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

Market Commentary

The second quarter of 2017 was rather uneventful. GDP growth and inflation ticked along at a 1-3% growth rate year-over-year while the real estate market and broader S&P 500 also increased 2-3% in the quarter. The yield on the 10 year US Treasury ended the quarter about where it started. Overall we are seeing a global economic recovery that may provide a constructive backdrop for the remainder of the year while monetary and/or political policy mistakes appear to be the largest risks. The Federal Reserve has clearly telegraphed their intention to tighten and increase the Fed Funds rate in 2017, and the markets have largely taken this in stride. The Fund's Class A[1] shares underperformed the Dow Jones US Real Estate TR Index at +1.63% vs. +2.59% in Q2, which was driven mostly by consolidation in some of our larger holdings after the big Q1 where the Fund significantly outperformed the Index. Also, in late 2016 The Fund won Hedge Fund Magazine's US Hedge Fund Performance Award[1] for 40 Act Equity Funds, beating 77 entrants in the category. In February of this year, Morningstar awarded the Fund's Class I shares 5 Stars, its highest rating – which the Fund has maintained every month since[2].

While the current administration is occupied with efforts to replace the Affordable Care Act (ACA), it is not clear if tax reform will come quickly or easily. Moreover, the regulatory relief from overreaching Federal agencies is having a positive impact on banking and real estate.

In real estate, interest rates and cap rates have largely remained stable while potential buyers remain frustrated because of fair-to-high valuations. We believe these valuations are justified considering the current market conditions and outlook and we believe in a fairly-priced environment, active management will play an increasingly valuable role as the ability to differentiate between winners and losers becomes a greater factor driving investment performance.

We remain focused on sectors with strong same store net operating income growth potential. The portfolio (as always) is constructed with companies that 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 break in this trend or investment opportunity. We have increased our exposure to infrastructure as well this quarter. Generally speaking, infrastructure projects 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 June 30, 2017

	Q2 2017	Year to Date	1-Year	Annualized Return 3-Year	Annualized Return 5-Year	Annualized Return Since Inception*
RAAAX: Class A (NAV)	1.63%	10.46%	12.03%	10.61%	12.39%	12.40%
RAAAX: Class A (max load)**	-4.20%	4.13%	5.62%	8.43%	11.06%	11.37%
RAAIX: Class I (NAV)	1.77%	10.68%	12.32%	10.85%	12.56%	12.54%
RAANX: Class N (NAV)	1.70%	10.55%	12.12%	10.59%	12.39%	12.41%
Dow Jones US Real Estate TR Index	2.59%	5.89%	1.42%	8.33%	9.27%	9.81%
S&P 500 TR Index	3.09%	9.34%	17.90%	9.61%	14.63%	12.49%

** 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 3.40% for Class A, 3.15% for Class I and 3.40% 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, 2018, 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: CoreSite Realty, Las Vegas Sands, SBA Communications, Crown Castle International, and CyrusOne.

- CoreSite ("COR") (Data Centers) — COR owns, operates, and develops high quality data centers in strategic markets across the United States. 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.
- Las Vegas Sands ("LVS") (Gaming) — LVS is a US based gaming company with exposure primarily in Macau and Singapore and to a lesser extent in Las Vegas. Las Vegas and Singapore consistently perform to expectations, while Macau has struggled over the past two years due to significant headwinds. However, it appears that gross gaming revenue has bottomed in Macau and is returning to growth, which has led to share outperformance. Since the macro environment has turned decidedly positive, this suggests that the shares are undervalued. LVS is the best positioned company in Macau with the largest hotel room count and the most convenient locations, meaning that LVS may benefit the most from the rebound in tourism and gaming.
- SBAC Communications ("SBAC") (Cell Towers) — SBAC is the smallest and fastest growing cell tower operator with a portfolio of about 25,000 towers primarily in the Americas and Asia. The company continues to produce strong operating results and rapid growth. While the company consistently posts strong operating results, it is sensitive to foreign currency translation and benefits additionally from a weakening US dollar and strengthening emerging market currencies. We believe the strong operating performance will outpace any currency fluctuations in the long run.
- Crown Castle International ("CCI") (Cell Towers) — CCI owns and operates a network of wireless communication infrastructure consisting of approximately 40,000 towers and 16,500 miles of fiber supporting small cells across the USA. Crown Castle is the nation's largest provider of shared wireless infrastructure with a significant presence in the top 100 US markets. CCI and the Cell Towers sector continue to perform well due to the strong "Internet of Things" trend.
- 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 continue to perform well due to the strong "Internet of Things" trend.

