JAMES ALPHA GLOBAL REAL ESTATE INVESTMENTS FUND

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

PERFORMANCE REVIEW

Global real estate stocks continued to perform well in the third quarter, extending the rally that began late last year after the U.S. election, as improvement in fundamentals aided by hopes for tax cuts, increased stimulus spending and regulatory reform have combined to fuel the rally since November. The FTSE EPRA/NAREIT Developed Real Estate Index (the "Index") had a total return of 1.84% for the quarter, while the James Alpha Global Real Estate Investments Fund (the "Fund") demonstrated its advantageous positioning and stock selection by posting a total return of 2.46%, outperforming the Index by 62 basis points. Year-to-date, the Fund has generated a total return of 11.80%, outperforming the Index by 449 basis points.

In the third quarter of 2017, the global REIT market took comfort from continued "Goldilocks" economic conditions that reinforced expectations of an extended bull market for real estate stocks in the context of a moderate Fed rate-hike trajectory. Strong earnings growth, resilient macroeconomic data, particularly from Europe, and renewed optimism for U.S. tax reform buoyed markets, despite higher odds for another rate hike by year-end, and rising geopolitical tensions. The U.S. Fed also announced that its balance sheet normalization plan would begin at a measured pace in October, with negligible impact on markets. Long-term interest rates ended the quarter relatively unchanged, despite some volatility intra-quarter.

U.S. property stocks were once again the laggard this quarter, yet returns varied greatly by property type. Industrial (warehouse) owners posted the strongest returns on the continuation of robust fundamental trends driven in part by e-commerce and the push for ever-faster delivery of goods ordered on-line. The weakest returns came from companies with retail exposure, given increased concern regarding the sector's outlook due to the disruptive impact of e-commerce. Healthcare also lagged because the outlook for the senior housing and skilled nursing sub-sectors weakened. Other property types fared much better, including data centers and manufactured home parks.

In the UK, REITs outperformed the Index despite being the weakest country in Europe as the economy remained relatively sluggish. The prospect of rate hikes was also an overhang as the Bank of England announced towards quarter-end that it may raise interest rates due to the inflationary effects of increasing capacity constraints, despite the weaker economy. Industrial property stocks enjoyed another good quarter, helped along by the tailwinds of an accelerating European economy, while also continuing to benefit from the restructuring of the retail supply chain. Retail was the worst performing sector once again. Transactional evidence from some recent reported sales raised concerns that the value of retail properties may have fallen, even for the highest quality assets, which had thus far been more resilient. The self-storage stocks were again the best quarterly performers, followed by the student housing sector.

Europe was once again the strongest performer as the continental European economy is in a sweet spot, enjoying solid, widespread and evenly-distributed growth. Given this improving dynamic, the European Central Bank (ECB) began to lay the groundwork for an eventual policy adjustment, while stressing that monetary policy will remain accommodative for some time and that any adjustments, when implemented will be gradual. There was limited market reaction to some of the negative political events that occurred, such as Merkel's loss of support in the German election and the Catalonian referendum on independence. Office was the strongest sector because investors sought higher cyclical returns in an improving economy. The industrial property sector also enjoyed another strong quarter, driven by rising demand from both investors and tenants. 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. 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 were flat in the third quarter as the Bank of Japan remained on hold, leaving investors to focus on North Korean saber-rattling and Prime Minister Shinzō Abe's announcement of snap elections, both of which capped upside for the broader Nikkei index. In addition, the strengthening of the Japanese yen through most of the quarter exerted downward pressure on Japan developers. J-REITs registered another quarter of negative returns as foreign investors remain sidelined and Japanese domestic funds registered outflows and sold shares to meet redemptions.

Hong Kong property stocks underperformed the global REIT Index while still delivering the strongest returns in Asia as stable Chinese macroeconomic data continued to buoy sentiment. Hong Kong developers were the best performers, driven by solid reported earnings, dividend increases, and expectations of the government introducing supportive policies to accelerate conversion of their vast farmland holdings, thus making it available for future development.

MARKET OUTLOOK

The outlook for global REITs remains constructive amidst the backdrop of a coordinated global growth recovery and a likely gradual rise in interest rates. The dynamic and fluid macroeconomic environment that we are in will likely lead to increased sentiment swings both toward and against the real estate sector.

The incremental traction on tax cuts could, in the short term, extend the back-up in bond yields that we have seen since September. That said, we do not anticipate a disruptive move up in yields as there remain many uncertainties around tax reform and geopolitical risks continue to escalate. Although inflation is likely to tick back up, longer-term structural forces are likely to cap the upside for inflation and hence bond yields. As it is, global REITs have remained relatively resilient during the recent 20 basis points move up in U.S. bond yields.

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, 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. Like the ECB, 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 2.35%, 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 ECB intends to reduce its quantitative easing purchases is that the eurozone economy is in a much better condition than it was a few years ago. 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 raises 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 ECB'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 European Union (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 underrated property stock market is Japan. It is no secret that its economy faces serious demographic issues. Since 2012 when Prime Minister Shinzō 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 quantitative easing 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 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. *Past performance does not guarantee future results.*

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 do not foresee any significant increase in cap rates, given the cushion offered by the significant risk premium to bonds. The defining cyclical factors of the real estate market have begun to change, ushering in new areas of growth and shifting secular demand. Despite declining fundamentals in the apartment and retail sectors, valuations are 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.

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	As of 9/30/17			
	1-Year	**3-Year**	**5-Year**	**Since Inception**
I Shares	12.06%	8.82%	8.19%	8.82%
FTSE/EPRA NAREIT	1.52%	6.80%	7.60%	7.32%
A Shares (NAV)	11.53%	8.28%	7.51%	10.23%*
A Shares (5.75% max load)	5.13%	6.17%	6.25%	9.19%*
FTSE/EPRA NAREIT	1.52%	6.80%	7.60%	9.82%*

*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. The inception date for A Shares was October 26, 2009; Inception for I Shares was August 1, 2011; Inception for C Shares was January 5, 2012. *Data analysis period: 10/30/2009-9/30/2017.*

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.

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.

Volatility: A statistical measure of the dispersion of returns for a given security or market index. Volatility can either be measured by using the standard deviation or variance between returns from that same security or market index.

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ABOUT THE AUTHOR, ANDREW J. DUFFY, CFA®

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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