Altegris Futures Evolution Strategy Fund EVOAX | EVOCX | EVOIX | EVONX

Market Commentary

It was a good quarter for global equity markets, which were buoyed by optimism of pro-growth fiscal policy in the US. The S&P 500 was up 6.1%, the MSCI EAFE was up 7.4%, and the MSCI EM index was up 14.0%. International and EM stock markets rallied the most as investors sought out stocks with lower relative valuations. International and emerging markets are trading at significantly lower valuations than the US, with forward P/Es for the MSCI EAFE of 14.8 and MSCI EM of 13.4, compared to the S&P 500 of 18.3. Any uncertainty regarding the Trump administration and its ability to turn campaign promises into policy was not reflected by the VIX Index, which measures expected volatility. Bullish fundamentals coupled with faith in Trump's pro-growth agenda led the "worry index" down 18% in the first quarter, its lowest quarterly average since the final months of 2006.[1]

Commodities - typically considered "risk on" investments - traded largely on supply and demand for the quarter versus macro sentiment. Despite the benefit of a weaker dollar, most commodities were negative for the quarter. Oil futures fell close to 10% as increased output from shale oil producers offset OPEC's agreement to scale back production. The exceptions were precious metals along with lumber and lead, which rallied over the period.

10-year treasury yields sit at 2.39% as of March 31st, 2017 - 5 bps lower than where they were at the end of 2016. In corporate credit, spreads continue to narrow. Investment Grade[2] was up 1.30% and High yield[3] rallied 2.60% for the quarter as yields continued to compress. High yield is currently yielding only 5.8% (YTM) as lower-than-average default rates, lower corporate risk taking and the recovery in the energy sector has made high yield seem less "junky" and more like an attractive solution to investors seeking yield.

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[1] Bloomberg.com
[2] Barclays U.S. Aggregate Credit Total Return Index
[3] Barclays High Yield Corporate Bond Index

Fund Performance

FUND RETURNS | As of 03/31/2017

	Q1 2017	Year to Date	1-Year	3-Year	5-Year	Since Inception*
EVOAX: Class A (NAV)	0.77%	0.77%	-3.89%	8.49%	4.92%	4.55%
EVOAX: Class A (max load) **	-5.04%	-5.04%	-9.44%	6.36%	3.68%	3.41%
EVOCX: Class C (NAV)	0.53%	0.53%	-4.57%	7.69%	4.16%	3.74%
EVOIX: Class I (NAV)	0.82%	0.82%	-3.66%	8.76%	5.20%	4.82%
EVONX: Class N (NAV)	0.78%	0.78%	-3.79%	8.53%	4.94%	4.55%
BofA Merrill Lynch 3-month T-Bill Index	0.10%	0.10%	0.36%	0.17%	0.14%	0.13%
SG Trend Index	-0.60%	-0.60%	-9.60%	5.87%	1.97%	2.17%
S&P 500 TR Index	6.07%	6.07%	17.17%	10.37%	13.30%	14.88%

** The inception date of Class A, Class I and Class N is 10/31/11; the inception date of Class C is 02/16/12. Past performance is not indicative of future results. Returns for periods longer than one year are annualized.*

*** The maximum sales charge (load) for Class A is 5.75% . Class A Share investors may be eligible for a reduction in sales charges.*

The total annual Fund operating expense ratio, gross of any fee waivers or expense reimbursements, is 1.97% for Class A, 2.72% for Class C, 1.72% for Class I, and 1.97% for Class N.

The performance data quoted here represents past performance, which is no guarantee of future results. Current performance may be lower or higher than the performance data quoted above. Investment return and principal value will fluctuate, so that shares, when redeemed, may be worth more or less than their original cost. The Fund's adviser has contractually agreed to reduce its fees and to reimburse expenses, at least until, to ensure that total annual Fund operating expenses after fee waiver and reimbursement will not exceed 1.94%, 2.69%, 1.69% and 1.94% of average daily net assets attributable to Class A, Class C, Class I and Class N shares, respectively, subject to possible recoupment in future years. This agreement may be terminated only by the Fund's Board of Trustees, on 60 days written notice to the adviser. Results shown reflect the waiver, without which the results could have been lower. A Fund's performance, especially for very short periods of time, should not be the sole factor in making your investment decisions. For performance information current to the most recent month end, please call (888) 524-9441.

