Altegris/AACA Real Estate Long Short Fund RAAAX | RAAIX | RAANX

Market Commentary

This quarter, real estate stocks (as measured by the Dow Jones US Real Estate Total Return Index) were one of the top performing asset classes. Real estate stocks rallied for most of the quarter, with the Dow Jones US Real Estate Total Return Index posting positive total returns of 8.75%, while the S&P 500 Total Return Index ended up 1.81% and international equities were largely flat to down. This absolute and relative upside was driven partially by the fact that real estate stocks were significantly undervalued going into the quarter, especially after the across-the-board-yield-sell-off of fixed income substitutes, including real estate stocks, in the wake of the Fed's move to taper Quantitative Easing. We believe the sell-off was overdone, and that real estate stocks have rebounded nicely, but they still remain undervalued. According to SNL Financial, about 63% of real estate stocks are trading at a discount to underlying value, called net asset value or NAV. Real estate stocks have typically traded at a mid-single digit premium price to NAV. This suggests that despite the recent gain, on a normalized basis, real estate stocks are still trading at a material discount.

Overall, commercial real estate continues a slow and methodical recovery in operating metrics. The previous few quarters have demonstrated a general strengthening in real estate fundamentals

FUND RETURNS | As of March 31, 2014

	Q1 2014	Year to Date	1-Year	Annualized Return		
				3-Year	5-Year	Since Inception*
RAAAX: Class A (NAV)	7.16%	7.16%	4.76%	12.66%	NA	12.13%
RAAAX: Class A (max load)**	1.00%	1.00%	-1.26%	10.45%	NA	10.04%
RAAIX: Class I (NAV)	7.28%	7.28%	4.88%	12.70%	NA	12.17%
RAANX: Class N (NAV)	7.26%	7.26%	4.86%	12.69%	NA	12.16%
Dow Jones US Real Estate TR Index	8.75%	8.75%	2.09%	9.20%	NA	9.67%
S&P 500 TR Index	1.81%	1.81%	21.86%	14.66%	NA	14.50%

** 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 2.32% for Class A, 2.07% for Class I and 2.32% for Class N.

The Altegris/AACA Real Estate Long Short Fund is a newly registered mutual fund. It is important to note that the 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 1/8/2014 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 7, 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 January 31, 2015, 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.

that we expect to continue throughout the coming year. Increases in occupancy rates and rent levels suggest that demand is outpacing supply on the margin. Supply of new commercial real estate has been largely negligible for the past five years, and considering the time it takes to bring a new product to market, this should create favorable dynamics for landlords in the near-term as they continue to gain pricing power over their tenants.

Quarter to date, rates and inflation have appeared to be weak, but deserve watching as the Federal Reserve has an explicit goal of 2% inflation. Assuming real interest rates are keyed to inflation, and should the Fed achieve their target, we are hedged against rising rates through short positions in US Treasury securities and credit spreads between BBB debt pricing and US Treasury levels for comparable maturities.

Real estate is structured to act as an inflation hedge. Real estate returns are directly linked to the rents that are received from tenants. Most leases longer than one year contain contractual increases or increases linked to CPI. As calculated since the inception of the FTSE NAREIT US Real Estate Index in 1972 through the end of 2013, REITs have had positive returns in about 73% of the quarters when GDP has grown. Additionally, real estate securities are backed by real physical assets, which can act as an inflation hedge, and may provide increasing value over time.

Going forward we are bullish on real estate stocks, as we believe we are in the early-to-mid stages of a long recovery in real estate, but we will be keeping a watchful eye on the threat of additional real estate supply, and hedge the portfolio accordingly.

Fund Performance

For Q1 2014, the Fund's Class A (at NAV), Class I and Class N shares returned 7.16%, 7.28% and 7.26%, respectively, while the Dow Jones US Real Estate TR Index and the S&P 500 TR Index returned 8.75% and 1.81%, respectively.

Portfolio Performance Review

Some of the largest performance contributions came from long positions in Lab Space, Health Care, Campus Based Housing, Self-Storage, and Mall sectors. Positions in these sectors were up on solid fundamental performance, including strong same-store operating income, and what we believe to be a positive outlook on their future prospects. We continue to focus on sectors of the real estate business where the landlord has secular pricing power.

Our worst and only negatively performing real estate sector was Data Centers, which was down a few percent due primarily to our position in CyrusOne.† The decline in CyrusOne seemingly has little to do with the company itself, but appears to be based on the market's trading fears that its parent company, Cincinnati Bell, may be considering selling their position in CyrusOne now that the lock-up period, after the spin-off of CyrusOne, is expiring.

The position that has contributed the largest losses this quarter is an interest rate hedge, which comes as no surprise. In general, we expect interest rates and real estate stocks to be somewhat negatively correlated in the short term (although in the long term we see little correlation). As rates declined this quarter, our long positions in stocks and REITs experienced strong performance. The fact that the interest rate hedges moved in the opposite direction highlights the point that these hedged positions are performing as expected, and should help to offset potential declines if rates rise suddenly. At the same time, the short interest rate position lowers the volatility of the Fund, which provides the potential to create superior risk-adjusted returns when compared to the index.