The portfolio's top five detractors this quarter were: Drive Shack, Cadiz, The 13 Holdings, New Residential Investment Corp., and CubeSmart.

- Drive Shack ("DS") (Golf) — DS is a Fortress company that invests in and manages a variety of real estate related investments including debt securities and golf properties. The company is winding down its debt portfolio and expects to re-deploy the assets into both traditional golf courses (they have 78 currently) and new concept golf entertainment facilities which are a combination of food and beverage and high end driving range. They are currently working out the final details of a Joint Venture with Taylor Made: a private, well respected golf equipment manufacturer. This stock appears to have sold-off during this transition period in business lines and management. We remain constructive on the outlook.
- 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. This review was subsequently sustained in 6 sweeping trial court victories against all challenges in 2014, with appeals of these cases have been fully dismissed by the courts. The shares have rallied on news that the BLM is in the process of retracting the non-binding ruling delaying the project and one of the final hurdles facing it. 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 project's realization appears to be increasing. CDZI continues to move forward and we expect that they will continue to complete the remaining milestones. The project has also brought about significant engineering progress this past year, having mapped the approved well field, drilling numerous test wells and advancing 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. The shares recently consolidated during the quarter after more than doubling in the past year.

- 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 which has delayed the scheduled opening but management currently working on lining up the final capital it needs to open. Meanwhile the macro environment has turned decidedly positive and we believe the shares are undervalued. We have decreased the position size in anticipation of increased funding risk.
- New Residential Investment ("NRZ") (Excess Mortgage Servicing Rights) — NRZ focuses on investing in, and actively managing investments related to residential real estate, primarily targeting investments in excess mortgage servicing rights. This position serves as a hedge against rising interest rates as excess mortgage servicing rights increase in value when interest rates increase. NRZ acquired their closest competitor and we believe there will be significant economies of scale which will be very accretive to earnings and dividends. Interest rates declined slightly during the quarter which was a slight drag on the stock.
- CubeSmart ("CUBE") (Self-Storage) — CUBE is a REIT that owns self-storage facilities throughout the US. NAV estimates for CUBE's real estate got a boost starting late last summer with consensus. We believe CUBE's operating metrics are strong, its credit rating has improved, and the shares were generally perceived to be undervalued as compared to the other public self-storage REITs. CUBE experienced a small correction this quarter with the rest of the Storage sector after being one of the top performing sectors last year.

Portfolio Positioning

The portfolio is positioned in secular real estate growth opportunities that offer exposure to high-quality same store net operating income growth which, in turn, results in higher asset value cash flow and dividends. We have no exposure to sectors that are facing significant structural headwinds such as retail or sectors which we feel would fare worst in the upcoming Fed Tightening Cycle, such as Triple Net Lease. In our opinion, these sectors are dependent on raising new capital and buying new assets as their primary means to increase earnings. These types of business plans typically underperform in rising rate environments.

Many REITs have adjusted in price and more than 62% of the SNL REIT Index names are trading at a discount to NAV as of 6-30-2017. In our opinion, this is the market's acceptance of higher rates down the road influencing long-term cap rates.

Recall that our focus is on ownership of companies that own real estate where 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.

This commentary reflects the views of the sub-adviser portfolio manager through 6/30/2017. The 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.

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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