

# JAMES ALPHA GLOBAL REAL ESTATE INVESTMENTS FUND

## 2017 Performance Commentary

Provided by Ranger Global Real Estate Advisors, LLC

Fourth Quarter 2017

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### FOURTH QUARTER MARKET AND FUND PERFORMANCE

Global real estate stocks continued to perform well in the fourth quarter of 2017, extending the rally that began late last year after the U.S. election, as the associated hopes for tax cuts, increased stimulus spending, and regulatory reform have fueled the rally since November 2016. The FTSE EPRA/NAREIT Developed Real Estate Index (the “Index”) had a total return of 3.83% for the quarter, while the James Alpha Global Real Estate Investments Fund (the “Fund”) demonstrated its positive positioning and stock selection by posting a total return of 4.94%, outperforming the Index by 111 basis points. For the full year, the Fund generated total return of 17.32%, outperforming the Index by 590 basis points.

During the quarter, continued improvement in fundamentals and solid earnings growth drove real estate stock prices higher. Share prices were initially weighed down as uncertainty over the outcome of tax reform weighed on investors’ confidence — until the bill’s passage in December boosted investors’ expectations for higher corporate earnings and faster economic growth. By the end of the period, global real estate stocks had moved higher, benefiting from the improving economic outlook particularly outside the U.S. Economic growth continues at a moderate pace, but improvement is now less reliant on continued central bank monetary policy.

Both U.S. and international consumers and businesses appear more positive about the outlook than they were this time last year. We expect the economic and real estate cycles to remain in a prolonged recovery stage. We believe the still-slow pace of economic growth, subdued development starts, and a low inflation/low interest rate environment should ensure continued investor demand for real estate. We estimate that listed property companies globally trade at an average 10% discount to our estimates of the private market value of the real estate they own, thus commercial real estate appears to be “on sale” in the listed markets.

We believe the bull case for global REITs remains intact. *Despite the length of the current bull market, we remain focused on the truism that bull markets don't die of old age, they die of excesses.* For real estate, we believe that means *excess new supply from development*, which continues to be muted and the most recent data point to a tick down in new construction. We expect gains will be tougher to come by which means that selectivity and stock-picking could continue to be important.

### FOURTH QUARTER ATTRIBUTION ANALYSIS

Attached is the [Attribution Analysis Report](#) from FactSet for Q4 2017. Notable take-aways are:

- By Property Sector, JARIX posted total attribution of 136 basis points, with almost all of it (131 basis points) generated via stock selection.
- JARIX benefited from its underweight in Residential — an underperforming sector — while its holdings in Residential also outperformed the benchmark's, generating 13.39% in total return vs. the benchmark's 3.30%, which together resulted in 95 basis points of alpha with virtually all of it (84 basis points) generated by stock selection.

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- In Retail, despite JARIX being underweight to an outperforming sector, its holdings in Retail outperformed the benchmark's (12.03% vs. 7.37%), resulting in only small (5 basis points) negative attribution.
- By Region, JARIX's overweight to Europe, along with the outperformance of its holdings (11.60% vs. the benchmark's 7.68%) combined to generate 133 basis points of alpha with the majority of it (96 basis points) generated by stock selection.
- The Fund's top 10 contributors generated in aggregate 306 basis points, while the bottom 10 detracted only 192 basis points.

