James Alpha Management Investment Outlook

January 2015

Strategic Asset Allocation — James Alpha Management

January, in many ways, was a continuation of what we experienced during the month of December — a month marked by continued equity volatility, declining oil prices, lower interest rates and a strengthening dollar. The expectation of continued volatility as we entered the new year and the conservative posturing of the Fund helped to mitigate losses as the S&P 500 dropped -3.00% to start 2015.

Downward pressure on equities and the continued fall in oil prices resulted in pressure on both the long/short equity and MLP exposures in the Fund. REITs benefited from a strong rally in U.S. Treasuries that pushed the yield on the 10-year Treasury to near multi-year lows, dropping from 2.2% to 1.6% at month-end. This steep move in rates pushed REITs to all-time highs, making them the largest contributor to performance during the month. The sleeve managed by the advisor, James Alpha Management, also contributed positively to performance, benefiting from existing long exposure in U.S Treasuries, investment-grade credit and the tactical decision to increase exposure to preferreds and high-yield credit, all of which benefited from the collapse in rates.

During the month we opportunistically took some chips off the table, realizing profits on portions of the credit portfolio while still maintaining the conservative posturing in the Fund. We shortened the duration of the U.S. Treasury exposure, realizing profits on longer-dated maturities that we feel may be more susceptible to rising rates. We also reduced some of the shorter-dated exposure, but still maintain a position in 10-year Treasuries.

The recent period of extended, heightened volatility in the equity markets has reached a level — both in magnitude and duration — not seen since the European Sovereign Debt Crisis in 2011. We believe the ever increasing bearish sentiment in the market, increasing clarity from the Fed and strong domestic job growth will provide an opportunity to increase equity exposure in the weeks and months ahead. We will look to do this opportunistically, in a prudent manner, as risk and volatility begins to subside.

In the coming months we will also look to expand the strategy and manager exposure in the Fund, adding strategies that seek the potential dual benefit of enhancing the yield of the portfolio while also performing well in a rising interest rate environment. We will elaborate further on these managers and strategies in the coming months.

Small Cap Equity — Bullseye Asset Management

2014 was a challenging year to make money in small cap stocks. Following a great 2013 for both small and large cap stocks, 2014 proved to be a year for large caps. Small cap stocks were on a rollercoaster for most of the year with a substantial sell-off in the spring and another in the fall. A significant rally from mid-October allowed small caps to finish the year with a positive return.

The fourth quarter was a string of three positive months for our sleeve of the Fund. The positive overall return for the quarter was facilitated by our long positions on industrial, information technology and healthcare holdings.

As we look forward, we note that much of the market's attention has shifted to overseas matters. Weak global growth has been weighing on the market. Japan and the Eurozone have undertaken quantitative easing in attempts to jumpstart their economies and avoid deflation. Meanwhile, the currency markets have exhibited substantial movements, primarily with the dollar appreciating against almost every other currency. Finally, crude oil prices have yet to find a bottom during their recent decline. We suspect these events will have longer range implications over the next year or years.

Domestically, equities are trading close to all-time highs with the S&P 500 Index valued at 16 times 2015 earnings. This is probably a fair valuation for U.S. stocks, and we therefore suspect this year's returns will be determined more by stock picking rather than stocks rising broadly akin to 2014.

MLPs — Yorkville Capital Management

Every midstream MLP maintained or increased its distribution in 2014 apart from one. In the fourth quarter of 2014, 95% of MLPs maintained or increased distributions, and distributions across the asset class grew by 5.6%. With all of the volatility in energy prices over the course of 2014, it should be very apparent that MLPs and their toll road models provide investors with a potentially less risky way to invest in America's energy revolution. In 2014, midstream MLPs showed resilience amidst a challenging commodity price environment, returning +14 %. MLPs overall gained 7% (while commodity MLPs lost more than 20%). The same could not be said for other energy equity investments. The S&P 500 Energy Index lost -8% and oilfield services companies fell -24%. Meanwhile, the S&P Oil and Gas Exploration and Production Index corporations dropped nearly 30% (see figure 1 below).

