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## **ALTEGRIS ADVISORS, LLC**

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[www.altegris.com](http://www.altegris.com)

## **BROCHURE**

**March 31, 2019**

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This Brochure provides information about the qualifications and business practices of Altegris Advisors, LLC (“Altegris Advisors,” “Adviser,” “us,” or “we”). If you have any questions about the contents of this Brochure, please contact us at (858) 459-7040, or by email at [compliance@artivest.co](mailto:compliance@artivest.co). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

We may refer to Altegris Advisors as a “registered investment adviser.” Registration with the SEC or with any state securities authority does not imply a certain level, skill or training.

Additional information about us also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Altegris Advisors is 154003.

## **ITEM 2: MATERIAL CHANGES**

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This Item 2 discusses only specific material changes that were made to this Brochure since the last update, dated June 2018.

Item 4 was updated to reflect the assets under management as of December 31, 2018.

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#### ITEM 4: ADVISORY BUSINESS

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The Adviser is a Delaware limited liability company formed in February 2010 and commenced its advisory operations in August 2010. Adviser is registered as an investment adviser and transfer agent with the Securities and Exchange Commission (the “SEC”). Adviser also is registered as a commodity pool operator (“CPO”) with the U.S. Commodities Futures Trading Commission (“CFTC”), and a member of the National Futures Association (“NFA”). Effective October 2017, the Adviser became registered as a state-registered investment adviser. These registrations should not be taken to imply a certain level of skill or training. On February 28, 2018, the Adviser’s parent company at the time, Altegris Holdings II LLC, formally announced its intention to merge with Artivest Holdings Inc., pending customary corporate and requisite regulatory conditions prior to closing.

After having received the required organizational, legal, and regulatory approvals, on June 1, 2018, the Adviser’s then parent company, Altegris Holdings II LLC, merged its business with Artivest Holdings Inc. resulting in a new ownership structure. The Adviser, however, continues to conduct its business under Altegris Advisors LLC. The merger has not changed the Adviser’s investment management business or its daily operations. The adviser's business is functionally operating the same as it was prior to the merger.

The Adviser provides investment advisory services to registered open-end investment companies, registered closed-end investment companies and private funds. The Adviser also serves as the sponsor, general partner and CPO for various commodity pools (the “**Commodity Pools**”). The Commodity Pools are operated in the Adviser’s capacity as a CPO, and not connected with its investment advisory business. The Commodity Pools may be public reporting funds under SEC rules.

The Adviser serves as the investment adviser to a separate series of registered funds offered by Northern Lights Fund Trust, a Delaware statutory trust, organized on January 19, 2005, as an open-end series management investment company to registered investment companies, or a series thereof (each a “**Mutual Fund**” or collectively, the “**Mutual Funds**”), as well as continuously offered non-listed, closed-end registered investment companies (the “**Closed-End Fund(s)**”).

The Adviser also serves as the investment adviser to privately-offered, and wholly-owned and controlled subsidiaries, each of which is wholly-owned and controlled by a Mutual Fund also advised by the Adviser, and non-registered, pursuant to a 3(c)-7 exemption, (each, a “**Subsidiary**” and collectively, the “**Subsidiaries**”). Each Subsidiary is subject to the same investment restrictions as its parent Mutual Fund when viewed on a consolidated basis.

The Adviser manages the assets of the Mutual Funds and the Closed-End Fund(s) in accordance with applicable law and the investment objectives, policies and restrictions as set forth in each Fund's current Prospectus and Statement of Additional Information, and is subject to such further limitations as the applicable Board of Trustees may from time to time impose by written notice to the Adviser.

The Adviser serves as the general partner/sponsor to domestic and offshore investment funds offered in reliance upon Rule 506 under the Securities Act of 1933, additionally qualifying for exclusion from the definition of an investment company under section 3(c)-7 of the Investment Company Act of 1940 (each a "**Private Fund**" and collectively, the "**Private Funds**" and together with the Mutual Funds, the Closed-End Fund(s) and the Subsidiaries, the "**Funds**").

While each Private Fund will have its own investment strategy and other specifications, the arrangements between each Private Fund and the Adviser will be generally the same. In its role as general partner/sponsor, the Adviser allocates assets of each Private Fund for investment in other unaffiliated hedge funds or other collective investment vehicles. The unaffiliated hedge funds or other collective investment vehicles in which Private Funds invest are collectively referred to herein as "**Underlying Funds**." Once allocated, the Adviser does not exercise discretion with respect to the underlying investments purchased for the Underlying Funds, by the Underlying Fund managers. The specific investment program of each Private Fund is described in their respective private placement memorandum.

The Adviser also provides certain "impersonal advisory services" in its capacity as "Portfolio Strategist" to unaffiliated investment adviser(s). "Portfolio Strategist" services generally include recommendations for a specified strategy and specific asset allocation recommendations that correspond to certain Risk/Return Profiles, ranging from most conservative to most aggressive, as selected by the unaffiliated adviser. As a Portfolio Strategist, the Adviser works directly with the unaffiliated adviser and does not enter into advisory agreements directly with nor provided advisory services to, clients of the unaffiliated adviser.

As of December 31, 2018, the Adviser had a total of \$2,482,518,029 in regulatory assets, of which it advised Mutual Fund regulatory assets (including the Subsidiaries, on a consolidated basis) and Closed-End Fund(s) regulatory assets of \$1,699,947,841 on a discretionary basis. As of December 31, 2018, total regulatory assets under management of the Private Funds were \$782,570,188 representing \$552,328,881 in discretionary assets, and \$230,241,307 of non-discretionary assets. This figure excludes assets of the Commodity Pools sponsored by the Adviser, in its capacity as a CPO.

The Adviser provides investment advisory services to high net worth individual clients, institutional investors, family offices and entities with regard to the Mutual Funds, the Closed-End Fund(s), and the Private Funds. The Adviser's advisory fee, if applicable (see Item 5 – *Fees and Compensation*, below) and other expenses paid by each Mutual Fund, Closed-End Fund, Private Fund, and their respective shareholders are described in the

applicable prospectus for each Mutual Fund or Closed-End Fund, and in each Private Fund's private placement memorandum.

