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

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

Looking at the close of 2017, one could only surmise that all is right in the world and that as such that being completely long equity risk is the only rationale behavior for an investor. In fact, many of Wall Street's strategists are calling for another year of double digit gains. Their views are mostly backed up by the rationale of global economic momentum supporting top line growth and well managed inflation. Elevated valuation concerns are mostly dismissed as low interest rates make equities look relatively better. Sounds like a great story but we think it ignores the potential of a transition period for interest rates, inflation, and risk.

Interest rates have set a very positive foundation for the performance of equities over the past two decades by keeping financing costs down and enhancing the importance of dividends to shareholders. The history of interest rates since the very early 1990s has been a steady downward progression since the US Federal Reserve implemented a radical commitment to defeat the powerful entrenched stagflation of the 1980s. US Fed rates reached 20% in 1979 and 1980 and the longer-term US 10-year treasury peaked at an about 16% yield as the US was about to enter recession in 1981 (see chart below). Since then, the Fed's commitment to raising rates combined with the beginning of a major globalization trend (fueled by a tremendous glut of available Asian workforces), pushed the Consumer Price Index (CPI) into a long-term secular disinflationary cycle. We see this secular downwards move for inflation and interest rates as significant drivers of equity and fixed income returns over the past two decades. As a potential risk factor, we think that investors should be prepared for this long-term bond bull market to end. The following reasons warrant preparing for the transition to rising rates: 1) The forces of excess and cheap labor capacity are diminishing as greater Chinese development is moving their economy towards greater consumption intensity and higher hourly wages. 2) We think the solid economic growth justifies the removal of zero interest rate and Quantitative Easing (QE) policies. The initial signs of interest rate reversal are clearly flashing to the upside. Such a move reverses the bull market for bonds, at least temporarily, and introduces greater risk in the forecasting of interest rates. 3) There are concerns that nationalism (not just a US phenomenon) will lead to greater protectionism, increasing the cost of goods and trade, increasing inflationary forces. Even if the fears of global protectionism are overblown the rise of nationalism could increase costs marginally.

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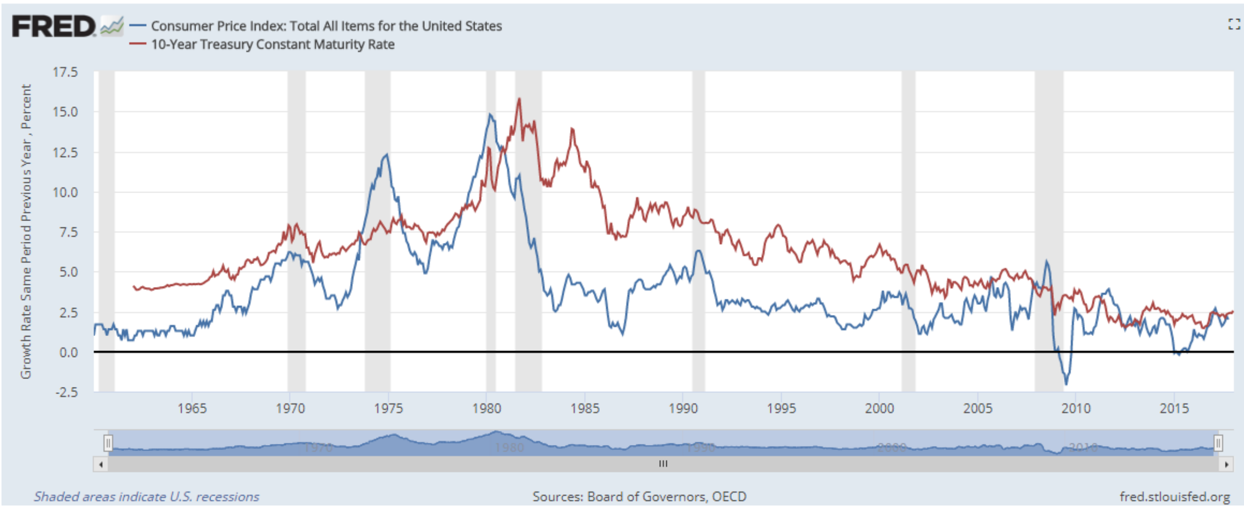

Source: EAB Investment Group. Past performance is not indicative of future results.

Our view that interest rates and inflation have likely reached secular and cyclical lows in this last recovery period is often overlooked in equity forecasting. But we find believing the consensus can leave investors vulnerable to ugly surprises. If we are correct, equities could face the headwinds of higher financing costs, greater wage growth, and higher hurdle rates for their dividends. Knowing that equity valuations on traditional measures such as P/E and P/V, and PEG are quite elevated and that the more demanding Shiller PE is flashing at the highest level since just before the 2000 tech wreck period should concern investors. Knowing that these valuation levels predate a potential secular interest and inflation reversal could legitimize a move to defensive equity strategies. Last fall we published a paper on defensive equities as appropriate alternatives to fixed income in equity crises. We think it’s worth a read.

(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 fourth quarter despite concerns over US tax policy and the budget. Earnings per share (EPS) momentum continued to improve into the fourth quarter supported by a weaker US Dollar and strong global trade. The strategy delivered a 2.18% return for the quarter with a 2017 annual return of 6.67%. While the unhedged returns of the US large cap equity markets have grown at over 18% annually since the beginning of 2016, valuations are reminiscent of the pre-tech wreck and Lehman crisis periods. While the recently passed US tax cut provides fiscal support to help overcome the headwinds of higher interest rates, we believe that elevated interest rates will increase the hurdles for companies to overcome and thereby increase the volatility of equities in general. Volatility dropped to cyclical and secular lows in the quarter despite concerns around geopolitical and US budget issues. Add to this the potential of higher inflation and we think that valuation multiples may drop despite solid top line earnings growth. We also remain concerned that the US Dollar, which has been in a long term weakening trend, could strengthen more than anticipated if the other major central banks decide not to aggressively taper their bond buying. A much stronger dollar would create difficulties for US exporters, a major source of S&P 500 earnings.