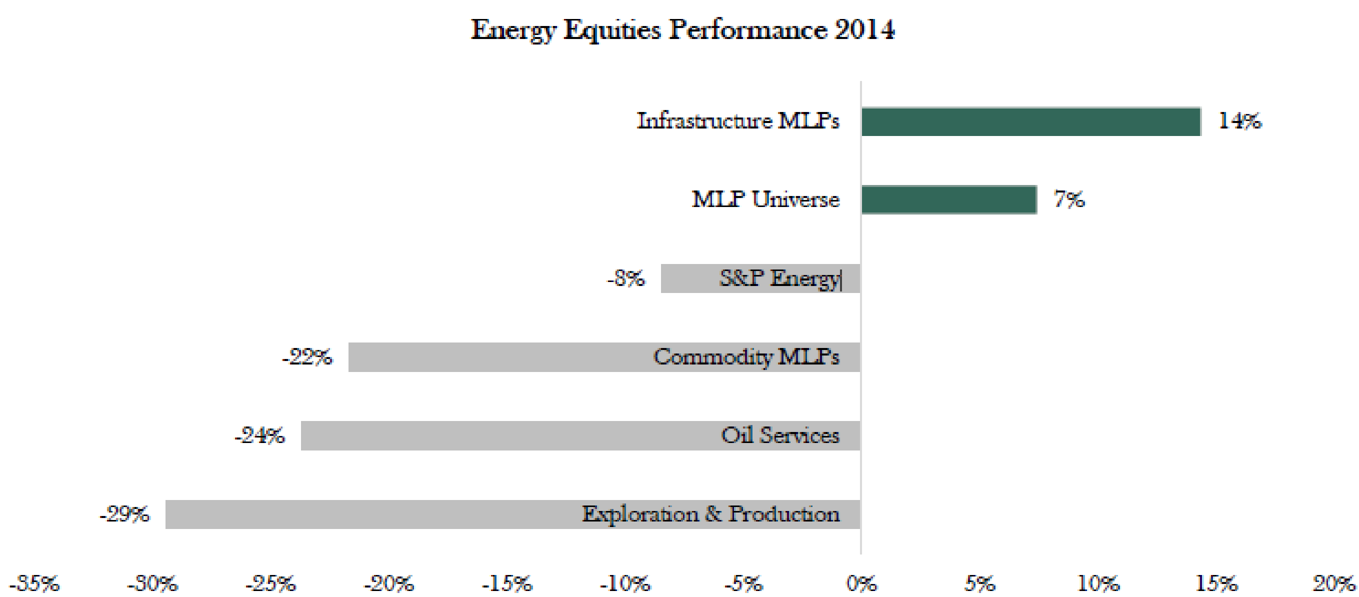

Figure 1. Source: Yorkville Capital Management

The indices shown are for information purposes only and are not reflective of any investment. As it is not possible to invest in the indices, the data shown does not reflect or compare features of an actual investment, such as its objectives, costs and expenses, liquidity, safety, guarantees or insurance, fluctuation of principal or return, or tax features. Past performance is no guarantee of future results.

We believe the future for MLPs is as bright as it has ever been with excellent visibility into where development and investment in essential U.S. energy infrastructure is needed. We believe MLPs' current yield may grow in the coming years, providing the potential for an attractive total return.

Global Real Estate - Ascent Investment Advisors

We expect global growth to improve somewhat in 2015, helped by the collapse in oil prices and more stimulative monetary and fiscal policies outside the United States, but tempered by the fact that we now are probably about six months away from the beginning of the Fed’s tightening cycle, a very different type of monetary regime than the one we've know in recent years. This policy transition will almost certainly be met with increased volatility.

Looking into 2015, we expect the U.S. economy to remain the principal engine of the global recovery, with growth moving above trend, while Japan rebounds from 2014 weakness. We expect the Eurozone and emerging markets to accelerate modestly, albeit with growth still weak relative to potential.