The referenced indices are shown for general market comparisons and are not meant to represent any particular Fund.

Portfolio Performance Review

The SG Trend Index (trend-only managed futures) was down modestly on the quarter. Trend following managers struggled in aggregate as trends outside of stock index futures were hard to come by. The Fund outperformed this benchmark for the period on a relative basis. The Fund, excluding Class A max load, was positive for the quarter, thanks in large part to strong performance in February long global stock index futures. In fact, global stock index performance the overwhelming contributor to positive performance for the quarter as a whole. Currencies were also a positive in February specifically, as short positions in both the euro and pound were profitable for the Fund. Losses in January and March occurred for very similar reasons; specifically short crude oil, short precious metals, and short non-dollar (euro, yen and pound) currency positions all went against the Fund. In short, the most significant sustainable trend for the quarter was in stock indices, while the remaining sectors experienced fairly choppy price action in a market environment that was generally unfavorable for trend following strategies.

Manager Performance Review

Winton had a strong quarter relative to its peers, with sizable gains long global stock index futures. Losses were in precious metals, currencies, and energy futures – all areas in which previously strong trends experienced reversals. Gold, for example, experienced a downtrend price trend in the fourth quarter of 2016, and as a result, trend following managers were generally short gold. Gold rallied since mid-December 2016 whipsawing many managers including Winton. ISAM also experienced losses in fixed income (long in Europe), gold, energy (long natural gas) and in currencies (short pound) - the majority of which occurred in March. However, these losses were not offset by as significant of gains as Winton achieved in stock index futures. Stock index futures did contribute positively performance, simply to a lesser degree than Winton. ISAM also made gains in several commodity contracts including short cocoa, long lead, and long aluminum futures.

The Fund aims to achieve the majority of its returns from trend following managed futures. However, in most managed futures funds, the large allocation to cash is not actively managed. Rather than allocating to cash equivalents, the Fund allocates to three different fixed income strategies managed by DoubleLine Capital—Core, Low Duration and Opportunistic—with the aim of providing incremental returns. Over the course of 2015, we reduced the allocation to Core (which has the highest duration) while allocating more to the Low Duration and Opportunistic Strategies given the continued uncertainty around both US central bank policy and the direction of long-term interest rates. For the first quarter of 2017, the Core strategy was flat while both Opportunistic and Low Duration were squarely in the positive camp.

Portfolio Allocations

Managed futures portfolio allocations, as of quarter-end, remained unchanged with exposures to futures managers as follows: Winton: 82% and ISAM: 18%. As of quarter-end in the fixed income portfolio, target allocations to the three sub-strategies remain the same: 50% to the Low Duration Strategy, 30% to the Opportunistic Income Strategy, and 20% to the Core Fixed Income Strategy.

Portfolio Positioning

Positioning:

From a sector positioning standpoint, the Fund's managed futures allocation has the most risk (VaR-based) in long stock index positions at quarter end given the strong trend in equity prices both domestically and abroad. S&P 500 and EuroStoxx futures account for a majority of the long exposure. In fixed income, exposure varies by region; which is no surprise given Europe and Japan's central banks are still in easing mode. Accordingly, the Fund is long fixed income futures in Europe and Japan while slightly short fixed income futures in the US. Currency exposure is mixed, although the Fund remains short the euro, the pound and the yen, while long the US dollar and several commodity currencies (Canadian and Aussie dollars). In commodities, the Fund appears to be slowly transitioning from short gold to long gold, as the previously short gold trend comes to a close. At quarter end, the Fund was still marginally short along with short positions in crude as well as several grains and softs contracts. Long commodity exposure remains in base/industrial metals like copper, palladium and aluminum.

Outlook:

With unemployment below 5% and inflation now at 2.1%, the ingredients seem to be in place for the two additional rate hikes this year as forecast by the consensus. Coming into 2017, our belief was that the impact of fiscal expansion along with tax and regulatory relief would create a tailwind for the US economy. The Fed is closely watching policy developments and we think there is risk to the upside and we may see three additional rate moves. Meanwhile the prospect of Fed balance sheet normalization may also pressure interest rates to the upside.

