Altegris/AACA Opportunistic Real Estate Fund RAAAX | RAAIX | RAANX

Market Commentary

The first quarter 2017 was the first full quarter under a new President. Optimism in the business community is high, particularly as it regards regulatory relief. This optimism has shown up in the stock market in higher prices. Meanwhile as this optimism takes hold the Federal Reserve has clearly telegraphed their intention to tighten and increase the Fed Funds rate in 2017. The Funds Class I[1] shares significantly outperformed the Dow Jones US Real Estate TR Index at +8.76% vs. +3.22% in Q1. Also in late 2016, the Fund won Hedge Fund Magazine's US Hedge Fund Performance Award[2] for 40 Act Equity Funds, beating 77 entrants in the category. This past February, Morningstar rated the Fund's Class I shares five stars out of 235 real estate funds as of February 28th, 2017, its highest rating.[3]

The early consensus was that the new administration will bring with it some combination of corporate and personal tax cuts, regulatory relief, overseas profit repatriation, tax relief and potential tariffs. Having failed to easily replace the Affordable Care Act (ACA), it's not so clear that tax reform will be easy or fast either. Having said that, the regulatory relief from overreaching Federal agencies is happening and this bodes well for banking and real estate.

We remain focused on sectors with strong same store NOI growth potential. The portfolio (as always) is constructed with companies which we feel have secular growth opportunities, few competitors and structural barriers to entry for new companies. This includes data centers and cell phone towers. According to IBM, 90% of the data in the world today was created in the last two years. As we look at new applications –everything from self-driving cars to smart fabrics – we see no letup in this trend or investment opportunity. We have increased our exposure to infrastructure as well this quarter. Generally speaking infrastructure assets are long term assets (toll roads, pipelines, energy distribution, airport and sea ports etc.) with long term, inflation indexed cash flows.

[1] There are other share classes with different performance for this time period. See Fund performance on page 2.
[2] A panel of judges, comprised of independent industry professionals, appointed by HFM, determined the winners based on a combination of quantitative and qualitative data.
[3] Altegris/AACA Opportunistic Real Estate Fund Class I shares 3-year rating out of 235 real estate funds as of 02/28/2017.

Morningstar Ratings measure risk-adjusted returns. The Overall Morningstar Rating™ for a fund is derived from a weighted average of the performance figures associated with its 3-, 5-, and 10-year (if applicable) rating metrics. Past performance is no guarantee of future results. For the most recent month-end performance, please visit www.altegris.com/raaax.

Fund Performance

FUND RETURNS | As of March 31, 2017

				Annualized Return		
	Q1 2017	Year to Date	1-Year	3-Year	5-Year	Since Inception*
RAAAX: Class A (NAV)	8.69%	8.69%	21.80%	13.19%	12.53%	12.64%
RAAAX: Class A (max load)**	2.47%	2.47%	14.79%	10.97%	11.21%	11.56%
RAAIX: Class I (NAV)	8.76%	8.76%	22.03%	13.39%	12.68%	12.76%
RAANX: Class N (NAV)	8.70%	8.70%	21.72%	13.13%	12.52%	12.63%
Dow Jones US Real Estate TR Index	3.22%	3.22%	5.58%	9.88%	9.53%	9.77%
S&P 500 TR Index	6.07%	6.07%	17.17%	10.37%	13.30%	12.47%

** The inception date of the Predecessor Fund was February 1, 2011. 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 3.35% for Class A, 3.10% for Class I and 3.35% for Class N.*

It is important to note that the Altegris/AACA Opportunistic Real Estate Fund inherited the track record of its predecessor, the American Assets Real Estate Securities, L.P. ("Predecessor Fund"), which was managed by AACA, the Fund's sub-adviser. The Predecessor Fund was not registered under the Investment Company Act of 1940. The Predecessor Fund, since its inception on February 1, 2011, was managed by AACA in the same style, and pursuant to substantially identical real estate long short strategies, investment goals and guidelines, as are presently being pursued on behalf of the Fund by AACA as its sub-adviser.

The performance quoted for Class A, Class I and Class N shares for periods prior to 1/9/2014 is that of the Predecessor Fund (while it was a limited partnership), and is net of applicable management fees, performance fees and other actual expenses of the Predecessor Fund. From its inception on February 1, 2011 through January 9, 2014, the Predecessor Fund was not subject to the same sales loads applicable to certain classes of Fund shares or the investment restrictions, diversification requirements, limitations on leverage and other regulatory or Internal Revenue Code restrictions of the Fund, which might have reduced returns. The performance of each class of shares of the Fund will differ as a result of the different levels of fees and expenses applicable to each share class.

The Fund's adviser has contractually agreed to reduce its fees and to reimburse expenses, at least until December 31, 2017, to ensure that total annual Fund operating expenses after fee waiver and/or reimbursement will not exceed 1.80%, 1.55%, and 1.80% of average daily net assets attributable to Class A, 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 Fund's adviser.

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 costs. 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.

