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 2018

At the beginning of the fourth quarter of 2018, most US domestic equity index investors felt spared by the consequences of the looming slowing global economy and an unreconciled China-US trade deal. In fact, the S&P 500 was up 10.56% (The Nasdaq and US Small Cap indices were up even more) far outperforming the international indices where trade fears and a stronger Dollar began to drive those indices negative in June of 2018. As we closed the third quarter, we wrote of our concern that the low correlation between US and non-US equities seemed unsustainable and merited a defensive equity approach like the Funds take. Obviously, that scenario came to be realized as US equity indices struggled with the idea that the FED would continue with a programmatic interest rate hiking process despite signs that the global economy was slowing. The debate over FED policy within a growingly bitter trade war drove US equities down at nearly twice the pace of many international indices. Fundamentally, however, the US economy continues to perform at an above trend rate. Labor data and consumer behavior continues to support the view that the US could avoid a recession in 2019. The markets, however, are often not driven by current economic data but by the expected change over the next six months extrapolated from financial markets' data. Bond market investors voted powerfully by flattening the US treasury yield curve to an almost zero slope on the 2-year to 10-year treasury bond curve. Admittedly, the FED was a bit clumsy at presenting any pragmatism and its reluctance to abandon the hawkish script early enough impacted asset allocation in the quarter. Another important trend - the year's technology outperformance became a significant source of liquidity as investors were spooked. Tech stocks underperformed lower Beta and higher dividend paying stocks such as utilities. **In the risk off environment where volatility rose, and equities suffered, the defensive equity fund's performance signature continued to reduce volatility and generate added value versus equities. We think the fourth quarter and year-to-date figures are a solid proof statement for the benefits of a volatility minded diversification enhancing approach going forward.**

US Equities

With a certain degree of trepidation, the US equity bull market came to a halt as fear overcame greed. The heretofore US equity outperformance case related to US economic dominance began to fail as investors recognized that peak earnings growth levels may have been seen in 2018. The well recognized headwinds translated into a bit of a flight for the exit environment in the lighter liquidity holiday and end of the year trading days. S&P 500 valuations, which entered the quarter at relatively elevated current year P/E levels (21.24) dropped to 16.06 at the December 24th lows. Certainly, the muted perspective on global growth had affected US expectations. As we left the quarter and moved into the new year, Chinese authorities began to announce economic stimulative measures and the Trump administration announced a March 1st extension deadline for the most aggressive of US tariff enforcement. While the government shutdown certainly had negative implications for the US perception, interestingly, investors have shown a great deal of confidence in a potential trade war resolution and the FED to remain dovish. The CBOE Volatility Index (VIX), a composite indicator of the S&P 500 options, which spiked to 36 in late December is now back below 20. **However, the reluctance of the index to resettle back into the more historic 10-15 level gives a sense that volatility players may be more skeptical than equity investors which have begun to buy back into equities despite the remaining uncertainties.** While no one likes to see an equity bear market, we find corrections are a natural part of keeping valuations reasonable and the potential of more severe adjustments to a minimum. The approach the Defensive Equity Funds take is designed to provide protection in severe downdrafts. This year, especially the fourth quarter of 2018 were just such periods. With the negative S&P 500 performance in the quarter (-13.52%), the Fund minimized the loss to -3.31%. On a year-to-date basis the Fund outperformed the long only S&P 500 by 5.91%, by providing a 1.52% return despite the market's difficulties. It is important to note that the Fund continues to outperform the Index on risk-adjusted measures, such as the Sharpe ratio and Sortino ratio with risk levels approximately a third of the Index. In recognition of these achievements, we were gratified recently to have been awarded a follow-on **4-star Morningstar rating** in the Options-Based category for December 31, 2018, based on risk-adjusted total return. Looking forward, uncertainty remains along economic and geopolitical lines that could make further equity gains harder earned until the trade war reaches a solution. As a result, we see many forces warranting higher levels of volatility that help increase the value of the defensive approach we use.

