JAMES ALPHA GLOBAL REAL ESTATE INVESTMENTS FUND

Provided by Ranger Global Real Estate Advisors, LLC
Special Report - October 2018

AN UPDATE ON FUND PERFORMANCE — AND A LOOK AHEAD

Year-to-date market conditions have been challenging, driven by macro headlines (escalating trade tensions, diverging monetary policy, and political instability in Turkey and Italy). Despite volatile markets, JARIX's performance has outpaced the category. The table below sets forth JARIX's performance against its Morningstar Global Real Estate category peers through 9/30/18, based on total return:

Total Return % (9/30/2018)	3-Month	YTD	1-Year	3-Year	5-Year	Since Inception
JARIX	0.75	3.47	8.57	10.41	8.09	8.79
Category (GR)	-0.74	-0.94	3.49	6.19	5.13	5.43
+/- Category (GR)	+1.49	+4.41	+5.08	+4.22	+2.95	+3.36
% Rank in Category	N/A	N/A	2	1	2	N/A
# of Funds in Category	N/A	N/A	222	200	162	N/A

Data for I Shares, other share classes will have different rankings. Inception date was August 1, 2011. 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. For more performance numbers current to the most recent month-end please call 888.814.8180.

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 1.69% for A Shares, 1.44% for I Shares, and 2.44% 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.

We believe JARIX's outperformance serves as a validation of the team's ability to deliver superior results in volatile markets as well as, most importantly, over the long term.

While there are valid concerns about geopolitical risk, macroeconomic stress, and the perceived impact of potentially higher interest rates, **the underlying drivers of the commercial real estate business remain strong and we believe supportive of positive total returns.**

- Operating fundamentals are solid as a growing global economy leads to stronger rent and occupancy growth.
- Capital is widely available at historically low costs.

- Commercial real estate cap rates as a spread to 10-year Treasury rates has historically averaged 200 basis points. Despite the recent rise in rates, that spread is now wider, at 275 basis points. **This suggests that bond rates could move up by at least 75 basis points or more without having a significant impact on cap rates and private real estate values.**
- While new supply is increasing, it remains well below historical norms.
- Real estate private equity funds are holding a record $315 billion in undeployed capital. Private equity funds have shown a strong appetite for acquiring institutional-quality properties or even entire companies at the current discounts to net asset value (NAV), which in effect provides a floor to REIT share prices.
- Global investors may be able to find better value and higher risk-adjusted returns outside the U.S. In addition to greater diversification, they can also get exposure to countries that are growing faster and operating at different points in their own economic and monetary cycles. While the U.S. Fed is engaged in a tightening cycle, most of the other large global economies are still years, and in some cases many years behind the U.S. as their central banks are in their own easing cycle.

Global REITs, as a subset of the broader real estate industry, are benefitting from all of these trends and also from their strong balance sheets and dividend yields that remain relatively attractive to income-oriented investors. But are these trends already completely played out? The recent drop in share prices has fueled investor concerns about whether we had reached a top. In our view, we do not think so. Lending is rational, even constrained. New supply is moving up, but not to levels of concern. Interest rates remain very low and a spike seems unlikely. The global economy is relatively healthy, so a pull-back in fundamentals does not appear to be in the cards. So yes, things are good, or at least good enough, but we do not think they are so good as to suggest a top. That said, returns from here on will be more dependent on each company’s ability to create value from internal and external sources, rather than simply cap rate compression (**i.e., a stock-picker's market which plays to our strength)**.

While the Fed is expected to hike short-term rates through 2019, **the listed real estate sector historically has not been negatively impacted by the Fed raising rates.** The Fed tightening cycle from 2004-05 is most similar to the current period, in terms of where we are in the physical real estate cycle. **Ahead of the 2004-05 Fed rate hiking period, the listed real estate market corrected 15% going into the first rate hike and then performed well through the subsequent rate hikes.** For virtually all listed real estate markets, central bank rate hikes did not negatively impact performance. REITs own commercial real estate, which is priced off the long end, not the short end of the rate curve. Thus, the performance of the listed real estate universe will depend more on the movement in 10-year Treasury yields, not on short-term rate hikes. Note that consensus expectations for the 10-year Treasury yield call for an increase of about 30 basis points to 3.46% by the end of 2020. **If this holds true, we do not expect any negative impact on commercial real estate values.**

WHERE ARE WE IN THE REAL ESTATE CYCLE

Commercial real estate cycles are driven by two factors: 1) the demand for existing space and 2) the supply of new space. Of these two factors, **new supply has almost always been the cause of the cycle peaking and the ensuing downturn in rents, occupancy, and property-level cash flow.** Without new supply from development, the balance of pricing power remains with landlords, enabling them to raise rents and maintain (or grow) occupancy, driving property-level cash flow higher. Until new supply shifts the balance of pricing power to tenants, the real estate cycle will continue its upward climb, as long as GDP growth remains self-reinforcing (above 2% on a global basis).