More globally, both Europe and Japan are still in their own phases of quantitative easing. In Europe, the upcoming election in France on May 7th should be closely watched. While the election of Trump has only buoyed markets and the Brexit proved to be a mere speedbump, this particular vote between a centrist (Emmanuel Macron) and a far-right populist (Marine Le Pen) in France may have larger consequences. If elected, Le Pen, promises to put the Bank of France back in charge of the country's finances, which could in turn lead to "Frexit" worries; hence destabilizing the EU and the euro currency. Conversely, should Macron win, there's a possibility that the centrists unite (Mark Rutte from the Netherlands and Angela Merkel of Germany– assuming she wins) to lead a stronger European Union. We have no intention of calling the French election either way, but we do believe investors should be ready for market volatility leading up to the election period. The unknowns surrounding Britain's hard Brexit may also contribute to volatility in Europe.

Our outlook for the remainder of the year continues to lean toward a positive outlook for global equity markets. The risks to that thesis are numerous and the potential for fatter tails, e.g. large market disruptions, appears to be higher. With a forward P/E of 18.3 and a trailing 12-month P/E of 24.8 on the S&P 500, US companies will need the tailwinds of fiscal spending and regulatory and tax relief to improve earnings in order to substantiate these high valuations going forward. Ever present in the background is the risk of geopolitical turmoil – be it the French election or the prospect of trade and currency "wars" – that can disrupt markets. While investors should continue to stick with the trend of upside potential for global markets, keeping a keen eye on risk is more important than ever right now. Strategies typically uncorrelated to traditional asset classes - such as managed futures – may potentially provide investors with long-term solutions for hedging those risks and diversifying portfolios.

This commentary reflects the views of the portfolio managers through 03/31/2017. The managers' views are subject to change as market and other conditions warrant. This commentary is provided for informational purposes only and should not be construed as investment advice. No forecasts are guaranteed. There is no guarantee that any investment will achieve its objectives, generate profits or avoid losses.

Fund Objective

The Fund seeks to achieve long-term capital appreciation.

Managed Futures Manager Exposure[1]

	Winton	ISAM
Exposure	82%	18%

The Fund's access to managers and the percentage exposures to each listed above are presented to illustrate examples of the diversity of managers accessed by the Fund through its managed futures investments, but may not be representative of the Fund's past, or its future, access and exposure to managed futures managers, sub-strategies and programs. It should not be considered a recommendation or investment advice. With respect to the remainder of Fund assets not invested in managed futures investments via a wholly-owned subsidiary, the Fund pursues a fixed income strategy managed by the fixed income sub-adviser, DoubleLine Capital, L.P., which is not reflected in the table above.

[1] The managed futures investments selected by Altegris Advisors to gain exposure to the managed futures managers, strategies and programs are subject to change at any time, and any such change may alter the Fund's access and percentage exposures to each such manager, strategy and program. Although the Fund currently pursues its managed futures strategy by investing up to 25% of its total assets in a wholly-owned subsidiary, the Fund may also make managed futures investments directly, outside of such subsidiary.

Index Descriptions

An investor cannot invest directly in an index. Moreover, indices do not reflect commissions or fees that may be charged to an investment product based on the index, which may materially affect the performance data presented.

Global Equity. MSCI World Index is a free float-adjusted market capitalization weighted index that measures equity market performance of 24 developed market country indices.

Managed Futures. The SG Trend Index, which is equal-weighted and reconstituted annually, calculates the net daily rate of return for a group of 10 trend following CTAs selected from the largest managers open to new investment.

Treasury Bills. BofA Merrill Lynch 3-month T-bill Index is an unmanaged index that measures returns of three-month Treasury bills.

US Stocks. The S&P 500 Total Return Index is the total return version of S&P 500 index. The S&P 500 index is unmanaged and is generally representative of certain portions of the U.S. equity markets. For the S&P 500 Total Return Index, dividends are reinvested on a daily basis and the base date for the index is January 4, 1988. All regular cash dividends are assumed reinvested in the S&P 500 index on the ex-date. Special cash dividends trigger a price adjustment in the price return index.

Commodities. The S&P GSCI Total Return Index in USD is widely recognized as the leading measure of general commodity price movements and inflation in the world economy. Index is calculated primarily on a world production weighted basis, comprised of the principal physical commodities futures contracts. The Thomson Reuters Equal Weight Commodity Index is the CRB index in its original equal weight form from 1957.The CRB index has undergone periodic updates as commodity markets have evolved and is now known as the Thomson Reuters/CoreCommodity CRB Index (TR/CC - CRB Index), consisting of 19 commodities.