Emerging Markets Equities

The fourth quarter of 2018 continued the theme of risk aversion on concerns over the trade war, a strong dollar and a global economic recovery in doubt. The impact of a hawkish FED and strong US economic data continued to punish emerging markets (EM) equities downward. While some of the most visible flashpoints of Turkey and Argentina did calm down, other areas of focus such as Mexico, South Korea, and China continued to keep the index vulnerable. As those countries represent approximately 48% of the index and are very impacted by the continuing trade war (and political uncertainty in the case of Mexico), there was a sense that the EM Equity Index was going to continue to reflect a very bi-modal outcome based on the US-China dispute. The fourth quarter technology profit taking across the sector also hit the Chinese and Korean markets disproportionately where the higher Beta tech darlings of the EM equity sector have traditionally driven returns. Of course, the continuing tensions between the US and China worsened with the arrest and accusations of espionage of a senior executive of Huawei, a leading internet hardware firm. Chinese efforts to hold their ground on trade looked precarious as Chinese economic difficulties could require a return of trade and significant stimulus. Obviously, it is difficult to know whether the March 1st deadline set by the Trump administration for an agreement will be met. But our belief that the negotiation is a significant challenge requiring a comprehensive set of industrial and trade policy concessions from the Chinese makes it difficult to see a rapid agreement achievement. The lack of clear direction on trade makes the risks of a strong Dollar more tangible for EM countries. While the Fund's currency hedging was quite productive for the first three quarters of the year, with the more dovish tone coming out of the FED of late, Dollar strength has been toned down significantly. The need for a Dollar hedge, as a result, may drop and we will follow the implications of this for the Fund carefully. Over the fourth quarter the Emerging Markets Equity strategy provided a -0.50% return versus the long only EM Index (MSCI) -7.47% return. For the year the Emerging Markets Equity Fund is down -3.26% versus the Index at -14.58%, significantly muting volatility during the several bouts of fear. We do expect the stress around geopolitical and trade war fears to remain in place for the foreseeable future but think EM equities continue to possess the fundamentals of an interesting asset class once some of the overhangs clear. We believe Emerging Market Equities demonstrate more attractive valuations than the S&P 500 (on 11.62 vs. 17.13 P/E), and a better yield at 2.89% vs. 2.15%. Earnings growth, however, will be somewhat prey to the trade war and its resolution.

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As we have stated previously, Fed policy has clarified around a more dovish stance based on concerns over global growth. We question whether this truly signals a forward looking US economic slowdown. So far US data remains supportive of economic growth but the struggles to generate solid liftoff abroad continue to be a drag on Emerging Market equities. **Now that there has been a significant correction to equities in general and the EM equity class specifically, we think allocating assets to the EM class could be productive for longer term investors. But given our view that geopolitical and trade issues remain, however, we think the Defensive Equity approach may provide a more favorable risk adjusted return than being exposed to the full risk of the asset class.**

JA Managed Risk Domestic Equity Fund Objective: The Fund's primary investment objective is capital appreciation. By combining a domestic long equity core position with risk mitigation strategies, the Fund seeks to manage risk during significant equity market downturns and thereby enhance returns.

JA Managed Risk Emerging Markets Equity Fund Objective: The Fund's primary investment objective is capital appreciation. By combining a long emerging markets equity core position with risk mitigation strategies, the Fund seeks to manage risk during significant equity market downturns and thereby enhance returns.

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Performance

JA Managed Risk Emerging Markets Equity Fund

	As of 12/31/18			
	6-Month	**1-Year**	**3-Year**	**Since Inception** *8/3/2015*
I Shares	-1.85%	-3.26%	4.05%	0.94%
MSCI Emerging Markets	-8.49%	-14.58%	9.25%	4.38%

JA Managed Risk Domestic Equity Fund

	As of 12/31/18			
	6-Month	**1-Year**	**3-Year**	**Since Inception** *8/3/2015*
I Shares	-1.32%	1.52%	3.49%	2.54%
S&P 500	-6.85%	-4.38%	9.26%	7.47%

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, 2019. The performance shown reflects the waivers without which the performance would have been lower. 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.

Expense Ratios

	Managed Risk Emerging Markets Equity Fund			*Managed Risk Domestic Equity Fund*		
	I Shares	*A Shares*	*C Shares*	*I Shares*	*A Shares*	*C Shares*
Before Reimbursement	*2.92%*	*3.19%*	*3.94%*	*2.35%*	*2.80%*	*3.55%*
After Reimbursement	*2.48%*	*2.99%*	*3.74%*	*2.22%*	*2.68%*	*3.43%*

The Fund's investment adviser has contractually agreed to reduce its fees and/or absorb expenses until at least December 31, 2019 to ensure that net annual operating expenses of the I Shares, A Shares, and C Shares will not exceed 1.79%, 2.25%, and 3.0%, respectively, subject to possible recoupment from the Fund in future years.

Definitions

Beta: A measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. Beta is used in the capital asset pricing model (CAPM), a model that calculates the expected return of an asset based on its beta and expected market returns.

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."

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.

Sharpe Ratio: A measure for calculating risk-adjusted return, it is the average return earned in *excess* of the risk-free rate per unit of volatility or total risk. Generally, the greater the value of the Sharpe ratio, the more attractive the risk-adjusted return.

Sortino Ratio: Measures the risk-adjusted return of an investment asset, portfolio, or strategy.

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 Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The Morningstar

Rating does not include any adjustment for sales loads. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics.

Morningstar Rating is for the I share class only; other classes may have different performance characteristics.

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.

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.