We continue to see commercial real estate, and by extension global REITs, as in the later stages of a long-term bull market predicated on:

1) **enough GDP growth to drive incremental demand** and give landlords the pricing power to push rents higher while maintaining (or increasing) occupancy;
2) but not enough GDP growth that development makes economic sense in most markets, thus **limited new supply** (without new supply to give tenants other options, rents can continue to rise); and
3) **historically-low interest rates** that provide a tailwind for a capital-intensive business like commercial real estate.

A Closer Look at Demand

The current forecast for global GDP growth is comfortably above "escape velocity" where the economic recovery remains self-reinforcing. Moreover, the U.S. economy shows little if any risk of recession. We also believe that the only scenario where the Fed would continue to tighten rates (*sustainable* economic growth) is also inherently bullish for commercial real estate fundamentals, thus offsetting much of the negative impact of higher interest rates.

A Closer Look at Supply

Construction starts remain quite low at only 1% of existing stock. To put the level of new supply into context, since 1970 the historical average of starts has been approximately 2% of existing stock. In addition, the normal obsolescence rate has been approximately 1.2% of stock annually — so existing stock is aging more quickly than new stock is being added, resulting in *negative new supply*. With GDP growth not strong enough to ramp up new supply, we do not see anything even on the horizon (12-24 months — the length of the construction process) that would derail the recovery in commercial real estate and the bull market for global REITs.

A Closer Look at Interest Rates and REIT Returns

In the context of the long-term history of 10-year Treasury yields, the current 3.15% yield is quite low and provides a strong tailwind for commercial real estate. Even if rates were to move up 75 basis points — driving the 10-year Treasury up to 3.9%, there would still be a tailwind for REITs. How high would rates have to go before the cost of debt capital would become a true headwind? The crossover point would be 4% on the 10-year Treasury. Why 4%? REIT bonds are priced as a spread to Treasuries (currently ~200 basis points over for a typical BBB credit), so as long as the 10-year Treasury yield remains below 4%, REITs will be able to refinance maturing debt (current average rate of 6.10%) *at lower rates*, resulting in lower interest expense (a REIT's single largest expense line on its income statement) and higher cash flow and dividends. Remember also that REITs borrow long (weighted average debt maturity is about 7 years) so it would take many years for the impact of long-term rates over 4% to flow through to result in higher interest expense and reduced cash flow/dividends.

HIGHLIGHTING ANOTHER ADVANTAGE OF GLOBAL REIT FUNDS

Global REIT funds offer investors many benefits over their domestic-only brethren. In addition to greater diversification and a larger investable universe, they also provide exposure to countries that are growing faster and operating at different points in their own economic and monetary cycles. While the U.S. Fed is committed to a tightening cycle, most of the other large global economies are still years and in some cases many years behind the U.S. China is not only growing at around 2x the rate of the U.S., its central bank is nevertheless in an accommodative stance as it seeks to facilitate the country's transition from an export-led economy to a consumption-driven one. The Eurozone is likewise backstopped by a commitment from the European Central Bank (ECB) to "do whatever is necessary" to support the Eurozone in the face of existential challenges from Brexit and Italy. Japan, with its Abenomics, is fighting a demographic conundrum. The moral to the global real estate story is a global REIT fund can find better value and higher risk-adjusted returns outside the U.S.

NEW S&P GICS SECTOR — ANOTHER TAILWIND FOR GLOBAL REITS

The S&P's promotion of REITs as a standalone sector in their Global Industry Classification Standard (GICS) is a huge plus for listed real estate. Previously, REITs were classified under Financials where they were "hidden," allowing most institutional allocators to ignore REITs and get their real estate exposure via direct real estate and private equity funds. Now that REITs are placed in the S&P (as well as MSCI's global indices) GICS spotlight, institutions must justify their underweights or in many cases zero weights. If we assume that the institutions that are underweight REITs adopt a neutral-weight position, that alone would drive inflows of many tens of billions. Indeed, CEM Benchmarking (a pension fund consulting firm) published a study which determined that **REITs were the best-performing asset class over the past 18 years**, and that the current exposure to REITs among the top 500 U.S. pension funds is 0.6% — 340 basis points below the new Real Estate GICS sector's weight in the S&P 500. **On $6 trillion in assets, that equates to approximately $200 billion in new allocations to close the underweight gap.** To put that in context, the total AUM of all REIT-dedicated mutual funds is around $130 billion.