### NOTABLE CONTRIBUTORS AND DETRACTORS FROM PERFORMANCE DURING THE FOURTH QUARTER

- The Fund's top 10 contributors generated in aggregate 306 basis points, while the bottom 10 detracted only 192 basis points.
- BUWOG AG, an owner and developer of high-quality residential properties in in-fill markets in Germany and Austria, was the top contributor for the quarter, generating 70 basis points after the company received a cash take-over offer from a larger competitor at a substantial premium to the Fund's cost basis and the current share price.
- NextDC, the largest standalone owner and operator of data centers in Australia, contributed 66 basis points in the quarter as our investment thesis favoring well-managed companies that benefit from growth in internet traffic was validated by strong demand for the company's newly-developed state-of-the-art data centers.
- American Tower, the world's largest owner of wireless transmission towers, added 26 basis points as its shares appreciated 12% in the quarter in response to double digit cash flow growth driven by robust secular demand for wireless data transfer fueled by increased adoption of mobile communication devices, particularly in non-U.S. markets.
- Colony NorthStar, a manager of a diverse portfolio of assets representing the combination of Colony Capital and NorthStar Realty, was the Fund's largest detractor, subtracting 44 basis points during the quarter as the re-configuration of the two companies' shareholder constituencies played out against a backdrop of uncertainty about the company's new strategy, exacerbated by selling pressure later in the quarter from tax-loss selling (which we expect to be transitory).
- CoreCivic, the country's largest owner and operator of private correction facilities, subtracted 43 basis points from Fund performance during the quarter as a result of increased uncertainty around the new administration's plan to adopt a more aggressive stance toward undocumented immigrants, as well as certain states' plans to reduce prison population (in part as a result of legalization of marijuana).
- Kennedy-Wilson, a manager of a diverse portfolio of assets in the U.S. and Europe, reduced Fund performance by 32 basis points as a result of arbitrage selling pressure after the company announced that it would acquire its European subsidiary for a combination of cash and stock, which was exacerbated by more selling pressure later in the quarter motivated by tax-loss consideration.
- Notably, the Fund's only two investments in regional malls (Aeon Mall Co and Westfield Corp.) both earned a spot on the top 10 contributors list.

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### 2017 ATTRIBUTION ANALYSIS

- For the full year, JARIX generated 653 basis points of positive alpha, with the vast majority of it (501 basis points) generated by stock selection.
- Specialty REITs generated by far the highest attribution (269 basis points) of any sector.

### NOTABLE CONTRIBUTORS AND DETRACTORS FROM PERFORMANCE DURING 2017

- Global Logistics Properties, a Singapore-based owner and operator of modern, high-throughput logistics facilities that support faster delivery times for e-commerce companies, was the Fund's top contributor for the year, adding 109 basis points to performance after it was acquired at a substantial premium to the Fund's cost basis and the private market value of its assets by a consortium of real estate private equity funds.
- NextDC (data centers in Australia) and BUWOG AG (residential assets in Germany and Austria), both top 10 contributors in the fourth quarter were the number two and three contributors for the full year with 91 basis points and 77 basis points, respectively (reflecting the Fund's investment strategy to identify "global best ideas" and hold them for the long term).
- In addition to NextDC, three of the Fund's other top 10 contributors own data centers: CyrusOne (76 basis points), CoreSite Realty (64 basis points), and Equinix (53 basis points), reflecting the Fund's investment strategy that favors owning specialty property types that enjoy significantly higher growth rates than the traditional core property types.
- New York REIT, an owner of class A office buildings in the New York City market, was the largest detractor from Fund performance in 2017, subtracting 88 basis points as a result of the company's election to discontinue its business operations and monetize its assets. The dissipation of ongoing franchise value resulted in the stock price moving from a premium to the private market value of its assets to a discount, and the reduction brought on tax-loss selling late in the quarter and year.
- Colony NorthStar (-85 basis points) and Kennedy-Wilson (-47 basis points) were the second- and third-largest detractors from performance over the year. Nevertheless, our conviction in our investment thesis and our belief in the inherent value of both companies is demonstrated by the Fund's continued investment in both positions as two of its largest holdings.

### 2012-2017 ATTRIBUTION ANALYSIS

- JARIX's 2017 performance contributed to the Fund's long-term record of outperformance, boosting its alpha generation over the period to 2,223 basis points with 1,238 basis points generated by stock selection.
- Specialty REITs continued as the sector with the highest alpha generation (759 basis points).

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### NOTABLE CONTRIBUTORS AND DETRACTORS FROM PERFORMANCE DURING 2017

We are pleased to report that the Q4 2017 distribution for the James Alpha Global Real Estate Investments Fund was paid on 12/27/17 at \$0.70 per share (on the I shares). This marks the **24<sup>th</sup> consecutive quarter that the Fund has had a positive distribution**, reflecting the execution of our income-enhancing overlay in an environment that has often been challenging. Looking ahead into 2018, we remain highly confident in our ability to execute on our strategy.

