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

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

Potential Benefits of a Systematic Investment and Hedging Approach

Many studies have been done over time to justify strategic asset allocation, buy and hold, average dollar cost investing, or passive versus active investment as the best long-term approaches over time for investors. While it is not our intention to debunk the quantitative work behind these approaches, we think that each of these has a limitation and that an understanding of investment returns and investor psychology should dictate a different approach to investing. We thought it might make sense to provide our investors with data on investment returns over time and what investors can do to improve their long-term performance. We focus on the S&P 500 as a major component of equity returns but a similar pattern to the data is seen across many assets. We believe the data shows the wisdom of sticking with a strategic approach but consistently enhancing it with disciplined systematic hedging to minimize downside volatility.

Table 1. The Impact of Missing Worst and Best Days on Investment in the S&P 500

Trying to time the market can be very counterproductive.

Weekly Returns of S&P 500					Daily returns of S&P 500			
10/15/1999	-6.62%	5/2/1997	6.27%		10/27/1997	-7.37%	28-Oct-97	4.87%
1/28/2000	-5.61%	10/16/1998	7.33%		8/31/1998	-7.30%	8-Sep-98	4.85%
4/14/2000	-10.53%	7/2/1999	5.80%		4/14/2000	-6.19%	16-Mar-00	4.56%
3/16/2001	-6.70%	3/3/2000	5.72%		9/17/2001	-5.14%	3-Jan-01	4.78%
9/21/2001	-11.56%	4/20/2000	5.76%		9/15/2008	-4.95%	24-Jul-02	5.42%
7/12/2002	-6.80%	6/2/2000	7.23%		9/29/2008	-9.63%	29-Jul-02	5.14%
7/19/2002	-7.98%	9/28/2001	7.82%		10/7/2008	-6.09%	15-Oct-02	4.52%
1/18/2008	-5.39%	10/18/2002	5.89%		10/9/2008	-8.24%	30-Sep-08	5.14%
10/3/2008	-9.34%	3/21/2003	7.52%		10/15/2008	-9.92%	13-Oct-08	10.38%
10/10/2008	-18.14%	10/31/2008	10.53%		10/22/2008	-6.47%	20-Oct-08	4.55%
10/24/2008	-6.76%	11/28/2008	12.09%		11/5/2008	-5.50%	28-Oct-08	9.74%
11/14/2008	-6.11%	1/2/2009	6.84%		11/6/2008	-5.26%	13-Nov-08	6.49%
11/21/2008	-8.33%	3/13/2009	10.79%		11/12/2008	-5.43%	21-Nov-08	5.97%
2/20/2009	-6.75%	3/27/2009	6.21%		11/19/2008	-6.50%	24-Nov-08	6.08%
3/6/2009	-6.97%	5/8/2009	5.95%		11/20/2008	-7.19%	16-Dec-08	4.89%
5/7/2010	-6.34%	7/17/2009	6.99%		12/1/2008	-9.80%	10-Mar-09	5.99%
8/5/2011	-7.15%	7/9/2010	5.47%		1/20/2009	-5.58%	23-Mar-09	6.63%
9/23/2011	-6.52%	7/1/2011	5.67%		2/10/2009	-5.16%	10-May-10	4.21%
8/21/2015	-5.71%	10/14/2011	6.01%		8/4/2011	-5.02%	9-Aug-11	4.53%
1/8/2016	-5.91%	12/2/2011	7.46%		8/8/2011	-7.12%	11-Aug-11	4.44%
Total Non compounded loss			-80.33%			-75.05%		
Total non compounded gains			298.10%			199.98%		
Total 20 years return 4/1/97-4/10/17			210.86%					

Source: EAB Investment Group. Past performance is not indicative of future results. Shown performance is not meant to represent the Fund. Investors cannot directly invest in an index and unmanaged index returns do not reflect any fees, expenses or sales charges.

Often the best performance days or weeks follow after the worst days. Mean reversion is powerful. It's not worth giving up the best days to avoid the worst. Remaining invested does make sense. Nonetheless reducing major losses could be very helpful.