In addition to the approximate $200 billion in potential new investment in public REITs by institutions, around another $100 billion in new investment could come from generalist equity funds that are currently underweight REITs — on average about 220 basis points underweight. **On $4.7 trillion in aggregate AUM held by these funds, that equates to about another $100 billion of potential new investment.**

Clearly, this is a game-changer for REITs as investors acknowledge the higher profile of listed real estate. The creation of a separate Real Estate sector also acknowledges that there are fundamental differences between real estate and other industries. Segmenting coverage and performance attribution of real estate will promote awareness of the sector's distinct investment characteristics and serve as a catalyst for continued growth of the global listed real estate market, giving investors access to a wider range of opportunities with even greater liquidity than is already available.

Summary of the Bull Case for Global REITs

- Growing Global Economy = Good for Commercial Real Estate — A growing economy has historically led to better real estate fundamentals (i.e. stronger rent and occupancy growth) and greater availability of capital. Both of these are positives for real estate and could also mitigate the impact of higher interest rates.
- Strong Private Market — Private market pricing continues to be strong driven by considerable debt and equity capital availability. Attractive private market pricing also provides a backstop to REIT share prices, and potentially could lead to privatizations if discounts to NAV become too wide.
- Attractive Valuations Relative to Bonds — Higher interest rates seem partially reflected in public REIT pricing given above-average spreads between bond yields and REIT implied cap rates.
- New Supply Remains at Low Levels — New supply (while off its post-GFC lows) continues to remain low by all historical standards and supportive of continued gains in occupancy and rental rates.
- Positive Funds Flows — Real estate private equity funds are holding a record $315 billion in undeployed capital — up 10% over year-end 2017. Private equity funds have shown a strong appetite for acquiring institutional-quality properties or even entire companies at the current discounts to NAV, which in effect provides a floor to REIT share prices.
- The S&P's (and MSCI's) promotion of REITs to their own standalone GICS sector is a confirmation of their mainstream acceptance and will be another catalyst to drive incremental capital inflows.

Conclusion and a Look Ahead

Here are some observations and principles that we believe serve as reliable markers to guide one's investment decision-making process:

1) **Commercial real estate is a long duration asset class.** Yes, REITs are stocks and thus during periods of market stress they will move in correlation with other risk assets, but eventually they will reflect the value of their underlying assets. Your REIT investment is an *allocation*, not a trade.
2) **Globally, REITs are on average trading at big discounts to NAV** (the private market value of their assets). We can buy high-quality commercial real estate cheaper in the public market than in the private market.
3) **REITs have bond-like characteristics that offer some defensive qualities,** but importantly they also offer growth and have the potential to create value from improving operations, investing wisely and harvesting value when appropriate. REITs' portfolio cash flows are expected to continue to rise over the next few years, and their low dividend payout ratios mean that companies are retaining significant free cash flow, thus lifting NAVs.
4) **"Bull markets don't die of old age, they die of excesses."** In the business of commercial real estate, the culprit has historically been *excess new supply*, which shifts the balance of pricing

power from the landlord to the tenant. When that happens, rents stop going up, they peak and start falling. **New supply has historically been the catalyst to cause the top of the cycle.**

Looking ahead into 2019, our forecast is for total return of 8%-10% (slightly below their long-term historical average total return), which could prove to be conservative if institutions and generalist equity funds respond to the GICS change the way we expect them to and allocate a meaningful amount of their assets to REITs.

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DEFINITIONS

10-Year Treasury: The 10-year Treasury note is a debt obligation issued by the United States government with a maturity of 10 years upon initial issuance. A 10-year Treasury note pays interest at a fixed rate once every six months and pays the face value to the holder at maturity.

Abenomics: nickname for the multi-pronged economic program of Japanese Prime Minister Shinzō Abe. The program seeks to remedy two decades of stagnation by increasing the nations' money supply, boosting government spending and enacting reforms to make the economy more competitive.

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.

Global Industry Classification Standard (GICS): A standardized classification system for equities developed jointly by Morgan Stanley Capital International (MSCI) and Standard & Poor's. The GICS methodology is used by the MSCI indexes, which include domestic and international stocks, as well as by a large portion of the professional investment management community.

Gross Domestic Product (GDP): The monetary value of all the finished goods and services produced within a country's borders in a specific time period.

JA Global Real Estate Investments Fund

	As of 9/30/18				
	YTD	**1-Year**	**3-Year**	**5-Year**	**Since Inception**
I Shares	3.47%	8.57%	10.41%	8.09%	8.79%
A Shares (NAV)	3.21%	8.14%	9.91%	7.50%	9.99%
A Shares (5.75% max load)	-2.71%	1.93%	7.76%	6.23%	9.07%

The inception date for A Shares and A Shares (5.75% max load) was October 26, 2009; Inception for I Shares was August 1, 2011. 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. For more performance numbers current to the most recent month-end please call 888.814.8180.

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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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