## ITEM 5: FEES AND COMPENSATION

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### Registered Investment Companies

The Adviser has entered into investment advisory agreements with each of the Mutual Funds, Subsidiaries, and Closed-End Fund(s). Pursuant to the investment advisory agreements, the Adviser is entitled to receive an annual advisory/management fee paid monthly in arrears (the "**Advisory Fee**") as detailed in each prospectus. A copy of the current prospectus for each Fund can be downloaded from [www.altegris.com](http://www.altegris.com). Advisory Fees for services rendered under existing investment advisory agreements with registered investment companies range from 1.00% to 1.50%. The Mutual Funds are subject to advisory fee breakpoints dependent on the amount of assets invested. The Adviser has contractually agreed to proportionately waive advisory fees charged to those Mutual Funds having a Subsidiary, or invested in other affiliated Mutual Funds, to avoid double charging on the same assets. The waivers cannot be terminated by the Adviser without the prior approval of the Fund's Board of Trustees.

With respect to the Funds, the Adviser has contractually agreed to limit the amount of certain expenses borne by the Funds, to an amount not to exceed amounts as specified in each Fund's prospectus. To the extent that the Adviser bears certain expenses, the Adviser is permitted, subject to certain limitations, to receive reimbursement for any expense amounts previously paid by the Adviser, for a period not to exceed three years from the date on which such expenses were paid by the Adviser. Please refer to the Fund's prospectus for additional details.

Service providers of the Mutual Funds and the Closed-End Fund(s) calculate and pay the Adviser its Advisory Fees in arrears, which in some cases is subject to the expense limitation agreements, whereby the Adviser has agreed to reduce its fees and/or absorb expenses as described above and outlined in each applicable prospectus. This reduction or absorption is subject to possible recoupment in future years if such recoupment can be achieved within the expense limitation term.

The Adviser, out of its own Advisory Fee revenue, may pay other broker-dealers for wholesaling, platform distribution fees and other distribution-related services in connection with the Mutual Funds and the Closed-End Fund(s), including Altegris Investments, LLC ("**Altegris Investments**"), a FINRA registered broker-dealer affiliated with the Adviser. In addition, the Closed-End Fund(s) will pay distribution fees and sales loads to Altegris Investments, which acts as the distributor for the Closed-End Fund(s), in respect of the sales of certain share classes of that fund. Due to the Adviser's affiliation with Altegris Investments, the Adviser will benefit indirectly from the fees paid to, and revenue

generated by, Altegris Investments as the distributor and provider of other services, directly or indirectly, to the Mutual Funds and the Closed-End Fund(s).

### **Private Placement Funds**

With respect to the Private Funds, the Adviser will receive monthly or quarterly management or sponsor fees from each Private Fund. Currently the management and/or sponsor fees paid by the Private Funds to the Adviser range from 0.35% to 2.0% dependent upon the investment minimum and respective class held in a Private Fund. The Adviser uses a portion of its management or sponsor fees to pay referral fees to broker-dealers who refer investors to a Private Fund (a “**Selling Agent**”), including Altegris Investments. Each Private Fund, as an investor in one or more Underlying Funds will also pay management fees, and/or performance based fees to managers of the Underlying Funds, which may additionally include, pursuant to the terms of the Underlying Funds private placement memorandum, incentive fees ranging from 10% to 25%.

At its discretion, the Adviser permits investors to subscribe to a Private Fund (or in a Commodity Pool) at a reduced investment minimum and/or reduced sponsor or management fees.

Each Private Fund will pay its own operating and other expenses in addition to the management or sponsor fee, as detailed in each Private Fund’s private placement memorandum. These expenses will include the management fees and performance fees paid to the managers of the Underlying Funds. Altegris Investments receives a placement agent fee from an Underlying Fund manager in connection with investments made by a Private Fund into such Underlying Fund. This fee is paid by the Underlying Fund manager and not the respective Private Fund or its investors. Selling Agents, including Altegris Investments, may also be compensated by the Underlying Funds through shareholder service fees or front-end selling commissions. None of the fees received by Altegris Investments, its affiliates, or other Selling Agents will be used to offset any fees paid to the Adviser. Therefore, the Adviser has a conflict of interest in purchasing Underlying Funds that pay fees to Altegris Investments, because it receives greater revenues from investing in certain Underlying Funds than in other funds available for investment. The Adviser selects Underlying Funds which the Adviser believes will best meet the Private Fund’s specific investment goals and objectives, rather than provide the highest fees to the Adviser and its affiliates.

All fees paid by the Private Funds, including the fees paid to the Adviser, are calculated by third party service providers engaged by each Private Fund, and paid to the Adviser in arrears pursuant to the terms of the governing documents and the relevant service agreements.

### **Additional Information**

The Adviser is not paid an advisory fee for its role as “Portfolio Strategist” or for the investment advisor services it provides to direct clients. However, the investment advice provided may include asset allocation recommendations that could result in investments into the Mutual Funds, Closed End Fund(s) or Private Funds for which the Adviser receives advisory fees as described above.

The Adviser may provide non-discretionary model portfolio recommendations to certain Clients. The Adviser does not charge a separate fee for these recommendations since the recommendations are based on Funds where the Adviser receives an advisor, management or sponsor fee.

The Adviser has entered into an agreement with a solicitor (the “**Solicitor Agreement**”) whereby the Adviser is compensated for client referrals to an unaffiliated investment adviser. Such fees are disclosed in the disclosure statement provided to, and signed by, solicited clients of the unaffiliated investment adviser. Please refer to Item 14 for important additional information.

## **ITEM 6: PERFORMANCE BASED FEES**

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At this time, the Adviser does not charge performance-based fees. The Private Funds will typically be charged an incentive fee by the managers of the Underlying Funds, as described above. The Closed-End Fund(s) will also be charged incentive fees by managers of the underlying private equity funds in which it invests.

## **ITEM 7: TYPES OF CLIENTS**

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As disclosed in Item 4 “*Advisory Business*”, the Adviser serves as (i) the investment adviser to the Mutual Funds, and the Subsidiaries, (ii) investment adviser to Closed-End Fund(s), (iii) general partner/sponsor and investment adviser to the Private Funds, (iv) a Portfolio Strategist to certain unaffiliated investment adviser(s), and (v) advisory services to high net worth individuals, institutional investors, family offices and entities.

Subject to its registration at the state level, the Adviser may provide advisory services to individual clients. The Adviser intends to enter into advisory or sub-advisory agreements with other investment companies in the future, as well as sponsor additional Funds.

Currently, the Adviser’s clients include registered investment companies, private funds and commodity pools. The Adviser does not count the high net worth individuals, institutional investors, family offices and/or entities as clients since the investment advice provided is related to the Adviser’s role as Manager/Sponsor of the Funds and a separate fee is not charged for this advice.



## ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES, RISK OF LOSS

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The Adviser advises and allocates the assets of the Mutual Funds and the Closed-End Fund(s) directly in accordance with applicable law and the investment objectives, policies and restrictions set forth in their respective Prospectus and Statement of Additional Information (“SAI”), and subject to such further limitations as the Mutual Funds’ or the Closed-End Fund(s)’ Boards of Trustees may, from time to time, impose by written notice to the Adviser. **Please refer to each Mutual Fund’s or Closed-End Fund’s Prospectus and Statement of Additional Information for a full description of specific investment objectives, principal investment strategies and principal investment risks.**

With respect to the Private Funds, the Adviser acts in accordance with each Private Fund’s private placement memorandum, and other governing documents. The Adviser does not exercise discretion with respect to the management of the Underlying Funds. **Please refer to each Private Fund’s private placement memorandum for a full description of a Private Fund’s specific investment objectives, principal investment strategies and principal investment risks.**

There is the risk that a shareholder or investor could lose a substantial part, or all the money invested in any investment in the Funds as their interest is subject to investment risks. In making an investment decision, shareholders or investors must rely upon their own examination of the Funds materials and the terms of their offerings including the merits and risks involved. Each shareholder or investor should consult with independent financial, legal and/or tax advisers, as needed, before making any investment decision.

The information discussed below highlights what the Adviser believes to be important aspects of the methods of analysis, investment strategies, and risks of loss presented by the Mutual Funds (to which “Portfolio Strategist” recommendations will allocate assets upon the advice and recommendation of the Adviser, as described above), the Closed-End Fund(s), and the Private Funds.

### **ADVISER’S SELECTION METHODOLOGY**

The Adviser conducts a thorough due diligence review of a manager before they are approved for any product or service offered by the Adviser. The Adviser’s ongoing process for the identification, selection, and monitoring of other managers is summarized below, although each manager, and its respective management is unique, will undergo a unique, customized review process with varying degrees of focus on the different aspects of investment and operational diligence – in each case dependent upon the facts and circumstances of the review undertaken by the Adviser.

The Adviser will not be able to investigate every investment decision made by the manager. All investments contain risks and alternative investments are subject to a set of

unique risks. The Advisor may conduct, as applicable by law, on-going operational due diligence to assist in the prevention of investment failures or fraud. Generally, the Private Funds are structured as hedge "funds-of-funds," investing substantially all of their assets into one or more unaffiliated Underlying Funds managed by other hedge fund managers. With respect to the Mutual Funds, the Adviser makes determinations as to allocations of assets to be managed, directly or indirectly, by other managers. The Closed-End Fund(s) are private equity "fund-of funds" that allocate assets across investments in multiple underlying private equity funds managed by unaffiliated private equity fund managers.

***Investment Committee.*** The Investment Committee consists of senior executives of the Adviser and its affiliates. The Investment Committee generally (i) performs an ongoing top-down strategy review to determine any potential opportunities for the lineup of strategies recommended by, or allocated to, by the Adviser and (ii) directs the Adviser's research team as to a bottom-up approach to identify potential managers or strategies that may meet the Adviser's performance objectives and investment strategy themes. The Investment Committee is ultimately responsible for approval and/or removal of all managers of strategies accessed by the investment portfolios of the Private Funds, Mutual Funds, and Closed-End Fund(s), as directed by, or upon the recommendation of, the Adviser.

***Identification.*** The Adviser continually searches the universe of alternative investment strategies and managers to identify new opportunities. Blending the Investment Committee's top-down viewpoints and the bottom-up analysis of the Adviser's research team helps the Adviser to bring new ideas into the investment review process.

***Assessment.*** As strategy managers are identified, the Adviser's research team gathers initial information that includes reviewing key documents, interviewing managers, and analyzing performance. The results of this assessment are submitted to the Investment Committee for its initial review.

***Qualification and Approval.*** After the initial review is completed by the Investment Committee, a decision is made whether to proceed with a formal manager/strategy review. The Adviser's research team conducts separate levels of due diligence for a manager/strategy under review including investment due diligence and operational due diligence. Upon completion of all levels of review, the Adviser's research team presents its detailed due diligence findings to the Investment Committee for its final review and decision. All approvals of new or additional managers or strategies for allocation or investment by the Adviser require unanimous Investment Committee consent; any decision to remove a manager or strategy from those available for allocation or investment by the Adviser requires majority consent of the Investment Committee.

***Portfolio Management.*** For multi-manager investment strategies, the Adviser's portfolio managers review various metrics, such as return analysis and risk profiles, to build a portfolio of approved managers and strategies based on the investment objectives of each individual strategy. The information utilized by portfolio managers is developed by the Adviser's research team, which also provides additional input from their findings.

***Ongoing Evaluation and Analysis.*** After approval and portfolio allocation to managers and strategies, the Adviser's research team monitors each manager's strategy implementation through continued investment, operational and risk monitoring. Each monitoring group is directly involved in conducting formalized meetings, ongoing quantitative analysis, monitoring of material market events and any material changes. These ongoing reviews look for potential issues such as, material changes in processes, operations, service providers and personnel, abnormal returns or unexpected changes in the risk or profile for the portfolio. Depending on the results of this review, the Investment Committee, and/or portfolio managers could decide to withdraw from a particular manager or strategy and re-allocate assets to other approved managers of a strategy pursued by the Adviser.

## **INVESTMENT STRATEGIES**

The Adviser currently advises, and may advise, Mutual Funds that pursue one or more strategies including managed futures, equity long short (including sector or industry focused, such as opportunistic real estate focused equity strategies), fixed income (including long short), and other liquid alternatives strategies. Certain Mutual Funds pursue, directly or via a Subsidiary, investment strategies and investments providing exposure to commodities, commodity and financial futures and other derivatives, and such exposure may be achieved via direct trading in such interests, or indirectly through investments in a combination of one or more limited partnerships, limited liability companies and/or other types of pooled investment vehicles that pursue these strategies, as well as swap contracts, structured notes and call options. The Subsidiaries used to gain exposure are not registered under the Investment Company Act of 1940 (the "1940 Act"), and generally are not subject to all of the investor protections of the 1940 Act, although each Subsidiary is operated by the Adviser in a manner that subjects it to the same investment restrictions as its parent Mutual Fund, when viewed on a consolidated basis.

The Closed-End Fund(s) pursue investments in private equity funds and strategies of various types, including investments in both primary and secondary offerings of private equity investment funds, private debt instruments and co-investment opportunities.

