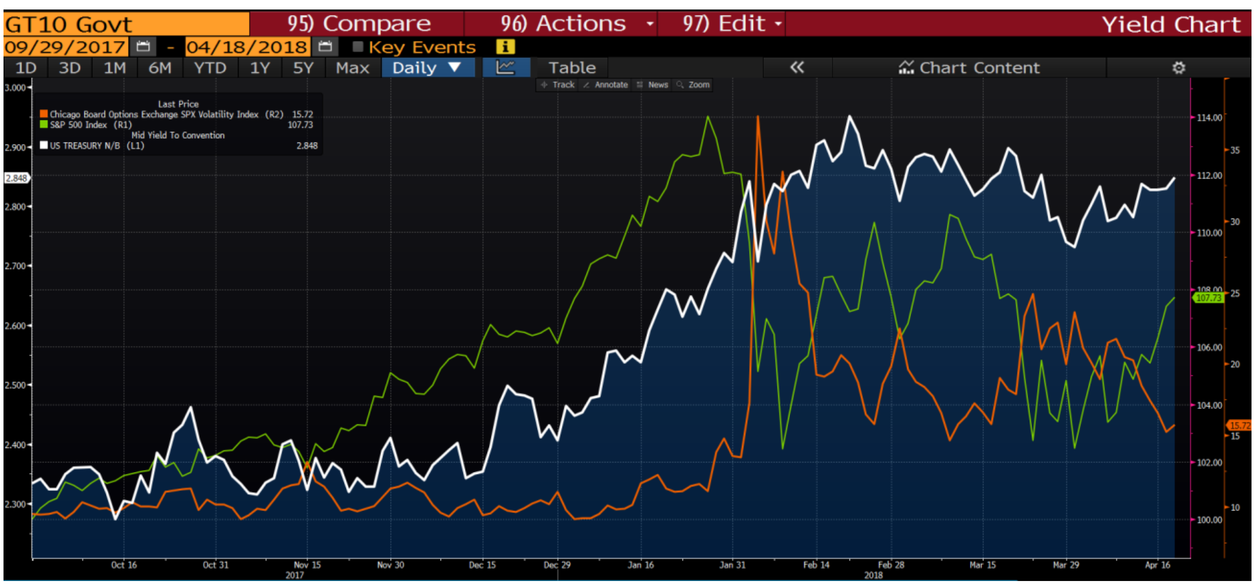
JAMES ALPHA MANAGED RISK EMERGING MARKETS EQUITY FUND
JAMES ALPHA MANAGED RISK DOMESTIC EQUITY FUND

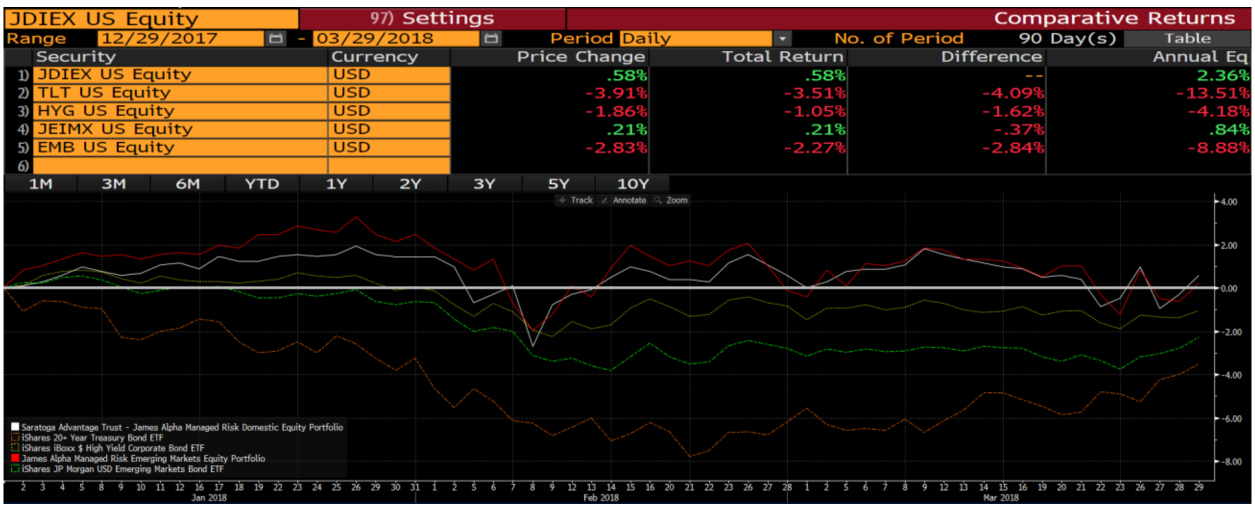
Market Commentary Newsletter
Provided by EAB Investment Group, LLC
First Quarter 2018