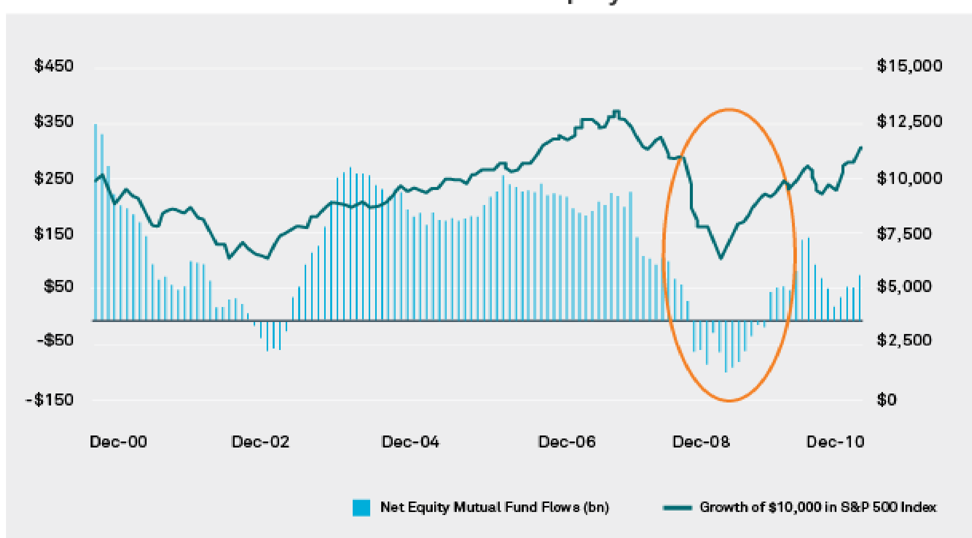
Long term returns are impacted by short term swings and lumpy performance. One can see from the data on Table 1 that on the best and worst 20 days of performance on the S&P 500. In a perfect world, an investor would capture the 20 best days and avoid the 20 worst days. The cost of missing the 20 best days over a 20-year period was 199.98% of compounded return and the gain of missing the 20 worst days was about 75.05% of compounded loss avoided. In other words, the gain from missing losses is nowhere near as important as staying invested for the big up days. However, avoiding losses is a significant issue as losses are felt at an inordinately high level versus gains in investors' minds. This is why the allure of tactical allocation or market timing can be so great. But over time market timing methodologies have not proven to be successful. As seasoned investors (and likely your Registered Investment Advisors) will confirm equity performance can be extremely lumpy and is subject to mean reversion around extreme up or down performance. What this means is that often the best return periods follow closely after big corrections. Often professional advisors will use this kind of analysis to justify buy and hold and/or average dollar cost investing. Intellectually, the argument holds water, particularly for investors who can afford to take a longer-term view, but there is catch to this way of thinking that eventually disserves investors.

Investors are Emotional and Often Sell at Lows and Buy at Highs

Looking at the table below shows how unwilling investors are to hold positions through the downside risk of negative 7%+ daily losses or even worse negative 10%+ weeks. It is even more clear that investor flows appear to be extremely performance dependent. If investors acted rationally, the below behavior would be reversed and flows would increase as returns dropped. But what has been observed is that investors have a tendency to sell at lows and buy at highs, acting impulsively, unable to sustain significant losses without exiting.

Investor Flows Confirm the Wall Street Axiom About Retail Investor Flows Being Poorly Timed

S&P 500 Index Performance vs. 12-month Equity Mutual Fund Flows



Sources: BlackRock; Informa Investment Solutions; DB US Equity Strategy; Investment Company Institute (US mutual funds and ETFs). The S&P 500 Index is an unmanaged index that consists of the common stock of 500 large-capitalization companies, within various industrial sectors, most of which are listed on the New York Stock Exchange. Returns assume reinvestment of dividends. It is not possible to invest directly in an index. Past performance is no guarantee of future results. The information provided is for illustrative purposes only and is not meant to represent the performance of any particular investment.