The Private Funds are generally structured as hedge "funds-of-funds" investing substantially all of their assets into one or more unaffiliated Underlying Funds, through which are executed a variety of strategies including but not limited to: Global Macro, Event Driven, Equity Long Short, Multi-Strategy, Fixed Income, and Opportunistic Credit.

Investing in securities and other instruments involves a risk of loss that the investors in the Mutual Funds, Closed-End Fund(s), Private Funds or other funds advised by the Adviser should be prepared to bear. Investors may lose all of their invested capital. There is no guarantee of profits earned or losses avoided. These risks vary dependent on the strategy and investment objectives, and each shareholder or investor should consult with independent financial, legal and/or tax advisers, as needed, before making any investment decision.

## **PRINCIPAL INVESTMENT RISKS**

All investments are subject to a number of risks either directly or indirectly. The discussions of the various risks associated with the Fund(s) are not, and are not intended to be, a complete enumeration or explanation of the risks involved in an investment in each Fund. Prospective investors should read the respective prospectus or private placement memorandum and consult with their own advisors before making an investment decision. In addition, as the Fund's investment program changes or develops over time, an investment may be subject to risk factors not described in this document. The Fund(s) will update their respective prospectus or private placement memorandum to account for any material changes in the risks involved with an investment in the Fund. Please read the Fund's current prospectus or private placement memorandum for a detailed description of risks specific to that Fund.

### **General Risks**

**Cybersecurity Risk:** With the increased use of technologies such as the Internet to conduct business, the Adviser and its Clients are susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber incidents affecting the Adviser, sub- adviser(s) and other service providers (including, but not limited to, accountants, custodians, transfer agents and financial intermediaries) have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, impediments to trading, the inability of Clients and/or investors to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting issuers of securities in which a Client invests, counterparties with which a Client engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and other service providers for Clients) and other parties. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future. While a Client's service providers may have established business continuity plans in the event of, and risk management systems to prevent, such cyber incidents, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Furthermore, the Adviser cannot control the cyber security plans and systems put in place by its service providers or any other third parties whose operations may affect a Client. As a result, Clients could be negatively impacted.

**ERISA Considerations:** Certain Client assets may, at various times, be considered "plan assets" for the purposes of Title I of the U.S. Employee Retirement Income Security Act of 1974 ("ERISA") or Section 4975 of the Internal Revenue Code of 1986, as amended.

Accordingly, during such periods, the administration and operation of any such Client would, among other things, become subject to ERISA's fiduciary duty and prohibited transaction rules. In such a case, the investment strategies employed by the Adviser for the Client will be subject to investment limitations and restrictions that would not otherwise be applicable and may materially impact the Client's performance.

Leverage: The Fund may borrow money in connection with its investment activities — i.e., the Fund may utilize leverage. Specifically, the Fund may borrow money through a credit facility or other arrangements to fund investments up to the limits of the Asset Coverage Requirement. The Fund may also borrow money through a credit facility or other arrangements to manage timing issues in connection with the acquisition of its investments (e.g., to provide the Fund with temporary liquidity to acquire investments). The use of leverage is speculative and involves certain risks. The Fund may be required to maintain minimum average balances in connection with its borrowings or to pay a commitment or other fee to maintain a line of credit; either of these requirements would increase the cost of borrowing over the stated interest rate. In addition, a lender to the Fund may terminate or refuse to renew any credit facility into which the Fund has entered. If the Fund is unable to access additional credit, it may be forced to sell its interests at inopportune times, which may further depress the returns of the Fund.

Liquidity Risk: The Funds offered by the Adviser are subject to liquidity risk. Liquidity risk exists when particular investments of the Fund or an Underlying Pool would be difficult to purchase or sell, possibly preventing the Fund or an Underlying Pool from selling such illiquid securities at an advantageous time or price, or possibly requiring the Fund or Underlying Pool to dispose of other investments at unfavorable times or prices in order to satisfy obligations. A portion of the Fund's assets will be invested in the Underlying Pools, the securities of which may or may not be traded on public or electronic exchanges. Funds with principal investment strategies that involve securities of companies with smaller market capitalizations, non-U.S. securities, Rule 144A securities, derivatives or securities with substantial market and/or credit risk tend to have the greatest exposure to liquidity risk.

Management Risk: The Adviser's and sub-advisers' judgments about the attractiveness, value and potential appreciation of particular asset classes and securities in which the Fund invests or allocations among sub-advisers, strategies, or investments may prove to be incorrect and may not produce the desired results. Additionally, the Adviser's judgments about the potential performance of the sub-advisers or underlying fund manager may also prove incorrect and may not produce the desired results. There can be no assurance that either the sub-advisers or underlying funds selected by the adviser or the securities selected by the sub-advisers will produce positive returns. While the investment strategies selected are intended to be complementary, they may not in fact be complementary. The interplay of the various strategies employed by the sub-advisers or underlying fund manager may result in the Fund holding a significant amount of certain types of securities. The degree of correlation among the investment strategies of the sub-advisers and underlying fund managers and the market as a whole will vary as a result of market conditions and other factors, and certain sub-advisers or managers could have a greater degree of correlation with each other and with the market than other sub-advisers or managers.



**Market Risk:** The net asset value of the Fund will fluctuate based on changes in the value of the securities and swaps in which the Fund invests. The Fund invests in securities and swaps, which may be more volatile and carry more risk than some other forms of investment. The price of securities and derivatives, including those held by Underlying Pools (as applicable), may rise or fall because of economic or political changes and result in greater volatility for the Fund. Security and derivative prices in general may decline over short or even extended periods of time. Market prices of securities and derivatives in broad market segments may be adversely affected by price trends in commodities, interest rates, exchange rates or other factors wholly unrelated to the value or condition of an issuer.

**Regulatory Changes:** Legal and regulatory changes could occur during the term of the Fund, which may materially adversely affect the Fund. The regulation of the U.S. and non-U.S. securities, derivatives and futures markets and investment funds such as the Fund has undergone substantial change in recent years and such change may continue.

**Tax Risk:** The federal income tax treatment of a investments within the Fund may not be as favorable as a direct investment in an underlying asset and may adversely affect the timing, character and amount of income the Fund realizes from its investments. As a result, a larger portion of the Fund's distributions may be treated as ordinary income rather than capital gains resulting in higher tax liability. In addition, certain derivatives are subject to mark-to-market or straddle provisions of the Internal Revenue Code of 1986, as amended (the "Code"). If such provisions are applicable, there could be an increase (or decrease) in the amount of taxable dividends paid by the Fund. In addition, the tax treatment of certain derivatives, such as swaps, is unsettled and be subject to future legislature, regulation or administrative pronouncements issued by the Code.

