Altegris Managed Futures Strategy Fund MFTAX | MFTCX | MFTIX | MFTOX

Market Commentary

Equities faced a challenged start to the fourth quarter. Markets sold off on hawkish comments from Jerome Powell, Chair of the US Federal Reserve. The correction was especially felt in the tech sector, led by FANG stocks (Facebook, Amazon, Netflix and Google) that sold off after earnings reports. The correction spread across international markets, which also were down. Mid-quarter US and international markets partially recovered, only to continue their corrections towards the end of the year on the back of potential for additional rate hikes in 2019, and on implied uncertainty from the Trump administration regarding the Fed's autonomy.

In fixed income, the US Treasury yield curve continued its gradual flattening trend, with shorter maturity bills experiencing yield rises, and medium- and longer-maturity notes and bonds seeing falls in yield. The 2-year / 10-year spread finished the quarter at 21 basis points, down from 24 basis points at the end of last quarter. Intra-quarter the spread hit a low of 11 basis points in early December. On average, the entire yield curve compressed 17 basis points from the beginning to the end of the quarter.

In commodities, trade tensions from last quarter spilled into this quarter, as did continued concerns regarding sustainability of macroeconomic growth. Oil prices saw a steady trend downwards, and ended lower than at the start of the year. Natural gas saw a substantial spike in prices mid-quarter on limited supply and an unusually cold start to the winter, only to quickly retreat towards the end of the quarter. Precious metals started the quarter flat, only to see prices rise during the end-of-year risk selloff. Softs and grains were mixed; coffee and sugar experienced rising prices at the start of the quarter, but soybean and wheat were generally trendless in an overall choppy period.

Lastly, in FX results were mostly down or flat, as the USD strengthened overall against a weighted basket of currencies. In developed markets, the euro and the British pound were down and the Japanese yen was up given the risk-off sentiment. Within emerging markets, relative to USD, the Mexican peso was down on political turbulence at the beginning of the quarter, and the Brazilian real and Korean won were flat. The Indian rupee was up, buoyed by reduced inflation figures that were published by the Indian central bank.

Fund Performance

FUND RETURNS | As of December 31, 2018

	Q4 2018	Year to Date	1-Year	3-Year	5-Year	Since Inception*
MFTAX Class A (NAV)	-3.50%	-5.77%	-5.77%	-0.88%	0.90%	-0.66%
MFTAX Class A (max load)**	-9.08%	-11.20%	-11.20%	-2.82%	-0.29%	-1.36%
MFTCX Class C (NAV)	-3.67%	-6.50%	-6.50%	-1.62%	0.11%	-2.12%
MFTIX Class I (NAV)	-3.52%	-5.65%	-5.65%	-0.66%	1.14%	-0.42%
MFTOX Class O (NAV)	-3.50%	-5.77 %	-5.77 %	-0.84%	0.90%	-0.16%
BofA Merrill Lynch 3-month T-bill Index	0.56%	1.88%	1.88%	1.02%	0.63%	0.41%
MSCI World Index	-13.42%	-8.71%	-8.71%	6.30%	4.56%	9.11%
SG CTA Index	-2.46%	-5.84%	-5.84%	-2.06%	1.58%	0.35%

** The inception date of Class A and Class I is 08/26/10; the inception date of Class C is 02/01/11; the inception date for Class O is 03/13/13. 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 2.18% for Class A, 2.92% for Class C, 1.89% for Class I, and 2.18% for Class O.
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 October 31, 2019, to ensure that total annual Fund operating expenses after fee waiver and reimbursement will not exceed 1.90%, 2.65%, 1.65%, and 1.90% of average daily net assets attributable to Class A, Class C, Class I, and Class O 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 Fund was down -3.50% for the fourth quarter of 2018, underperforming the benchmark SG CTA Index's return of -2.46%

The beginning of the quarter saw moderate losses, mostly driven by long equity indexes, long energy and short softs. The middle of the quarter continued the losses, driven by strong trends in FX which hurt the Fund's short positions. The Fund saw a reversal of some of these trends towards the end of the quarter and the Fund generated gains, mostly from long fixed income and short energy.

