economies enjoyed the best returns as investors scrambled to invest. Merger and acquisition was also a theme this quarter as Blackstone made a takeover bid for Sponda. The residential and industrial sectors were strongest, closely followed by office property stocks. The demand for modern industrial properties is rising as the retail distribution model evolves, and transactional evidence released over the quarter showed values rising strongly. This transition is hurting lower-quality retail properties though, with weaker secondary shopping centers losing market share. With investors concerned about the scale and length of these changes, the retail sector posted the lowest returns over the quarter as investors preferred higher-growth specialty sectors not suffering from these structural issues.

Japanese property stocks rose in the second quarter, shrugging off an unexpected downward revision of the first quarter GDP print, as investors believe that the economy is still recovering. Japanese developer share prices increased on strong annual results and decent profit growth guidance for the next fiscal year. The prospect of M&A activity was an important share price driver, with reports during the quarter that Japan Post is interested in buying a stake or taking over Nomura Real Estate Holdings. Although the deal was called off at the end of the quarter, it was a sentiment boost for developers. J-REITs registered another quarter of negative returns as foreign investors remain sidelined and Japanese domestic funds registered outflows. Given foreign investors' low involvement in the sector, domestic fund flows were the main driver of the weak share price performance, with net selling by monthly dividend-paying J-REIT funds to meet redemptions.

Hong Kong property stocks underperformed slightly on profit-taking after a strong first-quarter performance. The lackluster performance from Hong Kong developers was driven by policy tightening during the quarter and slowing residential transaction volumes. The Hong Kong Monetary Authority tightened limits on bank loans to developers and put in place more restrictions on mortgage lending to slow down home-price growth. Despite a slowdown in transaction volumes, overall sell-through rates remained healthy for new launches. Yield-sensitive Hong Kong REITs were strong outperformers on the back of falling U.S. bond yields. On the other hand, the Hong Kong office and retail landlords were the worst-performing sectors. Hong Kong-listed China developers continued to outperform. Strength was driven by better-than-expected economic data, resilient property sales, and strong investment appetite from mainland investors. Despite the ongoing policy and credit tightening, residential sales remained resilient, with national sales up

14.1% year-over-year in May. In terms of economic data, China's May manufacturing PMI came in at 51.2, which remains in expansion territory and slightly ahead of market expectations.

Continuing the trend from the first quarter, Australian REITs underperformed on weaker-than-expected inflation and economic data. The Reserve Bank of Australia (RBA) remained on hold during the second quarter, keeping rates steady at 1.5% while maintaining a neutral policy stance. Residential headwinds are growing, while demand for commercial real estate remains robust. The banks implemented several mortgage rate hikes during the quarter which caused activity levels to moderate across the residential market. In contrast, demand for commercial real estate remains strong, with private market transactions showing a further tightening of cap rates and June quarter valuations showing continued cap rate compression. Small- and medium-cap companies outperformed over the quarter, while their large-cap peers lagged. Similar to the prior quarter, A-REITs with discretionary retail exposure were among the worst performers. Investor sentiment towards the discretionary retail sector continued to be weak, weighed down by concerns around retailer bankruptcies and the impact of increased penetration of online retail.

In Singapore, REITs outperformed developers. Singapore developers face growing competition for land acquisition. A joint venture between two Chinese developers won a large private residential site near the central region at a price that was 10% above the next closest bid from the local developers. Meanwhile, aggregate land sales saw increased activity as developers sought alternative land sources. During the quarter, four collective sales worth S$1.5 billion were concluded, already ahead of the S$1 billion recorded for all of 2016. Merger and acquisition activity also remains elevated. Notably, Croesus Retail Trust announced that it will be privatized by Blackstone Group in an all-cash offer at a 28% premium to reported NAV.

MARKET OUTLOOK

After an extended move up, markets are taking a pause to question the new administration's ability to deliver its policy agenda, particularly in light of the challenge to repeal and replace the Affordable Care Act. 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. and international consumers and businesses are significantly more positive about the outlook than they were this time last year. We acknowledge the potential for more volatility in the second half of the year, but stick with our conviction that a healthy global economy will continue to drive higher demand for commercial space, which should be supportive for listed real estate over at least the next 12 months and likely beyond.