### **Risks Associated with Fund Holdings**

**Active and Frequent Trading Risk:** Executing the strategies of each Fund may from time to time require frequent trading by the Fund, resulting in substantial brokerage commissions and other transaction fees and expenses. These expenses must be offset by investment gains in order for the Fund to be profitable. Furthermore, because a sub-adviser may utilize "soft dollars" to pay research and brokerage expenses to the extent that the sub-adviser believes is consistent with the "safe harbor" provided by Section 28(e) of the Securities Exchange Act of 1934, the sub-adviser has an incentive to trade the Fund's assets in higher volumes than the sub-adviser otherwise would. Active and frequent trading may lead to a greater proportion of the Fund's gains being treated for federal income tax purposes as short-term capital gains (which are generally taxable as ordinary income when distributed to shareholders) or may cause the Fund to distribute taxable income to its shareholders sooner than it would have distributed income if the investments were held for longer periods of time.

**Alternative Strategies Risk:** Alternative investment strategies pursued by the Fund may be subject to risks including, but not limited to, derivatives risk, liquidity risk, credit risk and commodities risk. Certain alternative strategies involve the risk that a counterparty to a transaction will not perform as promised, which would result in losses to the Fund.

Furthermore, alternative strategies may employ leverage, involve extensive short positions and/or focus on narrow segments of the market, which may magnify the overall risks and volatility associated with such investments.

Commodity Risk: Each Fund's exposure to the commodities futures markets may subject the Fund to greater volatility and less liquid than investments in traditional securities. The value of commodity-linked derivative instruments, commodity-based notes, and other derivative instruments that provide exposure to the investment returns of the commodities markets may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or sectors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs, and international economic, political and regulatory developments.

Convertible Securities Risk: Convertible securities are hybrid securities that have characteristics of both bonds and common stocks and are subject to debt security risk and conversion value-related equity risk. Convertible bonds are similar to other fixed-income securities because they usually pay a fixed interest rate and are obligated to repay principal on a given date in the future. The market value of fixed-income securities tends to decline as interest rates increase. Convertible bonds are particularly sensitive to changes in interest rates when their conversion to equity feature is small relative to the interest and principal value of the bond. Convertible issuers may not be able to make principal and interest payments on the bond as they become due. Convertible bonds may also be subject to prepayment or redemption risk. If a convertible bond held by the Fund is called for redemption, the Fund will be required to surrender the security for redemption, convert it into the issuing company's common stock or cash at a time that may be unfavorable to the Fund. Convertible securities have characteristics similar to common stocks especially when their conversion value is greater than the interest and principal value of the bond. The price of equity securities may rise or fall because of economic or political changes. Stock prices in general may decline over short or even extended periods of time. Market prices of equity securities in broad market segments may be adversely affected by a prominent issuer having experienced losses or by the lack of earnings or such an issuer's failure to meet the market's expectations with respect to new products or services, or even by factors wholly unrelated to the value or condition of the issuer, such as changes in interest rates. When a convertible bond's value is more closely tied to its conversion to stock feature, it is sensitive to the underlying stock's price.

Counterparty Risk: A Fund may enter into various types of derivative contracts as described below in this section under "Derivatives Risk". Many of these derivative contracts will be privately negotiated in the over-the-counter market. These contracts involve exposure to credit risk, since contract performance depends in part on the financial condition of the counterparty. If a privately negotiated over-the-counter contract calls for payments by a Fund, the Fund must be prepared to make such payments when due. In addition, if a counterparty's creditworthiness declines, the Fund may not receive payments owed under the contract, or such payments may be delayed under such circumstances and the value of agreements with such counterparty can be expected to decline, potentially resulting in losses to a Fund.

Credit Default Swap Risk: The Fund may invest in credit default swaps (“CDS”) to transfer credit risk which require the Adviser to forecast, among other things, the likelihood of credit event for a securities issuer. Such forecasting is inherently difficult and entails investment risk. The use of CDS involves investment techniques and risks different from those associated with ordinary portfolio security transactions. There is no guarantee that the Fund will be able to eliminate its exposure under an outstanding CDS by entering into an offsetting swap, and the Fund may not assign a swap without the consent of the counterparty to it. In addition, each CDS exposes the Fund to counterparty risk and the adviser or a sub-adviser may determine to concentrate any or all of its CDS in a single counterparty or small group of counterparties. If a counterparty defaults, the Fund’s only recourse would be to pursue contractual remedies against the counterparty and the Fund may be unsuccessful in such pursuit. The Fund thus assumes the risk that it may be delayed in or prevented from obtaining payments owed to it pursuant to a CDS. In addition to counterparty risks, CDS are subject to credit risk on the underlying investment. If the Fund was the buyer of a CDS and no event of default occurred, the Fund would lose its entire investment. Similarly, if the Fund were the seller of a CDS and an event of default occurred, it would be required to pay its counterparty the value of the CDS, which may cause the Fund to incur a loss on the CDS transaction.

Credit Risk: There is a risk that issuers and counterparties will not make payments on securities and other investments, resulting in losses to a Fund. Changes in an issuer’s credit rating or the market’s perception of an issuer’s creditworthiness may also affect the value of the Fund’s investment in that issuer. In addition, the credit quality of securities may be lowered if an issuer’s financial condition changes. Lower credit quality may lead to greater volatility in the price of a security and in shares of the respective Fund. Lower credit quality also may affect liquidity and make it difficult for the respective Fund or an Underlying Pool to sell the security. Default, or the market’s perception that an issuer is likely to default, could reduce the value and liquidity of securities, thereby reducing the value of your investment in Fund shares. In addition, default may cause the defaulting Fund or an Underlying Pool to incur expenses in seeking recovery of principal or interest on its portfolio holdings. Credit risk also exists in foreign exchange or derivative contracts, because the counterparty may not be able or may choose not to perform under the contract. Investments in foreign currency contracts, or other over-the-counter derivative instruments (including options), involve credit risk with regard to the party with which it trades and also the risk of settlement default. These risks may differ materially from risks associated with transactions effected on an exchange, which generally are backed by clearing organization guarantees, daily mark-to-market and settlement, segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections. Relying on a counterparty exposes the Fund or Underlying Pool to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Fund to suffer a loss. If a counterparty defaults on its payment obligations, this default will cause the value of an investment in the Fund to decrease. In addition, to the extent a Fund or an Underlying Pool deals with a limited number of counterparties, the respective Fund will be more susceptible to the credit risks associated with those counterparties. The Funds are neither restricted from dealing with any



particular counterparties nor from concentrating any or all of its transactions with one counterparty except that each Mutual Fund cannot invest more than 25% of its assets in derivatives with any one counterparty. The ability of the Funds to transact business with any one or number of counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Funds.