The US economy in 2017 outperformed expectations on the back of deregulation and stimulative monetary policy. Through the third and fourth quarters, despite the hurricane season, the US economy looks to have maintained a 3%+ pace of GDP growth and could deliver another year of solid growth in 2018. Labor and wage data has been a bit confusing as the very low unemployment rates have not led to significant wage pressure to date. Our sense is that recent company minimum wage and bonus announcements will eventually be seen in the data, increasing the chances that inflation increase. This portends well for an equity allocation over fixed income but also advantages a more risk-sensitive approach in 2018.

Emerging Markets Equities

The fourth quarter of 2017 continued the strong upwards trend of the Emerging Market equities. While there was concern about overvaluation and interest normalization across the developed markets, solid earnings growth, and technology and financial sector results continued to drive the index returns. Over the quarter the Emerging Markets Defensive Equity strategy provided a 2.81% of return for a year-to-date return of 11.55%. Despite the solid performance over the quarter, some geopolitical and US policy risk concerns did begin to move the realized volatility of the underlying ETF (EEM) from the fairly low 10.3% level towards 14.5% by the end of the year. These levels are still below the March and July highs when the US Dollar and the Korean crisis increased uncertainty for the class but merit attention as interest rate normalization by the Fed could help staunch the US Dollar’s weakening. Fundamentally, Emerging Market Equities demonstrate more elevated valuations (16.2 P/E) than earlier in the year despite solidly growing earnings. But in comparison, EM equities remain 27% cheaper than the S&P 22.3 P/E, continue to be less leveraged, and out yield the S&P 2.2% to 1.89%.

As Fed policy has coalesced around a more hawkish normalization of US interest rates and an eventual tapering by the European Central Bank, emerging markets equity investors dependence on favorable currency stability might need to be questioned. The dollar’s weakness has been immensely supportive of Emerging Markets assets, but we think the increased volatility of currencies could trickle into the asset class as well. Still important to the category is the concentration of financials and technology stock performance in the Asian markets driving the index. While Chinese growth came in solidly for 2017, we are concerned that the expectation of China being able to navigate a complex process of restraining over exuberance in its credit sectors yet support a multi-year process of expanding its consumer sector may be too optimistic.

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 global growth and the expectation that global central banks would be careful in their normalization of rates continued to drive markets. Through the quarter the US Dollar weakening slowed to only a -1.4%

degradation as the markets began to consider the positive implications of a US tax cut. The weaker dollar buoys the emerging markets currencies and external debt positions and makes the lower valuation markets relatively more attractive. Our optimistic forecasts for global growth are becoming more accepted and the International Monetary Fund recently moved its global 2018 forecasts up to 3.9% on the back of better trade, supportive commodities levels, and US tax cut stimulus. The geopolitical trouble spots in the Middle East (including Iran) and the Korean peninsula seemed to have calmed a bit but still represent a risk factor. Clearly, if our concerns over Chinese growth or a geopolitical event become reality, emerging markets equities could disappoint. In that case, our defensive approach could be a powerful offset to these risks.

JA Managed Risk Emerging Markets Equity Fund

	As of 12/31/17			
	3-Month	**6-Month**	**1-Year**	**Since Inception** *8/3/2015*
I Shares	2.81%	5.49%	11.55%	2.73%
A Shares (NAV)	2.72%	5.20%	11.15%	2.32%
A Shares (5.75% max load)	-3.20%	-0.80%	4.78%	-0.15%
EM	7.44%	15.92%	37.28%	13.40%

JA Managed Risk Domestic Equity Fund

	As of 12/31/17			
	3-Month	**6-Month**	**1-Year**	**Since Inception** *8/3/2015*
I Shares	2.18%	3.57%	6.67%	2.96%
A Shares (NAV)	2.06%	3.25%	6.26%	2.51%
A Shares (5.75% max load)	-3.79%	-2.73%	0.13%	0.03%
S&P 500	6.64%	11.42%	21.83%	12.79%

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, 2018. 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 3.44% for A Shares, 3.18% for I Shares, and 4.18% for C Shares; total annual operating expenses after the expense reduction/reimbursement are 3.39% for A Shares, 2.92% for I Shares, and 4.13% 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, 2018, (each an "Expense Cap"). Total annual operating expenses before the expense reduction/reimbursement for the JA Managed Risk Domestic Equity Fund are 3.30% for A Shares, 3.06% for I

Shares, and 4.04% for C Shares; total annual operating expenses after the expense reduction/reimbursement are 3.07% for A Shares, 2.84% for I Shares, and 3.82% 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, 2018, (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

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.

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.

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.

International Monetary Fund (IMF): The IMF plays three major roles in the global monetary system. The Fund surveys and monitors economic and financial developments, lends funds to countries with balance-of-payment difficulties, and provides technical assistance and training for countries requesting it.

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

P/E: Price-earnings ratio. A valuation ratio of a company's current share price compared to its per-share earnings.

P/V: Present value. The current worth of a future sum of money or stream of cash flows given a specified rate of return.

PEG Ratio: A valuation metric for determining the relative trade-off between the price of a stock, the earnings generated per share, and the company's expected growth.

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.

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.

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