

# JAMES ALPHA MANAGED RISK DOMESTIC EQUITY FUND

Market Commentary Newsletter  
Provided by EAB Investment Group, LLC  
August 2016

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The S&P 500 continued its winning streak by rising 0.14% in August, but the earnings season came to an end early in the month. Economic releases mid-month such as industrial production, housing starts, and CPI were slightly positive and the markets essentially shrugged them off. The employment number released September 2 was fairly benign as well. The S&P 500 Total Return Index had a total range for the month of 1.59%, adding to the continued market consolidation theme. The markets seem completely locked in on the September Fed meeting and we are waiting to see if they will start to raise rates.

The James Alpha Managed Risk Domestic Equity Fund was down 0.30% in August versus a gain of 0.14% in the S&P 500 Total Return Index. Since volatility was at reduced levels for most of the month, the Fund had a small daily carry which hurt returns. We continue to be leveraged in our put spreads and have a lower than normal short call position. We will look to increase the call position if volatility rises into the Fed meeting.



Source: Bloomberg, 2016.

Volatility, as measured by the CBOE Volatility Index (VIX), was up 13% in August after hitting a year-to-date low in July. This modest level suggests that the markets are ripe for a breakout from the current range.

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## S&P 500 Volatility



Source: Bloomberg, 2016.

## Returns

|         | As of 8/31/16 |         |        | As of 6/30/16   |
|---------|---------------|---------|--------|-----------------|
|         | 3-Month       | 6-Month | 1-Year | Since Inception |
| JDIEX   | 2.05%         | 5.61%   | 4.48%  | -1.21%          |
| S&P 500 | 4.10%         | 13.60%  | 12.55% | 1.86%           |

Investors cannot directly invest in an index and unmanaged index returns do not reflect any fees, expenses or sales charges. 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, 2016. The performance shown reflects the waivers without which the performance would have been lower. Total annual operating expenses reduction/reimbursement are 2.45% for A Shares, 1.99% for I Shares, and 3.20% for C Shares; total annual operating expenses before the expense reimbursement are 2.42% for A Shares, 2.17% for I Shares and 3.17% for C Shares. The maximum sales charge on purchases of A Shares is 5.75%. A redemption fee of 2% will be levied on shares held 30 days or less. For performance information current to the most recent month-end, please call 888.814.8180.

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## DEFINITIONS

**Brexit:** An abbreviation of “British exit” that mirrors the term Grexit, refers to the possibility of Britain’s withdrawal from the European Union.

**Calls:** An option contract giving the owner the right (but not the obligation) to buy a specified amount of an underlying security at a specified price within a specified time.

**Carry Trades:** The borrowing of a currency in a low interest rate country, converting it to a currency in a higher interest rate country and investing it in the highest rated bonds of that country.

**Consumer Price Index (CPI):** A measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living.

**CBOE Volatility Index (VIX):** Shows the market’s expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options. This volatility is meant to be forward-looking and is calculated from both calls and puts. The VIX is a widely used measure of market risk and is often referred to as the “investor fear gauge.”

**Put Spreads:** An option spread strategy that is created when equal number of put options are bought and sold simultaneously. Unlike the put buying strategy in which the profit potential is unlimited, the maximum profit generated by put spreads are limited but they are also, however, relatively cheaper to employ.

**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.

**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.

## ABOUT EAB INVESTMENT GROUP, LLC

EAB Investment Group, LLC specializes in risk mitigation strategies and works with hedge funds, family offices, high-net-worth individuals, investment companies and other advisors. EAB Investment Group uses equity and index option strategies based on a proprietary process with the goal to reduce portfolio risk and increase the probability of success. A deep understanding of options pricing enables EAB Investment Group to manage carry and attempt to mitigate costs over time, and potentially optimize monetization.

## RISKS AND DISCLOSURES

*The portfolio will borrow money for investment purposes. Leveraging investments, by purchasing securities with borrowed money, is a speculative technique that increases investment risk while increasing investment*

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*opportunity. Derivatives may be volatile and some derivatives have the potential for loss that is greater than the Portfolio's initial investment. If the Portfolio sells a put option, there is risk that the Portfolio may be required to buy the underlying investment at a disadvantageous price. If the Portfolio purchases a put option or call option, there is risk that the price of the underlying investment will move in a direction that causes the option to expire worthless. The Portfolio's ability to achieve its investment objective may be affected by the risks attendant to any investment in equity securities.*

*Shares of ETFs have many of the same risks as direct investments in common stocks or bonds. In addition, their market value is expected to rise and fall as the value of the underlying index or bond rises and falls. It is possible that the hedging strategy could result in losses and/or expenses that are greater than if the Portfolio did not include the hedging strategy. The use of leverage by the Fund or an Underlying Fund, such as borrowing money to purchase securities or the use of derivatives, will indirectly cause the Fund to incur additional expenses and magnify the Fund's gains or losses. Because a large percentage of the Portfolio's assets may be invested in a limited number of issuers, a change in the value of one or a few issuers' securities will affect the value of the Portfolio more than would occur in a diversified fund.*

**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, LLC are also registered representatives of FDX Capital, LLC, member FINRA/SIPC. Saratoga Capital Management, LLC, FDX Capital, LLC and EAB Investment Group, 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 © Saratoga Capital Management, LLC; All Rights Reserved.

***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](http://www.SaratogaCap.com) or [www.JamesAlphaAdvisors.com](http://www.JamesAlphaAdvisors.com).***

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7789-NLD-9/22/2016