Currency Risk: Currency trading involves significant risks, including market risk, interest rate risk, country risk, counterparty credit risk and short sale risk. Market risk results from the price movement of foreign currency values in response to shifting market supply and demand. Since exchange rate changes can readily move in one direction, a currency position carried overnight or over a number of days may involve greater risk than one carried a few minutes or hours. Interest rate risk arises whenever a country changes its stated interest rate target associated with its currency. Country risk arises because virtually every country has interfered with international transactions in its currency. Interference has taken the form of regulation of the local exchange market, restrictions on foreign investment by residents or limits on inflows of investment funds from abroad. Restrictions on the exchange market or on international transactions are intended to affect the level or movement of the exchange rate. An Underlying Pool may also take short positions, through derivatives, if the Underlying Pool manager believes the value of a currency is likely to depreciate in value. A “short” position is, in effect, similar to a sale in which the Underlying Pool sells a currency it does not own but, has borrowed in anticipation that the market price of the currency will decline. The Underlying Pool must replace a short currency position by purchasing it at the market price at the time of replacement, which may be more or less than the price at which the Fund took a short position in the currency.

Defaulted Securities Risk: Defaulted securities risk refers to the uncertainty of repayment of defaulted securities and obligations of distressed issuers. Repayment of defaulted securities and obligations of distressed issuers (including insolvent issuers or issuers in payment or covenant default, in workout or restructuring or in bankruptcy or in solvency proceedings) is subject to significant uncertainties. Insolvency laws and practices in Emerging Markets Countries are different than those in the U.S. and the effect of these laws and practices cannot be predicted with certainty. Investments in defaulted securities and obligations of distressed issuers are considered speculative.

Derivatives Risk: Futures, options, options on futures, swaps and structured notes involve risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. These risks include (i) the risk that the counterparty to a derivative transaction may not fulfill its contractual obligations; (ii) risk of mispricing or improper valuation; and (iii) the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index. The use of derivatives subject to regulation by the Commodity Futures Trading Commission (“CFTC”) by Underlying Pools may be subject to certain rules of the CFTC. Derivative prices are highly volatile and may fluctuate substantially during a short period of time. Such prices are influenced by numerous factors that affect the markets, including, but not limited to: changing supply and demand relationships; government programs and policies; national and international political and economic events, changes in interest rates, inflation and deflation and changes in supply and demand relationships. Trading derivative instruments

involves risks different from, or possibly greater than, the risks associated with investing directly in securities.

Developing and Emerging Markets Risk: The Fund may invest a portion of its assets in issuers from countries with newly organized or less developed securities markets. There are typically greater risks involved in investing in emerging markets securities. Generally, economic structures in these countries are less diverse and mature than those in developed countries and their political systems tend to be less stable. Emerging market economies may be based on only a few industries, therefore, security issuers, including governments, may be more susceptible to economic weakness and more likely to default. Emerging market countries also may have relatively unstable governments, weaker economies, and less-developed legal systems with fewer security holder rights. Investments in emerging markets countries may be affected by government policies that restrict foreign investment in certain issuers or industries. The potentially smaller size of their securities markets and lower trading volumes can make investments relatively illiquid and potentially more volatile than investments in developed countries, and such securities may be subject to abrupt and severe price declines. Due to this relative lack of liquidity, the Fund may have to accept a lower price or may not be able to sell a portfolio security at all. An inability to sell a portfolio position can adversely affect the Fund's value or prevent the Fund from being able to meet cash obligations or take advantage of other investment opportunities.

Equity Securities Risk: The Fund may invest in equity securities, including common stock which is susceptible to general stock market fluctuations, and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. The equity markets are speculative and highly issuer-specific. Mismanagement or misconduct by corporate offices can cause the complete loss of an equity investment, and the equity markets may be particularly susceptible to subjective investment factors and market sentiment. An equity security, or stock, represents a proportionate share of the ownership of a company; its value is based on the success of the company's business, any income paid to stockholders, the value of its assets and general market conditions. Common stocks and preferred stocks are examples of equity securities. While both represent proportional share ownership of a company, preferred stocks often pay dividends at a specific rate and have a preference over common stocks in dividend payments and liquidation of assets.

Exchange Traded Fund and Closed-End Fund Risk: Each of the Funds may invest in Exchange Traded Fund ("ETFs") or Closed-End Funds ("CEFs"). ETFs and CEFs are subject to investment advisory and other expenses, which will be indirectly paid by a Fund. As a result, your cost of investing in a Fund will be higher than the cost of investing directly in ETFs and CEFs and may be higher than other mutual funds that invest directly in stocks and bonds. ETFs and CEFs are listed on national stock exchanges and are traded like stocks listed on an exchange. ETF and CEF shares may trade at a discount to or a premium above net asset value if there is a limited market in such shares. ETFs and CEFs are also subject to brokerage and other trading costs, which could result in greater expenses to the Fund. Because the value of ETF and CEF shares depends on the demand in the market, the adviser or sub-adviser (as applicable) may not be able to liquidate the Fund's holdings at the most optimal time, adversely affecting performance. Each ETF and CEF is subject to specific risks, depending on the nature of its investment strategy. These risks

could include liquidity risk, sector risk and emerging market risk. ETFs in which the Funds invest will not be able to replicate exactly the performance of the indices they track, if any, because the total return generated by the securities will be reduced by transaction costs incurred in adjusting the actual balance of the securities.

Exchange-Traded Notes (ETN) Risk: ETNs are a type of unsecured, unsubordinated debt security that have characteristics and risks similar to those of fixed income securities and trade on a major exchange similar to shares of ETFs. This type of debt security differs, however, from other types of bonds and notes because ETN returns are based upon the performance of a market index minus applicable fees, no period coupon payments are distributed, and no principal protections exist. The purpose of ETNs is to create a type of security that combines the aspects of both bonds and ETFs. The value of an ETN may be influenced by time to maturity, level of supply and demand for the ETN, volatility and lack of liquidity in underlying commodities or securities markets, changes in the applicable interest rates, changes in the issuer's credit rating and economic, legal, political or geographic events that affect the referenced commodity or security. The Fund's decision to sell its ETN holdings also may be limited by the availability of a secondary market. If the Fund must sell some or all of its ETN holdings and the secondary market is weak, it may have to sell such holdings at a discount. If the Fund holds its investment in an ETN until maturity, the issuer will give the Fund a cash amount that would be equal to principal amount, less any applicable charges. ETNs also are subject to counterparty credit risk and fixed income risk.