BlackRock

Work done by well-known economists, Amos Twersky and Daniel Kahneman demonstrate that risk aversion is a very powerful and underestimated force in investing. We believe that any feature that adds to the ability of investors to fight the urge to sell at the bottom is a good thing. Our funds look to offset the setbacks that can occur from these types of losses and use a systematic approach to provide this protection at reasonable cost. We believe giving up a measured portion of upside is a reasonable cost to minimize downside risks. We believe longer term oriented RIAs appreciate this approach and we believe reducing downside volatility is the right approach to improving longer term investment returns.

The Active/Passive Issue Simply Doesn't Matter Because Investor Timing Overwhelms It

The Dalbar funds flow studies consistently show that investors have trailed their relevant indices by significant margins over the short and long term, often by more than 4% annually. While the studies also show that investors often get the momentum of moves correct about two-thirds of the time, their positioning does not overcome the power of being wrong one-third of the time. We are not minimizing the studies that attempt to show whether passive management outperforms active funds but think that many of these studies are based on assumptions that may not fully take timeframe, survivor bias, style bias, and cash allocations into account. But overwhelming the active/passive debate is the impact of fund flows on investor returns. Most likely the power of missing the best and catching the worst days is the explanation for that. While we would still argue that comparing the active and passive style is like comparing apples to oranges for the reasons mentioned above, we firmly believe the most important issue facing RIAs and investors is finding ways to keep investors invested with a volatility managed approach.

Reducing Downside Volatility — A Worthy Approach for Both the Advisor and Investor

Now that we understand how investors often focus on the wrong issues and can hurt themselves by being overly emotional, we suggest that investors and advisors make active and systematic hedging a core part of their process. For the individual advisor/investor, however, hedging can be complicated and requires market experience to execute well. We have the experience in these risk management strategies to target the desired level of risk on a systematic basis to provide a type of approach in our family of risk managed funds.

Emerging Markets Funds Flows Take Off Where the Trump Bump Leaves Off

The first quarter of 2017 could be characterized as a quarter driven more by investor demand than any change in the actual fundamentals. According to Bloomberg, emerging market investors added more than $16 billion to emerging market funds that invest in stocks or bonds, as hopes for global growth improved and the US Dollar weakened. As a result, the EM Index provided 11.45% of performance leading the way for most major asset classes. Our disciplined risk managed hedged approach provided a 4.25% return but as expected lagged during a very strong risk on environment in January and February. Emerging Markets equity volatility remained very low for the period and now sits at about 9%, well below its longer term historical average of closer to 25%. While we position the fund to participate in market upside performance, the strategy prioritizes risk management in order to protect against powerful downside volatility. Therefore during periods of maximum confidence the strategy will lag as expected.

The return of US confidence was a powerful elixir for the markets during the quarter. The election of President Trump had translated into stronger animal spirits and the US Dollar rose accordingly. A strong US Dollar has at times concerned emerging markets investors because many of these economies' reliance on US dollar denominated external debt. But as we proceeded through the quarter one of the major factors in the Dollar's value, the US yield curve, softened fairly substantially despite the Fed's pronouncements that US growth, inflation, and labor data justified policy normalization. The resulting stabilization of the US Dollar at weaker levels was viewed favorably by EM investors. From a macro point of view, while China has been able to somewhat stabilize their currency flight issue from last year, there remains concerns about the credit and asset management product sectors. These sectors have required the Chinese central bank, the PBOC, to provide liquidity to the regional banks. The Chinese economy looks set to deliver 6.5% annualized growth in 2017 but may need to be downgraded for future years as the Chinese economy deals with excess capacity, a real estate overbuild, and an ageing society. This is a concern for EM investors as China drives much of the