Portfolio Performance Review

The portfolio's top five attributors this quarter were: Cadiz, CyrusOne, Brookfield Infrastructure Partners, American Tower, and CoreSite Realty.

- Cadiz ("CDZI"): Water. Cadiz is a company that owns significant water reserves in the Mojave Desert, with signed letters of intent to sell water to a number of water agencies in Southern California. The Project was independently approved by both the Santa Margarita Water District ("SMWD") and the County of San Bernardino ("County") in 2012 and this review was subsequently sustained in 6 sweeping trial court victories against all challenges in 2014. Appeals of these cases have been fully dismissed by the courts. The shares have rallied on news that the BLM is in process of retracting the non-binding ruling delaying the project and one of the final hurdles facing the project. The Cadiz project was featured as #15 on a list of 50 infrastructure projects the Trump Administration wants to fast track. The shares have rallied significantly since the election in November as the probability of the project's realization appears to be increasing. CDZI continues to move forward, we expect that they will continue to complete the remaining milestones for the Project. The Project has also made significant engineering progress this past year, having mapped the approved well field, drilled numerous test wells and advanced water treatment plans. The Company remains committed to completing the Project on schedule with deliveries of water projected to begin in 2018. The Cadiz water project is poised to add water supply, security, and redundancy to the southern California water system. We believe that a completed project would be very valuable and could produce excellent returns for shareholders.
- Cyrusone ("CONE"): Data centers. CONE owns and develops purpose built high quality data centers leased to Fortune 1000 users. The company, in our opinion, has a unique development approach called massively modular, which allows it to scale development more accurately to leasing speed. They also have a unique approach to selling electrical capacity to different types of users with different redundancy needs. CONE and the data centers sector continued to surprise to the upside.
- Brookfield Infrastructure Partners ("BIP"): Infrastructure. BIP owns and operates utilities, transport and energy businesses in North and South America, Australasia and Europe. We believe BIP's business to be both defensive and to have good growth prospects – both of which may explain the stock's strong performance relative to the real estate index in the quarter.
- American Tower ("AMT"): Cell Towers. AMT is the largest and most diverse cell tower operator in the world, with a portfolio of about 100,000 sites across 14 countries. AMT has been the most aggressive operator in international expansion with about 1/3 of revenue coming from outside the US. International markets are typically 5-10 years behind the US market in carrier investment and mobile penetration and as such, international markets have been growing faster than domestic markets over the past few years. AMT targets AFFO growth in mid-teens (organic growth is high-single digit returns the rest from acquisitions) and a robust underwriting discipline may generate long-term value for shareholders.
- CoreSite ("COR"): Data Centers. COR owns, operates and develops high quality data centers in 8 strategic markets across the USA. COR offers colocation and interconnection solutions for networks, cloud and information technology service providers and enterprise companies spanning a range of industries. COR and the Data Centers sector continue to perform well due to the strong "Internet of Things" trend.

The portfolio's top five detractors this quarter were: MGM Resorts International, Federal Realty Trust, Northstar Realty Finance, Taubman Centers, and The 13 Holdings.

- MGM Resorts International ("MGM") (Gaming) — MGM is a U.S. based gaming company with exposure primary in Las Vegas and Macau. While the Macau gaming market has faced significant headwinds over the past two years, it bottomed this summer and the last two quarters have resumed strong growth. The Las Vegas market is consistently producing strong fundamentals. We believe the gaming sector may have bottomed both from a valuation basis and politically as well. MGM has received attention recently from successfully completing a REIT conversion which helped unlock some of the value of MGM's real estate portfolio through tax efficiency. MGM is also on target to realize its profit growth plan of an additional $400M. The shares slid in the quarter due to the gaming sector consolidating in general and specifically to MGM, market's reaction to MGM's Q416 earrings call not measuring up to inflated expectations.
- Federal Realty Trust ("FRT") (Retail) — FRT specializes in the ownership, management and redevelopment of almost 100 retail and mixed-use properties located primarily in affluent communities in selected metropolitan markets in the Northeast and Mid-Atlantic regions of the United States, as well as in California and South Florida. We believe FRT's drug and grocery anchored shopping centers are the best portfolio owned by a public company. However the entire retail sector has struggled recently with weak sales as ecommerce continues to take a larger percentage of retail sales. We are significantly underweighted to retail in both open air centers and malls. We are mindful that Sears and JC Penney continue to struggle and large swaths of retailers are closing the portions of their footprint that are in the bottom percentages. Over long periods of time this may prove to be a tide too difficult to swim against.
- Northstar Realty Finance ("NRF") (Asset Manager) — NRF invests in multiple asset classes across commercial real estate including healthcare, hotel, manufactured housing communities, net lease, multifamily properties and international real estate. NRF also invests in other opportunistic real estate investments, such as indirect interests in real estate through real estate private equity funds. NRF split itself in two creating Northstar Asset Management (NSAM) and NRF. Initial reaction was positive and subsequent reaction was negative as the split created conflicts that were poorly explained. Since then, both NSAM and NRF have been acquired by Colony Capital (CLNS). Colony Northstar missed 1Q earnings expectations and we exited the position.
- Taubman Centers ("TCO") (Retail) — TCO owns, develops and manages regional shopping malls. TCO has the highest quality (in sales per square foot) mall portfolio consisting of 23 mall in the United States and recent expansions into Puerto Rico, South Korea, and China. The Company's Puerto Rico asset has been slow to ramp and this has placed a cloud on all international developments. We believe TCO is perhaps the best, mall company; however the entire retail sector has struggled recently with weak sales as ecommerce continues to take a larger percentage of retail sales. See FRT above for additional color.
- 13 Holdings ("XIII") (Gaming) — XIII is a Macau based gaming company developing a parcel of land situated on the Cotai Strip. The XIII project will encompass an ultra-luxurious hotel and casino, as well as a lifestyle experience, including the first Michelin 3-Star Parisian restaurant in Macau, and a collection of exclusive retailers. The Company has faced a funding shortfall and is lining up the final capital it needs for its scheduled soft open in July and full grand opening later in Q3. Meanwhile the macro environment has turned decidedly positive and we believe the shares are undervalued. The shares slid in the quarter due to the gaming sector consolidating in general.