Financial Sector: Financial services companies are subject to extensive governmental regulation that may limit the amounts and types of loans and other financial commitments they can make, and the interest rates and fees they can charge. Profitability of such companies is generally dependent on the availability and cost of capital, and can fluctuate as a result of increased competition or changing interest rates. In addition, events in the financial sector over the past several years have resulted in reduced liquidity in credit and a high degree of volatility in the financial markets. This situation has negatively affected many financial services companies, such as by causing such companies' values to decline.

Fixed Income and Interest Rate Risk: When the Fund invests in fixed income securities or derivatives, the value of your investment in the Fund will fluctuate with changes in interest rates. Typically, a rise in interest rates causes a decline in the value of fixed income securities or derivatives owned by the Fund. On the other hand, if rates fall, the value of the fixed income securities and derivatives generally increases. In general, the market price of debt securities with longer maturities will increase or decrease more in response to changes in interest rates than shorter-term securities. Other risk factors include credit risk (the debtor may default) and prepayment risk (the debtor may pay its obligation early, reducing the amount of interest payments). These risks could affect the value of a particular investment by the Fund possibly causing the Fund's share price and total return to be reduced and fluctuate more than other types of investments.

Foreign Investment and Foreign Exchange Risk: Foreign investing involves risks not typically associated with U.S. investments, including adverse fluctuations in foreign currency values, adverse political, social and economic developments, less liquidity, greater

volatility, less developed or less efficient trading markets, political instability and differing auditing and legal standards. Derivatives trades may take place on foreign markets or on a foreign exchange. Neither existing CFTC regulations nor regulations of any other U.S. governmental agency apply to transactions on foreign markets. Some of these foreign markets, in contrast to U.S. exchanges, are so-called principals' markets in which performance is the responsibility only of the individual counterparty with whom the trader has entered into a commodity interest transaction and not of the exchange or clearing corporation. In these kinds of markets, there is a credit risk, including risk of bankruptcy or other failure or refusal to perform by the counterparty.

Geographic Concentration Risks: A Fund may concentrate its investments in specific geographic regions. This focus may constrain the liquidity and the number of portfolio companies available for investment by a Fund. In addition, the investments of such a Fund will be disproportionately exposed to the risks associated with the region of concentration.

Hedging Risks: Although derivative instruments may be used to offset or hedge against losses on an opposite position, such hedges can also potentially offset any gains on the opposite position. Hedges are sometimes subject to imperfect matching between the derivative and the underlying security, and there can be no assurance that the Fund's hedging transactions will be effective. The Fund may also be exposed to the risk it may be required to segregate assets or enter into offsetting positions in connection with investments in derivatives, but such segregation will not limit the Fund's exposure to loss. The Fund may also incur risk with respect to the segregated assets to the extent that, but for the applicable segregation requirement in connection with its investments in derivatives, the Fund would sell the segregated assets.

Infrastructure Sector: Some Funds may invest in the infrastructure sector. Infrastructure companies may be susceptible to reduced investment in public and private infrastructure projects, and a slowdown in new infrastructure projects in developing or developed markets may constrain the abilities of infrastructure companies to grow in global markets. Other developments, such as significant changes in population levels or changes in the urbanization and industrialization of developing countries, may reduce demand for products or services provided by infrastructure companies.

Private Equity Investments: Private equity is a common term for investments that are typically made in private or public companies through privately negotiated transactions, and generally involve equity-related finance intended to bring about some kind of change in an operating company (e.g., providing growth capital, recapitalizing a company or financing an acquisition). Private equity funds, often organized as limited partnerships, are the most common vehicles for making private equity investments, although the Fund may also co-invest directly in an operating company in conjunction with an Investment Fund. Securities of private equity funds, as well as the underlying companies these funds invest in, tend to be more illiquid, and highly speculative.

Leverage and Volatility Risk: Derivative contracts ordinarily have leverage inherent in their terms. The low margin deposits normally required in trading derivatives, if any, including futures contracts, permit a high degree of leverage. In addition, it is anticipated

that the sub-advisers and certain Underlying Pools will employ nominal futures trading levels that will exceed their cash deposited in the trading accounts. Accordingly, a relatively small price movement may result in an immediate and substantial loss to a Fund. The use of leverage may also cause a Fund to liquidate its portfolio position when it would not be advantageous to do so in order to satisfy its swap obligations or to meet collateral segregation requirements. The use of leveraged derivatives can magnify Funds' potential for gain or loss and, therefore, amplify the effects of market volatility on the Funds' share prices. To the extent that a Fund is not able to close out a leveraged position because of market illiquidity, the Fund's liquidity may be impaired to the extent that it has a substantial portion of liquid assets segregated or earmarked to cover obligations. Furthermore, valuation may be more difficult in times of market turmoil since many investors and market makers may be reluctant to purchase complex instruments or quote prices for them.

Real Estate Investments: The Fund may be exposed to real estate risk through its investments. Real estate investments are subject to the following risks, including (i) changes in the general economic climate (such as changes in interest rates), (ii) local real estate conditions (such as an oversupply of space or a reduction in demand for space), (iii) the quality and philosophy of management, (iv) competition (such as competition based on rental rates), (v) specific features of properties (such as location), (vi) financial condition of tenants, buyers and sellers of properties, (vii) quality of maintenance, insurance and management services, (viii) changes in operating costs, (ix) government regulations (including those governing usage, improvements, zoning and taxes), (x) the availability of financing and (xi) potential liability under environmental and other laws (such as successor liability if investing in existing entities). In addition, real estate investments may also be affected by tax and regulatory requirements impacting the real estate investment's ability to qualify for preferential tax treatments or exemptions.

Risk of Options and Futures: The primary risks associated with the use of options and futures contracts are (a) the imperfect correlation between the change in market value of the instruments held by a Fund and the price of the futures contract or option; (b) possible lack of a liquid secondary market for a futures contract and the resulting inability to close a futures contract when desired; (c) losses caused by unanticipated market movements, which are potentially unlimited; (d) the Adviser's or sub-adviser's inability to predict correctly the direction of securities prices, interest rates, currency exchange rates and other economic factors; and (e) the possibility that the counterparty will default in the performance of its obligations. Because option premiums paid or received by the Fund are small in relation to the market value of the investments underlying the options, buying and selling put and call options can be more speculative than investing directly in securities.