Entering 2018 investors were expecting more of the same solid earnings-based, low volatility market performance of 2017 to which they had grown accustomed. As we had mentioned in our Q4 2017 report, while earnings growth was forecasted in the mid-teens, we were concerned that the direction of interest rates could begin to shake the low volatility extreme bullish story. As can be seen in the chart below, elevated interest rates (the white line) have brought with them rising volatility (the CBOE Volatility Index (VIX) in orange). To add to the factor of higher interest rate related volatility, there is now the added fear that a potential deceleration in global growth may be coming at a particularly inopportune time with the Fed's more hawkish policies. While we don't necessarily believe that a true slowdown is emerging, the US 2 year, 10-year US Treasury yield curve flatness has at times been a recession portending signal. Traditionally, equity performance has a high correlation to earnings growth and a supportive macro backdrop. As a result, the shape of the curve, which can be impacted by several other factors such as global savings dynamics, is not necessarily a great predictor of future equity returns. However, the yield curve can give insight into equity market and cross asset volatility and should not be dismissed altogether. As financial markets are still behaving a bit unusually due to the near 50% of global government debt that is at zero or lower interest rates, there remains a good amount of potential volatility from yields increasing equities. Principally, this would be due to European and British rates becoming more competitive, with US rates reducing US treasury demand at a time when the Fed is tapering.



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

While US equity volatility has now risen into a new higher and more reasonable 15%-24% range, fixed income volatility, which has remained well contained, could be a wildcard that needs to be watched. We remind our investors that fixed income, which in the past has been a solid diversifier, may disappoint. The last decades' low interest rates and more recent flat yield curve have lengthened bond fund durations and reduced credit spreads to levels that imply significant vulnerability (or higher than expected equity correlation) should a rate crisis or equity bear market develop. We feel the warning signs are there and the first quarter run up in rates confirmed our concerns that any upwards shift would be problematic for both equities and fixed income funds. Looking at the Funds' results versus major equity and fixed income one can see both the lower volatility signature of the Fund and the ability of the Fund to defend well during stress events like the volatility spike on 2/9/18, and over a longer period of elevated volatility (as during the first quarter). As a result, we continue to stress the benefits of the disciplined systematic defensive equity approach we take. We think the first quarter was a solid proof statement for the benefits of a volatility-minded approach going forward.



