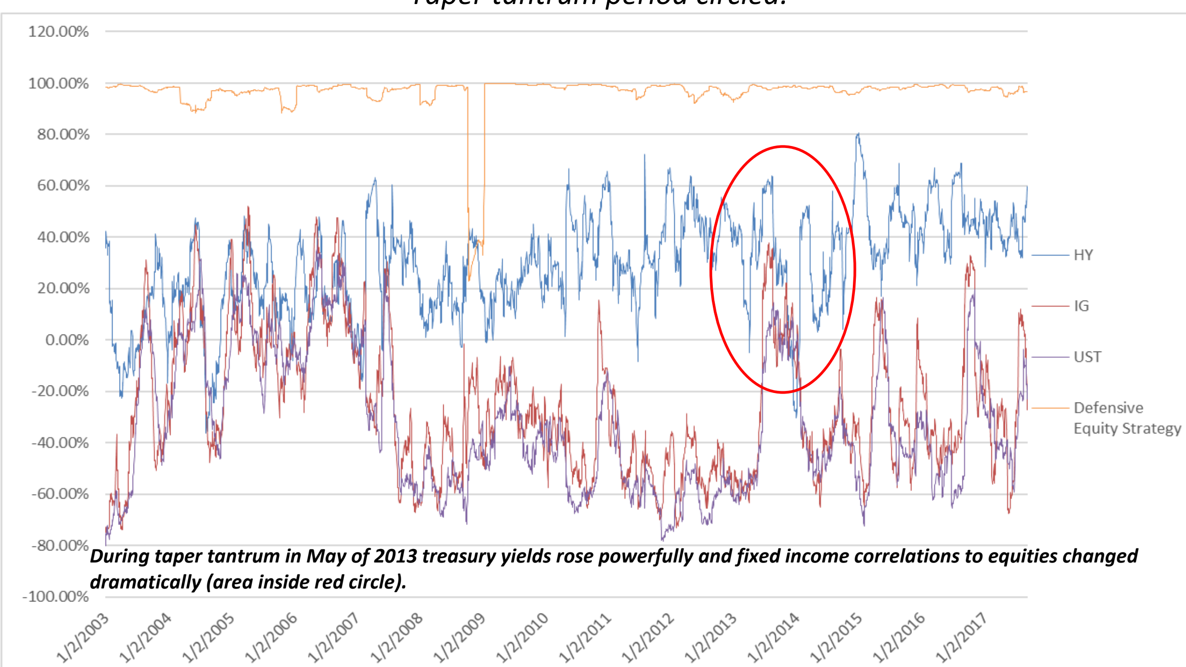
JAMES ALPHA MANAGED RISK EMERGING MARKETS EQUITY FUND
JAMES ALPHA MANAGED RISK DOMESTIC EQUITY FUND

Market Commentary Newsletter
Provided by EAB Investment Group, LLC
Third Quarter 2017

As we head into the fourth quarter, EAB Investment Group is considering portfolio diversification from a strategic and tactical point of view. Specifically, investors have significant fixed income allocations to high yield and credit funds instead of the more traditional US treasury heavy fixed income allocations of the past. Over the past five years, as interest rates have dropped, investors have naturally gravitated to higher yielding lower credit quality related bonds and funds. We are evaluating the diversification value of these categories in terms of their correlations to US stocks. If US stocks run into trouble, diversified investors' performance will depend on how well fixed-income behaves under market stress to help offset equity losses. With the markets performing so well, we can't think of a better time to do the analysis to help our investors prepare should difficulties arise.

While many advisors focus on portfolio volatility as a primary indicator of risk, we believe inter-asset correlations are the key to understanding how a portfolio could perform under stress. Volatility is like a car's engine, determining the speed one can go but correlations are the road map. For investors, we advise looking for funds and assets that have stability of correlation and consistency of approach. As part of our analysis, we looked at the correlation to the S&P 500 of longer-term US Treasuries, corporate investment grade debt, and high yield debt. As one can see from the chart below, the range of correlation to equities for these major fixed income categories is very broad, sometimes actually moving from negative to positive.

Fixed Income Sector Trailing 3 Month Correlations to the S&P 500 since 2003
Taper tantrum period circled.



