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

Market Commentary

Q2 was not an easy quarter for strategies that typically exhibit low correlation to traditional markets. Equities and credit were up yet again; the S&P 500 gained 3.09% during Q2 while the Barclays Aggregate Bond index gained 1.45%. Strategies that were long of equities and credit performed well during the quarter overall, particularly fundamental managers that avoided declining sectors such as technology and utilities. Unfortunately, currencies, commodities and sovereign fixed income markets experienced choppy (aka sideways) price action – the proverbial kryptonite for longer-term, momentum-based managed futures managers. These markets experienced several periods of brief, yet strong rallies, only to reverse course. For example, early in 2017, bonds yields rose and prices declined as investors were more sanguine on the economy. As the year progressed, bond investors grew more pessimistic, worrying that the economy was weaker than previously thought. Most managed futures managers were short bonds as that was the prevailing trend. As sentiment shifted, and bonds briefly rallied, momentum managers lost money on their shorts. Markets then reversed again after the Fed raised rates; bond prices declined again while yields rose. This was particularly true during the last week of June. Losses were also in currencies for similar reasons. Trend following managers held onto long positions in the US dollar versus the euro and the yen since the beginning of the year, leading to losses as the euro rallied over the quarter. We also saw strong whipsaws in some of the emerging currencies, including the Brazilian Real, which experienced a large single day sell-off on in May as President Temer found himself embroiled in corruption charges. In energy, crude oil also experienced whipsaws; WTI futures hit lows of $45/barrel, then rallied to over $50, reversed course to $42, then rallied yet again the last week of June.

Fund Performance

FUND RETURNS | As of 06/30/2017

	Q2 2017	Year to Date	1-Year	3-Year	5-Year	Since Inception*
EVOAX: Class A (NAV)	-2.58%	-1.82%	-7.36%	5.30%	4.92%	3.87%
EVOAX: Class A (max load) **	-8.19%	-7.49%	-12.68%	3.26%	3.69%	2.79%
EVOCX: Class C (NAV)	-2.66%	-2.14%	-8.02%	4.57%	4.18%	3.04%
EVOIX: Class I (NAV)	-2.42%	-1.62%	-7.05%	5.60%	5.23%	4.15%
EVONX: Class N (NAV)	-2.58%	-1.82%	-7.35%	5.34%	4.95%	3.87%
BofA Merrill Lynch 3-month T-bill Index	0.20%	0.31%	0.49%	0.23%	0.17%	0.16%
SG Trend Index	-4.43%	-5.25%	-12.71%	2.36%	1.26%	1.22%
S&P 500 TR Index	3.09%	9.34%	17.90%	9.61%	14.63%	14.79%

** 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

On the quarter, the Fund was down just under 3% (excluding Class A max load**) while the SG Trend Index was down ~5%. While we are never pleased with a negative quarter, we are encouraged by another strong quarter relative to the trend following managed futures benchmark. In a nutshell, losses in foreign exchange, energies and sovereign fixed income were greater than the gains from long stock index futures for the quarter. As previously mentioned, momentum-based strategies such as Winton and ISAM fared worse over the quarter relative to shorter-term or more specialized managers, as multiple markets experienced several price reversals. In the face of these momentum headwinds, however, Winton and ISAM both held their own. Winton's more conservative approach allowed for greater participation in the prevailing equity uptrend, while avoiding pronounced exposure to the more sideways markets. This type of performance (shallower losses during periods of negative trend performance) is expected from Winton. What is unexpected is ISAM's relative outperformance. Given ISAM's "pure" trend following approach, enhanced volatility profile, and "faster" systems (e.g. they are willing to latch on to emerging trends more quickly than Winton); one would have expected a significantly worse quarter for ISAM. Though performance for the manager has been negative over this difficult period for managed futures, ISAM's losses in Q2 were contained given their trading approach. While the managers accessed by the Fund performed relatively well, it was the allocation to DoubleLine that set the Fund apart from its peers this quarter. The DoubleLine allocation was strongly positive for the quarter, offsetting a portion of the losses from the managed futures side of the portfolio.

It should be said that it has certainly been a difficult period for trend followers in general. We recognize that it can be frustrating. A defining trait of managed futures strategy is that the strategy weathers such periods; it has historically and likely will again. We take some solace in the fact that this Fund has outperformed many of its peers, and certainly the index, both this quarter and since the Fund's inception. That said, we acknowledge that losses aren't easy to bear, especially when a non-correlated strategy is the only negative print on an investor's statement. It's an important time to remember why we invest in managed futures in the first place, and why having uncorrelated assets such as managed futures in one's portfolio is, in our opinion, essential to having a well-diversified portfolio.

Manager Performance Review

Winton made significant gains long stock index futures as the bull market tallied yet another positive quarter. S&P 500 and Nasdaq 100 E-mini futures were the top gainers along with long Hang Seng Futures. Losses were primarily in FX, energy and bonds. Short yen and euro positions vs. the dollar were the largest detractors as both currencies strengthened. For ISAM, losses were more diversified among sectors including bonds, base metals, energies, and grains futures. FX was also a detractor, although principally in more commodity related futures such as the Aussie and Canadian dollars. For ISAM, June's performance stung the worst. The first part of the month exhibited increased trendiness – trends in which ISAM's faster systems identified in bonds, energies, equities and more agriculturally focused futures. The last week in June, positions in these sectors experienced significant reversals, turning what was shaping up to be a positive month into one that was negative.

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 second quarter, all three strategies were positive.

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 net short Commodities. This is a change from the last quarter, where long Stock Index futures dominated exposure. Stronger, downward trends in commodities have emerged; it's welcome to have momentum in another sector beyond equities. Short crude oil and short soybean products are two of the fund's larger risk positions. Stock Index exposure remains elevated; however, given prevailing trends. Long S&P and Nasdaq futures along with long EuroStoxx and Hang Seng futures remain some of the larger positions. Currencies are notably short the yen and the British pound. The lowest level of risk remains in Fixed Income futures. Long European and Japanese fixed income dominated exposure at quarter end.

Outlook:

Back in 2013, then Fed Chairman Ben Bernanke intimated that the Fed would cease feeding the proverbial economic beast via quantitative easing. More specifically, Bernanke was signaling that the Fed would stop purchasing bonds, which in turn caused ephemeral panic. Bond yields spiked until investors realized that tapering was not reversing the spigot. Specifically, stopping massive purchases with the goal of keeping interest rates low wouldn't impact the economy as adversely as surmised; further, any rate hikes would be slow and gradual. And this was indeed the case. As of now, Fed funds sits at 1.25% (well below historical averages), with further rate hikes possible for the remainder of the year. Financial markets performed remarkably well despite lingering geopolitical uncertainty. Stability in the Eurozone along with the market's apparent imperviousness to smaller, more frequent terrorist attacks made for a relatively calm second quarter at least from a financial market perspective. We believe the concern is that the Taper Tantrum part II could be around the corner – and this time it could be more global. The ECB, the Bank of England and others have discussed reducing their bond buying programs while the Fed governors here in the US are considering reducing their balance sheet – namely selling bonds. Yellen and her central bank peers will need to exercise caution and precision with their public statements as asset prices can very quickly reflect panic. As we shift from an economy anchored by QE to one that is more driven by fundamentals, our view is that markets could assume some levels of normal volatility.

This commentary reflects the views of the portfolio managers through 06/30/2017. 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 will be 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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