For the quarter as a whole and amid the quarter's corrections in multiple markets, the strategy was down. Three of four asset classes detracted during the quarter. Equity indexes were the largest detracting asset class. Specifically, long positions in the Nikkei and various US indexes drove losses in this sector. Short exposure to various Asian and European indexes offset some of the losses. However, aggregate long exposure to over 35 US and international indexes during the period's equity volatility resulted in losses overall.

FX also detracted during the quarter, and long and short FX positions hurt the strategy. Long positions in the Swedish krona, euro, and Mexican peso detracted, while short positions in the Indian rupee, Japanese yen, and New Zealand dollar hurt as well, driven by lower inflation figures released in India and December's risk-off environment for the yen. Losses were offset by shorts in the Canadian dollar, Norwegian krone, and British pound.

Commodities were the third and smallest detractor during the quarter. Losses were driven by softs and precious metals, and offset by gains in energy and base metals. Within softs, losses were driven by short positions in sugar, coffee, and cocoa, as the downward trends of the previous quarter reversed in the current quarter. Within precious metals, short positions in gold detracted, as the risk-off environment raised prices. Energies saw profits from short gasoline and crude oil, and long natural gas positions. Base metals saw smaller contributions from short exposure to copper, aluminum, and nickel.

Fixed income was the sole contributing asset class. Gains came from long positioning in 2-10 year government bonds in the US, Japan, and Germany, and were caused by small drops in yields in these markets. Short positions in US Treasury notes and bonds and Eurodollar rates offset some of the gains.

Manager Performance Review

At the manager level, five of seven managers detracted from performance, and two contributed. Phase Capital, a tactical asset allocation manager, was the largest detracting manager whose losses were mostly caused by long US equity index positions. Crabel Advanced Trend, another medium-term trend follower, also experienced equity index losses, but dispersed across multiple US and international indexes. GSA Trend, a medium-term trend follower, was the third largest detractor in the strategy, driven by losses in softs (short sugar), energies (short oil), and grains (short corn). ThreeRock and Centurion, discretionary and short-term trend managers respectively, were smaller detractors for the strategy. FX was the largest detracting asset class for both, with long and short positions in the British pound, euro, and Swiss franc as leading detractors.

For the contributing managers, Millburn (a quantitative multi-strategy manager) generated profits from long fixed income and short crude oil positions. Crabel Gemini, a short term systematic strategy, also contributed with significant gains in long positions in US, European, and Canadian notes.

Portfolio Allocations

Allocations as of 12/31/2018 were as follows: 24.9% to GSA, 24.9% to Millburn MCOR, 19.0% to Crabel Advanced Trend, 16.2% to Three Rock, and 15.0% to Crabel Gemini. We have reduced allocations to Phase and Centurion to 0%, down from 10.1% and 2.5%, respectively. This was driven by our view on current market conditions and outlook. A description for all managers can be found here.

Portfolio Positioning

The positioning at the end of the quarter was diversified across all asset classes in both long and short positions. The largest exposure at quarter end on a risk basis continued to be in commodities, at about 40% of the risk exposure. Overall, net exposure in the asset class is short, with the largest short exposures to energies (crude and heating oil), base metals (principally copper), and grains (corn, soybeans).

The next largest risk exposure is to equity indexes, at about one-quarter of the exposure. Exposure to this asset class is also short, and is diversified across approximately 35 US and international equity indexes; no single index has a substantial long or short position size.

Currencies are the third largest risk exposure, and are about one-fourth of the Fund's total risk exposure at quarter end, a slight downtick from last quarter. Overall the strategy is net short non-USD denominated FX (or long the US dollar), and is diversified across 30 different currencies. The largest single currency shorts are to the Norwegian krone, Canadian dollar, Korean won, and euro. The strategy has a small net long position to the US dollar index.