EAB Investment Group. Past performance is not indicative of future results. Shown performance is not meant to represent the Fund.

One of the conclusions that may be derived from the data is that the diversification value of the fixed income class is by no means stable. In fact, some categories are positively correlated to equities which would be very problematic should we experience a meaningful equity downdraft. Another major concern for fixed income investors is the potential that the Fed and US growth could lead to a cyclical upwards move in interest rates. With rates at current levels, the impact to longer US treasuries and high-quality investment grade bonds could be more severe than expected because of their longer average maturity (or duration). If the Fed induced rise in rates creates headwinds for equities, more highly correlated fixed income could become a double whammy for investors expecting diversification.

For investors in defensive equity strategies, there is a built-in negative correlation of the systematically managed put spreads to help offset difficult equity market environments. As can be seen in the charts above, we analyzed a similar structure to the ones we use in the funds going back over a longer data set (because of the shorter history of the funds). It shows a much more stable correlation to equities and has provided a strong offsetting correlation impact during market difficulties. We think it's important to highlight the combination of the put spread strategy and its systematic application that has historically made the strategy such an effective and stable diversifier for portfolios. ***(All funds and strategies may not be appropriate for all investors. Investors should always consult their financial advisors to make sure strategies are applicable for their use.)***

The US Equities

The US equity markets continued to rally through the third quarter despite a problematic set of policy challenges and geopolitical stress. Earnings per share (EPS) momentum continued to improve into the third quarter as global trade and US sentiment remained high. Third quarter earnings announcements look like they may continue to positively deliver against reasonable expectations. The strategy delivered a 1.36% return for the quarter with a year-to-date return of 5.16%. We still believe that in the face of the Fed continuing to normalize and commencing tapering during the rest of the year there is a risk that a US economy without fiscal policy stimulus could disappoint. We also remain concerned that the US Dollar could strengthen more than anticipated as the other major central banks decide not to taper their bond buying approaches. A much stronger dollar would create difficulties for US exporters, a major source of S&P 500 earnings. During the last few weeks of the quarter, the US Dollar began to reverse its 2017 weakening trend on the clear signal from the Fed about interest rate normalization and tapering. If this trend continues we believe this could leave a very important driver of US equity performance vulnerable to a pullback.

The US economy in 2017 has been improving on many fronts, confirmed in the second quarter 3% GDP report. Whether that data point is sustainable is still in question but there is a growing concern that at a minimum tax reform will be necessary to overcome the muting impacts of rising interest rates on the economy. Labor and survey sentiment data has been temporarily affected by the hurricanes, but these impacts are often short-lived and we look to these impacts to moderate by the first quarter of 2018. More importantly, recent wage data has begun to rise into territory that could portend wage-related inflationary pressure. Wage gains typically need productivity to moderate their impact on inflation. As productivity remains extremely low, future wage data will be very important to watch to infer Fed policy and the further direction of interest rates. Large Cap US equities are, in our estimation, fully valued on an earnings basis but still compute cheaply on an interest rate comparable basis. We think it is realistic to anticipate a rising discount rate and manage our expectations accordingly.

Emerging Markets Equities

The third quarter of 2017 continued the trend of the Emerging Market equities to outperform. While there was concern that much of the first half of the year's performance was due to investor sentiment, solid earnings growth and technology and financial sector results drove the index returns. Over the quarter the Emerging Markets ETF (EEM) provided an 8.26% of return and the trailing 30-day realized volatility of the asset class continued to drop. Despite notable risk off events, the trailing 30-day volatility moved from the fairly low 11.3% level, slightly increasing to a peak at 13.8%, and settling back at 11% at the end of the quarter.

A major theme for the sector this quarter was the direction of US Fed policy and its impact on the US Dollar. Also notable was the concentration of financials and technology stock performance in the Asian markets driving the index. This could make the index even more sensitive to the risk of a Chinese disappointment or a technology sell-off which stand in opposition to the low levels of realized and implied volatility in the index. Our risk managed approach provided a 2.61% return for the quarter and 8.5% year to date. While we position the Fund to participate in market upside performance, the strategy prioritizes risk management in an effort to protect against powerful downside volatility.