### DEFINITIONS

**FTSE EPRA/NAREIT Developed Global REIT Index:** An index whose constituents include publicly-traded real estate investment trusts (“REITs”) located on both domestic and foreign exchanges in developed countries. The Index includes securities of companies that derived in the previous full fiscal year at least 75% of its total earnings before interest, depreciation and amortization (“EBIDA”) from the ownership, trading and development of income-producing real estate.

JA Global Real Estate Investments Fund				
As of 12/31/17				
	1-Year	3-Year	5-Year	Since Inception
I Shares	17.32%	9.02%	7.98%	9.28%
A Shares (NAV)	16.78%	8.49%	7.29%	10.53%
A Shares (5.75% max load)	10.07%	6.36%	6.03%	9.52%

*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, 2018. The performance shown reflects the waivers without which the performance would have been lower. Total annual operating expenses before the expense reduction/reimbursement are 1.69% for A Shares, 1.44% for I Shares, and 2.44% for C Shares; total annual operating expenses after the expense reduction/reimbursement are 1.69% for A Shares, 1.19% for I Shares, and 2.37% for C Shares. 5.75% is the maximum sales charge on purchases of A Shares. A redemption fee of 2% will be levied on shares held 30 days or less; the performance data above does not reflect the deduction of the fee that would reduce the performance quoted. For more performance numbers current to the most recent month-end please call 888.814.8180. The inception date for A Shares and A Shares (5.75% max load) was October 26, 2009; Inception for I Shares was August 1, 2011.*

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### ABOUT THE AUTHOR, ANDREW J. DUFFY, CFA®

Andrew Duffy is the Senior Portfolio Manager of the Global Real Estate Investments Fund (JAREX/JACRX/JARIX), a mutual fund that invests in publicly-traded global REIT securities. Mr. Duffy has more than 25 years of global real estate securities investment experience.

Mr. Duffy co-founded Ranger Global Real Estate Advisors, LLC in 2016 and serves as the Chief Investment Officer. Prior he served as the Senior Portfolio Manager with Ascent Investment Advisors. Prior to joining Ascent Investment Advisors, Mr. Duffy was a Managing Director with Citigroup Principal Strategies, where he managed a long/short portfolio of global real estate securities. From February 2005 until January 2008 he was with Hunter Global Investors, L.P. where he was the Co-Portfolio Manager of the Hunter Global Real Estate Fund, LP. Before that he was a portfolio manager at TIAA-CREF for over six years, during which time he was directly responsible for managing over \$3 billion in global real estate equity and debt securities. Between 1993 and 1999, Mr. Duffy was a Senior Research Analyst at Eagle Asset Management, where he launched and managed a dedicated real estate securities investment program.

Prior to his career in investments, Mr. Duffy served for five years as an officer in the United States Army, where his assignments included serving in the 7<sup>th</sup> Special Forces Group and the 82<sup>nd</sup> Airborne Division. Mr. Duffy received a BS from the United States Military Academy at West Point in 1979 as a Distinguished Graduate (top 5% of class) and an MBA from Harvard Business School in 1986. He earned the Chartered Financial Analyst® designation in 1996.

### RISKS AND DISCLOSURES

**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 are also registered representatives of FDX Capital, LLC, member FINRA/SIPC. Saratoga Capital Management, LLC, FDX Capital, LLC and Ranger Global Real Estate Advisors, 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).***

As with any investment, there are multiple risks associated with REITs. Risks include declines from deteriorating economic conditions, changes in the value of the underlying property, and defaults by borrowers, to name a few. Please see the prospectus for a full disclosure of all risks and fees.

THE OPINIONS STATED HEREIN ARE THAT OF THE AUTHOR AND ARE NOT REPRESENTATIVE OF THE COMPANY. NOTHING WRITTEN IN THIS COMMENTARY OR WHITE PAPER SHOULD BE CONSTRUED AS FACT, PREDICTION OF FUTURE PERFORMANCE OR RESULTS, OR A SOLICITATION TO INVEST IN ANY SECURITY. 6036-NLD-1/12/2018

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