Portfolio Positioning

The portfolio is positioned in secular real estate growth opportunities that offer the opportunity to high quality same store NOI growth which results in higher asset values cash flow and dividends. We have no exposure to sectors which we feel would fare worst in the upcoming Fed Tightening Cycle – Health Care and Triple Net; in our opinions are these sectors are depend only on raising new capital and buying new assets. These types of business plans typically underperform in rising rate environments.

Many REITs have adjusted in price and more than 65% of the SNL REIT Index names are trading at a discount to NAV as of 3-31-2017. In our opinion, this is the markets acceptance of higher rates down the road influencing cap rates.

Recall that our focus is on ownership of companies that own real estate in which the tenant is denied choice. This is most prevalent when some subset (or all) of these characteristics is in place: 1) the sub-sector of real estate is a monopoly, duopoly or oligopoly, 2) there are high barriers to entry for new competitors, 3) there are high barriers to tenants leaving/exiting buildings, and 4) the basic underlying economics of the tenant's business is healthy. We have found that when these four characteristics are present, companies in that space can potentially generate consistently higher same store net operating income growth over long time periods. Typically 65% to 80% of the portfolio is invested in sectors and companies that exhibit these characteristics.

Fund Objective

The Fund seeks to provide total return through long-term capital appreciation and current income by investing, both long and short, in equity securities of real estate and real estate related companies.

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.

Dow Jones US Real Estate Total Return (TR) Index. Total return version of the Dow Jones US Real Estate Index, and is calculated with gross dividends reinvested. The base date for the index is December 31, 1991 with a base value of 100.

The S&P 500 Total Return Index. 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 US 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.

	Representative Index	Characteristics	Key Risks
Real Estate	*Dow Jones US Real Estate Total Return (TR) Index*	*Comprised primarily of real estate investment trusts (REITs)*	***Stock market risk.*** *Stock prices may decline.* ***Industry risk.*** *Adverse real estate conditions may cause declines* ***Interest rate risk.*** *Prices may decline if 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.*

MORNINGSTAR RATING™ For each fund with at least a 3-year history, Morningstar calculates a Morningstar Rating based on a risk-adjusted return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receives 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 (each share class is counted as a fraction of one fund and rated separately).

Risks and Important Considerations

Please carefully consider the investment objectives, risks, charges and expenses of the Altegris/AACA Opportunistic Real Estate Fund. This and other important information is contained in the Fund's 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.

Equity securities such as those held by the Fund are subject to market risk and loss due to industry and company news or general economic decline. Equity securities of smaller or medium-sized companies are subject to more volatility than larger, more established companies. The concentration in real estate securities entails sector risk and greater sensitivity to overall economic conditions as well as credit risk and interest rate risk.

The Fund will 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. The use of derivatives, such as futures and options involves additional risks such as leverage risk and tracking risk. Long options positions may expire worthless. The use of leverage will cause the Fund to incur additional expenses and can magnify the Fund's gains or losses.

Foreign investments are subject to additional risks including currency fluctuation, adverse social and economic conditions, political instability, and differing auditing and legal standards. These risks are magnified in emerging markets. Preferred stock and convertible debt securities are subject to credit risk and interest rate risk. As interest rates rise, the value of fixed income securities will typically fall. Credit risk, liquidity risk, and potential for default are heightened for below investment grade or lower quality debt securities, also known as "junk" bonds or "high-yield" securities. Any ETFs held reflect the risks and additional expenses of owning the underlying securities.

Higher portfolio turnover may result in higher costs. The manager or sub-adviser's judgments about the value and potential appreciation or depreciation of a particular security in which the Fund invests or sells short may prove to be inaccurate and may not produce the desired results. The Fund is non-diversified and may invest more than 5% of total assets in the securities of one or more issuers, so performance may be more sensitive to any single economic, business or regulatory occurrence than a more diversified fund.

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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