Last quarter investor confidence in solid US policy direction continued to drive markets. The third quarter injected significant skepticism and drove a marked flattening of the US yield curve. Through the quarter the US Dollar weakened over 4.9% as concerns over the future of US tax policy took hold. The weaker dollar buoyed the emerging markets currencies and external debt positions and made the lower valuation markets relatively more attractive. Our forecasts for global growth are moderately more confident for the rest of the year. We remain wary that the early trend of global central banks joining the US Fed's normalization process could impact the risk and return expectations. The geopolitical trouble spots in the Middle East (including Iran) and the Korean peninsula seemed to have no impact on the sector's returns and the lack of event volatility certainly seems odd to us. That notwithstanding, we believe the Emerging Markets still have room for structural reform and productivity improvement to continue outperforming US equities.

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JA Managed Risk Emerging Markets Equity Fund

	As of 9/30/17			
	3-Month	6-Month	1-Year	Since Inception
I Shares	2.61%	4.08%	6.11%	1.74%
A Shares (NAV)	2.42%	3.78%	5.62%	1.33%
A Shares (5.75% max load)	-3.43%	-2.22%	-0.49%	-1.40%
EM	7.89%	14.66%	22.46%	11.32%

JA Managed Risk Domestic Equity Fund

	As of 9/30/17			
	3-Month	6-Month	1-Year	Since Inception
I Shares	1.36%	2.15%	5.56%	2.29%
A Shares (NAV)	1.17%	1.97%	5.17%	1.84%
A Shares (5.75% max load)	-4.69%	-3.89%	-0.86%	-0.91%
S&P 500	4.48%	7.71%	18.61%	11.04%

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 Funds' management has contractually waived a portion of its management fees until December 31, 2017. The performance shown reflects the waivers without which the performance would have been lower. Total annual operating expenses before the expense reduction/reimbursement for the JA Managed Risk Emerging Markets Equity Fund are 2.82% for A Shares, 2.57% for I Shares, and 3.46% for C Shares; total annual operating expenses after the expense reduction/reimbursement are 2.74% for A Shares, 2.34% for I Shares, and 3.45% for C Shares. Expenses for the Portfolio do not exceed 2.45%, 1.99% and 3.20% of the Portfolio's average net assets for Class A, Class I and Class C Shares, respectively, through December 31, 2017, (each an "Expense Cap"). Total annual operating expenses before the expense reduction/reimbursement for the JA Managed Risk Domestic Equity Fund are 2.60% for A Shares, 2.38% for I Shares, and 3.33% for C Shares; total annual operating expenses after the expense reduction/reimbursement are 2.60% for A Shares, 2.10% for I Shares, and 3.29% for C Shares. Pursuant to an operating expense limitation agreement between the Manager and the Portfolio, the Manager has agreed to waive its fees and/or absorb expenses of the Portfolio to ensure that Total Annual Portfolio Operating Expenses (excluding front end and contingent deferred sales loads, interest and tax expenses, dividends and interest on short positions, brokerage commissions, expenses incurred in connection with any merger, reorganization or liquidation, extraordinary or non-routine expenses and Acquired Fund Fees and Expenses) for the Portfolio do not exceed 2.45%, 1.99% and 3.20% of the Portfolio's average net assets for Class A, Class I and Class C Shares, respectively, through December 31, 2017, (each an "Expense Cap"). 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.

DEFINITIONS

MSCI Emerging Markets Index: Captures large and mid-cap representation across 23 emerging markets (EM) countries.

Put: An option contract giving the owner the right, but not the obligation, to sell a specified amount of an underlying asset at a set price within a specified time. The buyer of a put option estimates that the underlying asset will drop below the exercise price before the expiration date.

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.

Taper Tantrum: Taper tantrum is the term used to refer to the 2013 surge in U.S. Treasury yields, which resulted from the Federal Reserve's use of tapering to gradually reduce the amount of money it was feeding into the economy. The taper tantrum ensued when investors panicked in reaction to news of this tapering and drew their money rapidly out of the bond market, which drastically increased bond yields.

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 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.*

The securities of issuers located in emerging markets tend to be more volatile and less liquid than securities of issuers located in more mature economic structures and less stable political systems than those developed countries. 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. Investors cannot directly invest in an index and unmanaged index returns do not reflect any fees, expenses, or sales charges. 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

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.

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