Fixed income rounds out the remaining positioning, and is about 15% of total risk. Fixed income exposure is overall net short but split, with long exposure to various European and Asian sovereign bonds (Germany, Japan, France, and Korea), and short exposure to 2-10 year maturity US Treasuries. This directionality is consistent with the previous quarter end, but with varying magnitudes.

Outlook

Despite recent volatility that equity markets experienced, the current US economic environment remains positive; the US labor market continues to be strong, GDP growth continues in low single figures, and inflation is contained. Economic indicators suggest that the US continues to be in economic expansion (albeit in the later stages of an expansion cycle), and that a recession is not imminent.

However, risks do exist, such as the possibility for excessive intervention by the US Fed if it continues to raise rates faster than the economy can absorb them. Furthermore, no one fully grasps the impact that the reduced liquidity of Quantitative Tightening (QT) will ultimately have on financial markets. Lastly, US-China relations may continue to be an overhang until an agreement is reached between the two powers.

Given this environment, it is important to find strategies that can benefit from both price increases and decreases in financial markets. Furthermore, commodities have historically shown strong trends in late-stage economic cycles, and have also historically been effective diversifiers, with low correlation to financial markets. Given today's environment and managed futures' exposure to commodities as well as long and short positioning ability, it is important to consider managed futures as part of a well-diversified portfolio's ability to generate attractive aggregate risk-adjusted returns.

Fund Objective

The Fund seeks to achieve positive absolute returns in rising and falling equity markets with less volatility than major equity market indices.

Managed Futures Manager Exposure [2]

	GSA	Crabel Advanced Trend	Millburn MCOR	Three Rock	Phase Capital	Crabel Gemini	Centurion
Exposure [3]	24.9%	19.0%	24.9%	16.2%	0%	15.0%	0%

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 intended to generate interest income and to diversify returns generated by the managed futures managers listed above. The Fund's fixed income strategy investments, including holdings of fixed income securities, cash, and cash equivalents, are not reflected or included in the table above.

[2] The managed futures investments selected by Altegris Advisors to gain exposure to the managed futures managers, sub-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, sub-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.

[3] As a percentage of the Fund's managed futures strategy allocation.

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. The MSCI AC World Index ex USA USD Net Total Return Index is a free-float weighted equity index inclusive of international countries including Emerging Markets and excluding the US. **Notional Funding.** A form of leverage that allows for funding a futures account below its nominal value. The difference between the amount of cash deposited in the account and the nominal trading level of the account is referred to as notional fund. **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. **US Dollar Index.** The U.S. Dollar Index(USDX) indicates the general int'l value of the USD. The USDX does this by averaging the exchange rates between the USD and major world currencies. The ICE US computes this by using the rates supplied by some 500 banks.

	Representative Index	Characteristics	Key Risks
Global Equity	*MSCI World Index Net Return USD Index*	*Measures equity market performance of 24 developed markets*	***Market risk.*** *Prices may decline.* ***Country/regional risk.*** *World events may adversely affect values.*
Global Equity	*MSCI Emerging Markets Index*	*Measures equity market performance of 24 developed markets*	***Market risk.*** *Prices may decline.* ***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.*
US Dollar	*DXY Index*	*US Dollar against a basket of currencies*	***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 Managed Futures 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

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 US 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 Fund's 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.

An ETF may represent a portfolio of securities, or may use derivatives in pursuit of its stated objective. The risks of owning an ETF generally reflect the risks of owning the underlying securities held by the ETF, although a lack of liquidity in an ETF could result in it being more volatile. ETFs have management fees and other expenses which the Fund will indirectly bear.

The value of an investment in fixed income securities and derivatives will typically fall when interest rates rise. Other risks include credit risk which refers to an issuer's ability to make interest and principal payments when due, and risk of default.

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.

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 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.

1605396_012519 | 1032-NLD-1/29/2019