Drivers of Performance

The top five contributors to the portfolio this quarter included Extra Space, Health Care Trust, Alexandria Real Estate, NorthStar Realty Finance and Taubman Centers.†

- Extra Space owns and operates self-storage facilities, and is a premier operator in that sector with what we believe to be excellent asset management and IT skills.
- Health Care Trust owns and operates medical office buildings. Rents are increasing, as is occupancy, as Obamacare is increasing the number of insured.
- Alexandria Real Estate owns and operates lab space leased to pharmaceutical companies, life science users, health care organizations and governments. Demand for space is robust as the US generally has seen an increase in lab use, driven by additional research capital being spent.
- NorthStar Realty Finance is a REIT transitioning itself from passive ownership of loans and other commercial assets into a fee-based manager of retail and institutional capital invested in real estate. This transformation has brought about a significant change in valuation.

†Exposures as a percentage of net assets as of 3/31/14 were as follows: CyrusOne: 4.84%, Extra Space: 4.94%, Health Care Trust: 4.01%, Alexandria Real Estate: 3.89%, NorthStar Realty Finance: 3.83%, and Taubman Centers: 4.60%.

This commentary reflects the view of the Fund's sub-adviser portfolio manager through March 31, 2014. The portfolio manager's 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.

- Taubman Centers owns and operates the premier portfolio of upscale malls in the US. Despite the threat of internet retailing, Taubman's tenants have continued to post solid increases in sales, and Taubman has been raising rents to those tenants.

The top five detractors from portfolio returns this quarter are short 20 year US Treasuries, RAIT Financial, CyrusOne, Cadiz and short Investment Grade corporate bonds.‡

- Our largest contributor of negative attribution to the portfolio came from our short position in 20-year US Treasuries. This is our largest single position, and is a hedge against the negative impact rising rates may have on the real estate stocks and their cost of financing. Despite the taper, global macro events have created a bit of a 'flight to quality,' which has rallied US Treasuries.
- RAIT Financial is pivoting from one line of commercial loan origination to another as a result of additional competition, and this has dampened expectations for forward margins.
- CyrusOne is a data center company that is principally owned by Cincinnati Bell, and the market is fearful the parent may sell their stake.
- Cadiz is a company that owns significant water reserves in the Mojave Desert that they intend to sell to a number of water agencies in Southern California. The company is awaiting a legal ruling which is due in May.
- Our short position in Investment Grade corporate bonds also detracted from overall portfolio performance for the same reasons as our short position in interest rates.

Portfolio Positioning

We continue to focus on quality assets in "A" quality locations.* Many of the companies in the Fund's universe are trading at discounts to underlying real estate value. Over time, ownership of high-quality real estate creates potential durable inflation-hedged income, and buying that real estate at a discount in the public market through the usage of real estate investment trusts makes sense to us. Our in-the-field research and conversations with management teams and tenants indicate that the recovery in commercial real estate continues to be strong. We believe the economy may slightly accelerate in the remaining portion of the year, and shake off what seems to be extreme weather-related weakness.

We believe real estate performs better over periods when it is more difficult to supply, demand is less cyclical, and tenants are reluctant to leave. Rather than mimicking exposures similar to the index, we are heavily over-weighted in sectors that share these four characteristics:

- Oligopoly or Duopoly Real Estate Sector Structure
- High Barriers to Entry for New Owners/Developers
- High Barriers to Exit for Tenants
- Secular Demand Drivers Underlying the User Side of the Business

We believe the combination of these four characteristics (or some subset) creates a competitive landscape in which tenants have fewer options to move or play one building owner against another. We have found that properties with these characteristics command higher occupancy rates and better rents, which in turn create more valuable portfolios for shareholders through enhanced dividends and higher real estate values.

‡Exposures as a percentage of net assets as of 3/31/14 were as follows: 20 year US Treasuries: -14.21%, RAIT Financial: 2.60%, CyrusOne: 4.84%, Cadiz: 4.04%, Investment Grade corporate bonds: -3.18%.

**This assessment reflects the opinion and view of AACA based on their proprietary evaluation methods, and is not based on any nationally recognized rating entity or real estate valuation standards.*

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.US Bonds.

S&P 500 Total Return Index. Total return index of 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.

Representative Index	Characteristics	Key Risks
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.*
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

Investors should carefully consider the investment objectives, risks, charges and expenses of the Altegris/AACA Real Estate Long Short Fund. This and other important information about a Fund is contained in the Fund's prospectus, which can be obtained by calling (888) 524-9441. The Prospectus should be read carefully before investing. Funds are distributed by Northern Lights Distributors, LLC, member FINRA. 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 risk, 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.

Funds that are new have a limited history of operations. 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 advises alternative strategy mutual funds that may pursue investment returns through a combination of managed futures, global macro, long/short equity, long/short fixed income and/or other investment strategies.

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