One of the key questions for the rest of the year will be the extent to which bond and equity markets can withstand a gradual reduction in monetary stimulus, which has helped to support markets in recent years. The announcement of quantitative tightening from the Fed, combined with the announcement of a reduction in quantitative easing from the European Central Bank could well be the cause of market volatility. However, the U.S. economy continues to look healthy, with unemployment now lower than it has been 96% of the time since 1970. Like the European Central Bank, the Fed believes the factors weighing on inflation are most likely temporary and so it is likely to continue tightening monetary policy gradually. With the 10-year Treasury bond currently yielding just 2.25%, it is well below the level where long-term rates would shift from the current tailwind to become a headwind (estimated to occur above 4%). We believe this will continue to attract investors to an asset class providing both yield and stable growth.

It should also be noted that the reason the European Central Bank may look to reduce its quantitative easing purchases is that the eurozone economy is in a much better condition than it was a few years ago. Unemployment has been falling steadily. Eurozone consumer confidence is the highest since 2001. Businesses are also upbeat about the economic outlook. Against this healthy economic backdrop, the outlook for European property stocks should remain positive, unless the removal of central bank stimulus leads to a very large and sharp upward adjustment in corporate borrowing costs. Our expectation is that the adjustment in borrowing costs will be gradual enough for European property stocks to continue to outperform, helped by the boost to demand from stronger economic growth.

In the UK, the economic and political outlook remains highly uncertain. A fall in the savings rate and rising consumer credit may be able to support consumption in the short term, but raise questions about its sustainability. On the other hand, corporate investment intentions have improved recently. The balance between these factors will be key in determining whether the BoE feels the need to join the central bank tightening trend and raise rates.

The European market bounce has been strong thus far in 2017. Economic sentiment in the region has risen to the highest level since 2007, suggesting that economic growth may soon accelerate. Perhaps more important for investors, eurozone earnings are beginning to pick up in a recovery that appears to have momentum. The European Central Bank's expansion efforts seem to have finally had a positive impact. The recent UK election result means the country is now far more likely to move toward a "soft" Brexit, thus mitigating the major potential risk to the eurozone economy. Moreover, 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 eurozone would be a far more calamitous event for Europe than the exit of the UK from the EU without a trade deal. In this environment of extraordinary uncertainty as to the relative winners and losers from the upcoming negotiations, we favor companies that are positioned to benefit — or at least not be harmed — such as owners of student housing and modern logistics facilities.

We believe the most under-rated property stock market is Japan. It is no secret that its economy faces serious demographic issues. Since 2012 when Prime Minister Shinzo Abe entered office, the government has been working hard to enact reforms and open markets that have been protected from competition. Another factor behind the strong performance of Japanese property stocks stems from the liquidity infusion into the economy provided by the BoJ through its QE program. As a percentage of GDP, the BoJ's securities holdings are almost as large as the economy itself.

Regarding the impact of potential tax reform, original hopes of a big cut in U.S. corporate tax rates will most likely be replaced by a smaller cut. This fiscal stimulus should still boost economic growth prospects (good for commercial real estate), but 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 rates, 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;
- 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 global 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 6/30/17			
	1-Year	**3-Year**	**5-Year**	**Since Inception***
I Shares	8.81%	6.07%	9.46%	8.77%
FTSE/EPRA NAREIT	1.14%	4.56%	8.36%	7.31%
A Shares (NAV)	8.27%	5.53%	8.79%	10.25%
A Shares (5.75% max load)	2.05%	3.48%	7.51%	9.17%
FTSE/EPRA NAREIT	1.14%	4.56%	8.36%	9.90%

*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, 2018. The performance shown reflects the waivers without which the performance would have been lower. Total annual operating expenses before the expense reduction/reimbursement are 1.72% for A Shares, 1.47% for I Shares, and 2.47% for C Shares; total annual operating expenses after the expense reduction/reimbursement are 1.69% for A Shares, 1.19% for I Shares, and 2.37% 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: 10/30/2009-6/30/2017.*

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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