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

While the US equity market rose powerfully in January on the back of the US tax cut, there was a significant change to the performance profile in February as a shift in risk appetite in the volatility options markets drove underlying equity selling. Concerns about the pace of interest rate hikes and the volatility spikes further reduced risk positioning which led to the February and March negative index performance. While there was a slight slowdown in some of the Chinese and European economic data during the quarter, S&P earnings per share (EPS) momentum continues to deliver and 2018 forecasts look to remain solid. The US economic data continues to flash solid growth with very slight signs of improved inflation. Low unemployment and modest wage gains are driving consumer/retail gains but to date inflationary pressures are not driving policy. In the month of March, Technology sector shares were hit hard with the Facebook data scare and the potential for additional scrutiny and regulation that could result. Another important factor negatively affecting equities during the quarter was the greater focus on US trade policy and intellectual property protectionism. This emphasis lined the US and China on a collision course, something that the markets find very problematic. The defensive equity strategy delivered a 0.58% return for the quarter with particularly good results in February and March. Looking forward, we continue to see a supportive economic outlook. But with only the US Fed showing real commitment to an interest rate normalization approach (The ECB and BOJ have so far lagged meaningful policy tightening), we believe there is a risk the earnings supportive of a weakening US Dollar may reverse direction. Even a slight strengthening could have a muting effect on large multinational firm earnings. As a result, while we see the fundamentals of equity investing as supportive, we see many forces warranting higher levels of volatility. This should help increase the value of the defensive approach we use.

Emerging Markets Equities

The first quarter of 2018 paralleled US equities, with a January performance peak of over 10.5% on January 26 at which concerns about rising US interest rates began to weigh a bit on the sector raising the specter of a stronger US Dollar. While the stronger Dollar didn't significantly show, a volatility spike did, and all equity markets dropped dragging even the high-flying technology and Emerging Markets Equity indices down. The rapid spike in volatility, while due to a reduction in volatility player risk budgets or limits, did impact the equity class across the board. This was because volatility sellers needed to sell equities to cover short volatility positions that began to rise in value rapidly as a squeeze occurred. For the Emerging Markets which were not a part of the index in which the volatility traders were transacting, the impact was felt in liquidity-oriented profit taking. But there was also the knock-on effect of a weakening US technology sector which forms a major part of the Emerging Markets equity index. From the January 26 peak, the Emerging Markets Equity index fell over 13.5% into negative territory before clawing its way back to positive territory. Over the quarter the Emerging Markets Defensive Equity strategy provided a 0.21% return. Even more importantly, the systematic defensive put option approach limited the Fund's 10-day volatility to a 19.4 annualized level in February while the index peaked at an 45.2% level. Fundamentally, Emerging Market Equities demonstrate more attractive valuations than the S&P 500 (15.47 vs 21.6 P/E), a switch from 2017, and a better yield at 2.35% vs. 1.91%. Earnings growth remains solid, but the potential of trade wars continues to concern investors.

As we have stated previously, Fed policy has clarified around a more hawkish normalization of US short term interest rates which has flattened the US yield curve. We question whether this truly signals a forward looking US economic slowdown. So far US and Chinese data remains supportive of economic growth and favors Emerging Markets investments. However, it is important to recognize the risks that a hawkish US interest rate policy could either strengthen the US Dollar or cause a roll over in growth. In order to offset some of the risks of a stronger US Dollar, the Fund has implemented a small Emerging Markets hedged exposure. We think this is prudent as the long-term US Dollar weakness could reverse should higher US rates begin to gain traction. If either of our risk factors occur, Emerging Markets equity volatility could remain higher than to which investors are accustomed. While the long-term return perspective for the class may remain positive, we think the path for volatility will be higher. This could favor our Fund's managed volatility approach.

JA Managed Risk Emerging Markets Equity Fund

	As of 3/31/18			
	3-Month	6-Month	1-Year	Since Inception 8/3/2015
I Shares	0.21%	3.02%	7.22%	2.55%
EM	1.42%	8.96%	24.93%	12.68%

JA Managed Risk Domestic Equity Fund

	As of 3/31/18			
	3-Month	6-Month	1-Year	Since Inception 8/3/2015
I Shares	0.58%	2.77%	4.98%	2.91%
S&P 500	-0.76%	5.84%	13.99%	11.22%

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

Bank of Japan (BoJ): The Bank of Japan is the Japanese central bank. The bank is responsible for issuing and handling currency and treasury securities, implementing monetary policy, maintaining the stability of the Japanese financial system, and providing settling and clearing services.

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

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.

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.

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 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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