Asian economies (Asia represents over 60% of the equity exposure in the index). Global trade, a major driver of developing economies, has improved from the very weak early 2016 period but remains significantly below the levels that supported prior EM equity rallies. A weak commodity environment through the quarter has supported commodity users and diversified emerging markets while hurting commodity providers. Nonetheless, having significantly lagged other equity indices since 2014, the last quarter's performance brings Emerging Market Equity back towards positive returns on a multi-year basis. Should the global economy improve as the International Monetary Fund (IMF) predicts, the Emerging Markets, which still have room for structural reform and productivity improvement, could continue outperforming US equities. With the longer term multi–year lag in mind, many investors have become attracted to the lower price earnings ratios and reasonable dividends that make EM equities attractive. Nonetheless, we believe the US risk of policy uncertainty, European solidarity, global security risks, and Chinese credit issues justify the continued risk managed Emerging markets equity approach that we utilize.

The US Market Begins to Come to Grips with the Potential for Disappointment but Not Yet

The US equity markets continued to rally through the quarter riding the populist wave of deregulation, infrastructure investment, and tax reform hopes. The S&P 500 delivered a 6.07% return for the quarter while the strategy delivered a 2.20% return, trailing as expected during a strong risk on market. Late in the quarter, however, the hopes for legislative success dimmed a bit and the US equity markets ended the quarter on a much more vulnerable tone. Ironically, the levels of US implied and realized volatility remained low on an absolute and historical basis, something that as confused investors and strategist alike. The US economy since the third quarter of 2016 has been improving on a number of fronts but the data has not translated yet into the desired self-sustaining 3%+ rate of GDP growth. Labor and survey sentiment data has been uniformly positive but the poor productivity data that has been consistent since the great recession has held back GDP growth. This is why the passage of tax reform and infrastructure investment is critical to helping to support US corporate top line growth. US large cap equity valuations are in the 21.6 P/E range on current earnings and 18.1 on forward earnings, a fully valued range that will need equity analysts 2017 forecasts of 10% earnings growth to materialize to justify expected returns. We believe that this level of earnings forecasts will prove to be a heavy weight to equities should fiscal support not materialize soon. While equities performed well despite their high valuation and the increased risks of policy delays and geopolitical risks, the levels of perceived volatility remained quiescent. The CBOE Volatility Index (VIX), the index that measures levels of implied volatility in the S&P 500, traded in a very low range of between 9% to 12.5% for most of the period (ending at the higher end of the range). The VIX levels have been confounding investors for the past several months and seem to be communicating outright complacency given the known risks. The strategy retains a solid defensive stance that could come into play should any of the well-known risks set the market back with an unexpected correction. Of course, these events are difficult to be timed as detailed earlier in our notes and we feel strongly that our hedged approach may benefit investors by keeping them invested through difficult periods and the often following recoveries.

JA Managed Risk Emerging Markets Equity Fund

	As of 3/31/17			
	3-Month	**6-Month**	**1-Year**	**Since Inception**
I Shares	4.25%	1.95%	7.76%	-0.15%
A Shares (NAV)	4.26%	1.77%	7.47%	-0.50%
A Shares (5.75% max load)	-1.71%	-4.12%	1.24%	-3.98%
EM	11.45%	6.80%	17.22%	5.91%

JA Managed Risk Domestic Equity Fund

	As of 3/31/17			
	3-Month	**6-Month**	**1-Year**	**Since Inception**
I Shares	2.20%	3.34%	5.15%	1.68%
A Shares (NAV)	2.11%	3.14%	4.63%	1.21%
A Shares (5.75% max load)	-3.78%	-2.77%	-1.36%	-2.32%
S&P 500	6.07%	10.12%	17.17%	9.60%

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. 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. 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

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. This VIX is a widely used measure of market risk and is often referred to as the "investor fear gauge."

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.

People's Bank of China (PBoC): The central bank of the People's Republic of China with the power to control monetary policy and regulate financial institutions in mainland China. The PBoC has more financial assets than any single public institution, and is second only to the Federal Reserve System of the United States in terms of overall central bank assets.

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.

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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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