Fixed Income. The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).

	Representative Index	Characteristics	Key Risks
Global Equity	*MSCI World Index*	*Measures equity market performance of 24 developed markets*	***Market risk.*** *Prices may decline.* ***Country/regional risk.*** *World events may adversely affect values.*
Managed Futures	*SG Trend Index*	*Calculates the net daily rate of return for a group of 10 trend following CTAs selected from the largest managers open to new investment.*	***Market risk.*** *Prices may decline.* ***Leverage risk.*** *Volatility and risk of loss may magnify with use of leverage.* ***Country/regional risk.*** *World events may adversely affect values.*
Treasury Bills	*BofA Merrill Lynch 3-month T-Bill Index*	*Short-term debt obligations of the US Government with a 3-month maturity*	***Interest rate risk.*** *Value will decline if interest rates rise.*
US Stocks	*S&P 500 Total Return (TR) Index*	*500 US stocks;* *Weighted towards large capitalizations*	***Stock market risk.*** *Stock prices may decline.* ***Country/regional risk.*** *World events may adversely affect values.*

Risks and Important Considerations

Please carefully consider the investment objectives, risks, charges and expenses of the Altegris Futures Evolution Strategy Fund. This and other important information is contained in the Fund's Prospectus and the Summary Prospectus, which can be obtained by calling (888) 524-9441. Read the prospectus carefully before investing.

Funds are distributed by Northern Lights Distributors, LLC. Altegris Advisors and Northern Lights Distributors, LLC are not affiliated.

MUTUAL FUNDS INVOLVE RISK INCLUDING POSSIBLE LOSS OF PRINCIPAL.

The value of fixed income securities, including preferred stock, will typically fall when interest rates rise. Additionally, fixed income securities are subject to credit risk, which refers to an issuer's ability to make interest and principal payments when due, and risk of default. Asset or mortgage-backed securities are subject to prepayment risk. Below investment grade and lower quality high yield or junk bonds present heightened credit risk, liquidity risk, and potential for default. Investing in defaulted or distressed securities is considered speculative. REITs are subject to market, sector and interest rate risk.

Investing in commodity futures markets subjects the Fund to volatility as commodity futures prices are influenced by unfavorable weather, geologic and environmental factors, regulatory changes and restrictions. Trading on foreign exchanges and foreign investments including exposure to foreign currencies, involve risks not typically associated with U.S. investments, including fluctuations in foreign currency values, adverse social and economic developments, less liquidity, greater volatility, less developed or inefficient trading markets, political instability and differing auditing and legal standards. These risks are magnified in emerging markets.

The use of derivatives such as futures, swaps, structured notes, and options contracts expose the Fund to additional risks such as leverage risk, tracking risk and counterparty default risk that it may not be subject to if it invested directly in the underlying securities. Although futures contracts are generally liquid, under certain market conditions there may not always be a liquid secondary market. Option positions held may expire worthless and cause a loss. Managed futures programs accessed by the Fund may be traded with additional notional funding. The use of leverage can increase share price volatility and magnify gains or losses, as well as cause the Fund to incur additional expenses.

The Fund may engage in short selling and short position derivative activities which are considered speculative and involve significant financial risk. Short positions profit from a decline in price so the Fund may incur a loss on a short position if the price increases. The potential for loss in shorting is unlimited. Shorting may also result in higher transaction costs which reduce return.

Investing in commodities through a controlled foreign corporation Subsidiary involves taxation and regulatory risk. Where applicable, income received from commodities-related investments will be passed through to the Fund as ordinary income, which may be taxed at less favorable rates than capital gains. Changes in applicable foreign and domestic laws could result in the inability of the Fund and/or Subsidiary to operate.

Underlying Pools in which the Subsidiary invests will pay management fees, commissions, operating expenses and performance based fees to each manager it retains. As a result, the cost of investing in the Fund may be higher than a mutual fund that invests directly in securities. There is no guarantee that any of the trading strategies used by the managers retained willbe successful. The adviser's judgments about the investment expertise of each manager accessed may prove to be inaccurate and may not produce the desired results.

Altegris Advisors

Altegris Advisors, LLC is a CFTC-registered commodity pool operator, commodity trading advisor, NFA member, and SEC-registered investment adviser that sponsors and/or manages a platform of alternative investment products.

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