Energy price declines have broad implications for growth, inflation, and monetary policy. Lower energy prices should boost consumption and investment given increased purchasing power, and lower inflation should widen the monetary policy divergence of the U.S. compared to the Eurozone and Japan. This backdrop should provide a continued benign environment for commercial real estate and REITs. We continue to expect a strong U.S. dollar, a flatter U.S. yield curve, a continued but bumpy grind higher for stocks, and pockets of outperformance from Europe and Japan in response to bouts of central bank stimulus. For the U.S., the drop in crude oil prices and related plunge in gasoline prices implies another boost to the economy. The dive in gas prices could boost consumer spending, an offset to weaker business investment in exploration and production. If gas prices stay low and wage growth picks up, consumer spending should stay robust through much of 2015. But, toward the fourth quarter overall economic growth may slow as the Fed tightens monetary policy and interest rates rise. Higher rates and more market volatility suggest growth may revert from an above-trend 3%-plus range to a more trend-like 2.5% rate.

In China, we're less sanguine about Beijing’s ability to nudge economic growth to its target and keep it there. Much of the growth since the 2000s was based on a vast rise in debt owed by local governments and state-owned enterprises. With the labor force now shrinking, productivity growth slowing, considerable excess industrial capacity, the property market on the ropes and debt-financed expansion near its limit, economic growth will be hard-pressed to hit 7% again. A more likely target for 2015 is 6.5% with trend growth to slow more in future years. Nevertheless, as a major oil importer China will be a big beneficiary of the collapse in oil prices. Lower oil costs plus mild stimulus may allow growth to pick up a bit as 2015 progresses.

Help from the ECB may be necessary to give Euro area equities a boost in 2015. Risk is high and volatility very likely in the first half of the year. On the European Union’s doorstep, fears have grown about the stability of the Russian and Ukrainian economies. A combination of low oil prices, monetary stimulus and the successful implementation of labor and other structural reforms might mean that late-2014 will mark the low point for the Eurozone economy. Two powerful forces should boost Euro-area growth significantly by the second half. First, the euro has plummeted to about 1.13 from almost 1.40 in May, off nearly 20%. Second, the drop in oil prices is a boost for Euro-area consumers and businesses, but without the same negatives for capital spending as in the U.S. as oil imports are a much bigger portion of energy consumption. Confidence has improved sharply after the growth scare of last year. Euro area unemployment actually fell by 159,000 and the rate dropped a tenth to 11.3%. The risk of a triple-dip recession now appears to be receding. That said, there still are deflation risks. With the fall in oil prices, headline inflation turned negative in December, the first negative print since 2009. The other risk is political. The new Syriza-led government in Greece has already spooked markets with its hardball stance and threat of brinksmanship, and there will be more noise as both sides working to re-negotiate the bailout program. A compromise is the most likely outcome but default risk has risen.

With central bankers still willing to provide support until job creation broadens and growth becomes self-sustaining, we believe the bull case for global REITs remains intact, even though valuations are currently demanding in the U.S. We repeat our mantra that we continue to see commercial real estate, and by extension global REITs, as in the middle stages of a long-term bull market predicated on the “goldilocks scenario.” 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 and below the rate of demolition of old, obsolete space.

We also note that the only scenario wherein the Fed would begin to actually tighten — as opposed to just tapering — is a scenario of sustainable economic growth, which is also inherently bullish for commercial real estate fundamentals, thus offsetting much of the negative impact of higher interest rates. We expect there will be occasional corrections like we experienced in September as equities adjust to higher rates, but we intend to use those pullbacks to add to growth-oriented REITs, particularly in Europe and Asia-Pac.

DEFINITION OF TERMS

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.

Long/short strategy is an investing strategy of taking long positions in stocks that are expected to appreciate and short positions in stocks that are expected to decline. A long/short strategy seeks to minimize market exposure, while profiting from stock gains in the long positions and price declines in the short positions. Although this may not always be the case, the strategy would be profitable on a net basis as long as the long positions generate more profit than the short positions, or the other way around.

S&P 500 Energy Index: comprises those companies included in the S&P 500 that are classified as members of the GICS® energy sector, which comprises companies engaged in exploration & production, refining & marketing and storage & transportation of oil & gas and coal & consumable fuels. It also includes companies that offer oil & gas equipment and services.

S&P Oil and Gas Exploration and Production Index: The index comprises stocks in the S&P Total Market Index (which is designed to track the broad equity market, including large-, mid-, small-, and micro-cap stocks) that are classified in the GICS oil & gas exploration & production sub-industry.

ABOUT THE AUTHORS

James Alpha Management
Michael J. Montague

Michael is James Alpha Management's Chief Operating Officer, and is responsible for daily operations of James Alpha Management as well as independent risk monitoring for our funds.

Most recently Michael worked as a Portfolio Manager for a global macro fund primarily responsible for commodity research and trading. Michael previously served as a Portfolio Manager for Chapin Hill Advisors, Inc., overseeing asset allocation, trading, and investment activity. Prior to Chapin Hill Advisors, Mike served as a Portfolio Manager for the Cayuga MBA Fund LLC, a long/short equity hedge fund. He began his career with Schlumberger where he spent six years working as a Senior Geophysicist in Schlumberger's Oilfield Services division.

Michael holds a B.S. degree in Geophysics from Pennsylvania State University and a MBA degree from Cornell University.

Bullseye Capital Management
Jakob V. Holm, CFA:

Jakob Holm serves as Co-Portfolio Manager of the Bullseye Disciplined Long Short Fund LP. He previously served as the Portfolio Manager at Janus Capital Management where he was responsible for the Janus Adviser Small Company Value Fund, Janus Aspen Small Company Value Fund and separately managed portfolios in the Small Company Value discipline. Prior to joining Janus in July 2005, Mr. Holm spent five years at Bay Isle Financial in Oakland, California, managing small-cap value portfolios since March 2002. In addition, he spent four years with Sand Hill Advisors in Menlo Park, California as a Research Analyst, covering a wide variety of industries including communications, financials, REITs, and technology.

Mr. Holm received a Master's degree from Thunderbird School of Global Management in international management, focusing on finance and earned a Bachelor's degree in economics from Augustana College, where he graduated cum laude. He holds the Chartered Financial Analyst designation and is a member of the CFA Institute and the CFA Society of Colorado. Mr. Holm has 16 years of professional investment experience.

Yorkville Capital Management
Darren R. Schuringa

Mr. Schuringa is a globally recognized authority on investing in U.S. energy infrastructure and U.S. energy assets through the MLP structure. He makes regular appearances on CNBC, Bloomberg, Fox, and BNN and is often quoted by major financial publications as an expert on the asset class.

Prior to founding Yorkville Capital Management, Mr. Schuringa was a Partner with the energy-focused investment firm of Estabrook Capital Management. Mr. Schuringa was co-portfolio manager of a Morningstar five-star rated energy-centric mutual fund and he managed over $1.0B in institutional fund structures and managed accounts. His clients included some of world's largest pension funds and institutional investors.

Mr. Schuringa received a BA in Finance from the University of Western Ontario and an MBA in Finance from the Crummer School of Business at Rollins College. He is also a Chartered Financial Analyst (CFA), a member of New York Society of Security Analysts (NYSSA), and a member of National Association of Publicly Traded Partnerships (NAPTP).

Ascent Investment Advisors
Andrew J. Duffy, CFA:

Andrew Duffy is the President of Ascent Investment Advisors, LLC and 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 18 years of global real estate securities investment experience.

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 B.S. from the United States Military Academy at West Point in 1979 as a Distinguished Graduate (top 5% of class) and an M.B.A. from Harvard Business School in 1986. He earned the Chartered Financial Analyst designation in 1996.

IMPORTANT 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 Management are also registered representatives of FDX Capital, LLC and /or Ascent Real Estate Securities LLC, members FINRA/SIPC. Saratoga Capital Management, LLC; All Rights Reserved. Saratoga Capital Management, LLC, James Alpha Management, LLC, Bullseye Asset Management, LLC, Yorkville Capital Management, LLC and Ascent Investment Advisors, LLC are not affiliated with Northern Lights Distributors, LLC member FINRA/SIPC. Certain associates of James Alpha Management are securities registered with Ascent Real Estate Securities LLC, and/or FDX Capital LLC, both members FINRA/SIPC.

Investors should carefully consider the investment objectives, risks, charges and expenses of the Fund. This and other information about the Fund is contained in the prospectus, which can be obtained by calling (888) 814-8180 and should be read carefully before investing.

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.

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