Risk of Forward and Futures Contracts: The successful use of forward and futures contracts draws upon a Sub-Adviser's skill and experience with respect to such instruments and are subject to special risk considerations. The primary risks associated with the use of forward and futures contracts, which may adversely affect a Fund's NAV and total return, are (a) the imperfect correlation between the change in market value of the instruments held by a Fund and the price of the forward or futures contract; (b) possible lack of a liquid secondary market for a forward or futures contract and the resulting inability to close a



forward or futures contract when desired; (c) losses caused by unanticipated market movements, which are potentially unlimited; (d) the Sub-Adviser's inability to predict correctly the direction of securities prices, interest rates, currency exchange rates and other economic factors; (e) the possibility that the counterparty will default in the performance of its obligations; and (f) if a Fund has insufficient cash, it may have to sell securities from its portfolio to meet daily variation margin requirements, and the Fund may have to sell securities at a time when it may be disadvantageous to do so.

Sector Concentration: A Fund may concentrate its investments in specific industry sectors. This focus may constrain the liquidity and the number of portfolio companies available for investment by a Fund. In addition, the investments of such a Fund will be disproportionately exposed to the risks associated with the industry sectors of concentration.

Short Selling and Short Position Risk: A short sale is effected by selling a security that the Fund does not own, or selling a security which the Fund owns but that it does not deliver upon consummation of the sale. In order to initiate a "short" sale, a seller must "locate" a source from which the seller can borrow the securities to be sold short and, in order to make delivery to the buyer of a security sold short, the seller must borrow the security. In so doing, the seller incurs the obligation to replace that security, whatever its price may be, at the time it is required to deliver it to the lender. The Fund's long positions could decline in value at the same time that the value of short positions increase, thereby increasing the Fund's overall potential for loss. If the Fund sells a security short and subsequently has to buy the security back at a higher price, the Fund will lose money on the transaction. In contrast to the Fund's long positions, for which the risk of loss is typically limited to the amount invested, the potential loss on short positions is theoretically higher. However, the Mutual Fund or Closed End Fund will ensure compliance with Section 18(f) of the 1940 Act, to ensure that a Fund shareholder will not lose more than the amount invested in the Fund. The Private Funds are not subject to the 1940 Act limitations so exposure may be greater and potential for losses are increased. Market factors may prevent the Fund from closing out a short position at the most desirable time or at a favorable price. A lender may request that borrowed securities be returned to it on short notice, and the Fund may have to buy the borrowed securities at an unfavorable price. If this occurs at the same that other short sellers of the same security also want to close out their positions, it is more likely that the Fund will have to cover its short sale at an unfavorable price and potentially reduce or eliminate any gain, or cause a loss, as a result of the short sale. From time to time, various regulatory authorities have imposed "short-selling bans" in selected securities (often, however, a wide population of securities), making it difficult if not impossible to continue to implement certain long-short (as well as other) equity strategies.

Technology Sector: Certain technology companies may have limited product lines, markets or financial resources, or may depend on a limited management group. In addition, these companies are strongly affected by worldwide technological developments, and their products and services may not be economically successful or may quickly become outdated.

Utilities and Energy Sectors: Energy companies may be significantly affected by outdated technology, short product cycles, falling prices and profits, market competition and risks associated with using hazardous materials. Energy companies may also be negatively affected by legislation that results in stricter government regulations and enforcement policies or specific expenditures. A Fund may invest and the Fund may co-invest in portfolio companies in the utilities sector, thereby exposing the Fund to risks associated with this sector. Rates charged by traditional regulated utility companies are generally subject to review and limitation by governmental regulatory commissions, and the timing of rate changes will adversely affect such companies' earnings and dividends when costs are rising.

Volatility Risk: The Fund may have investments that appreciate or decrease significantly in value of short periods of time. This may cause the Fund's net asset value per share to experience significant increases or declines in value over short periods of time, however, all investments long- or short-term are subject to risk of loss.

### **Risks Associated with Fund Structures**

Feeder Fund Risks: Because the Private Funds intends to invest substantially all its assets in the Underlying Fund, an investment in the Private Fund involves all of the risks of investing in the Underlying Fund in addition to those risks particular to the Private Fund and its operation as a "feeder fund." The Underlying Funds' offering memorandum contains a summary of the risks involved in an investment in the Underlying Fund, including the investment by the Private Fund, and no prospective limited partner or shareholder should subscribe for an interest in the Private Fund without carefully considering the summary of risks in the Underlying Fund.

Fund of Funds Risk: The Fund may be subject to fund of funds risk, which means that the ability of the Fund to meet its investment objective is directly related to the ability of Other Investment Companies or Underlying Funds directly or indirectly accessed by the Fund, and their respective investment managers, to meet their investment objectives. Certain investment managers may be dependent upon a single individual or small group of individuals, the loss of which could adversely affect their success. There can be no assurance that any underlying investment vehicle will achieve its investment objectives.

Illiquidity of Investment Fund Interests: There is no regular market for interest in Investment Funds, which typically must be sold in privately negotiated transactions. Any such sales would likely require the consent of the applicable Investment Fund and could occur at a discount to the stated net asset value. If the Advisers determine to cause the Fund to sell its interests in an Investment Fund, the Fund may be unable to sell such interests quickly, if at all, and could therefore be obligated to continue to hold such interests for an extended period of time.

Incentive Allocation Arrangements: Each Investment Manager in the Underlying Funds or Private Funds may receive a performance fee, carried interest or incentive allocation generally equal to 20% of the net profits earned by the Investment Fund that it manages,

typically subject to a preferred return. These performance incentives may create an incentive for the Investment Managers to make investments that are riskier or more speculative than those that might have been made in the absence of the performance fee, carried interest, or incentive allocation.

Inadequate Return: No assurance can be given that the returns on the Fund's investments will be commensurate with the risk of investment in the Fund. Shareholders should not commit money to the Fund unless they have the resources to sustain the loss of their entire investment in the Fund.

Substantial Fees and Expenses: A Shareholder in the Fund that meets the eligibility conditions imposed by one or more Investment Funds, including minimum initial investment requirements that may be substantially higher than those imposed by the Fund, could potentially invest directly in primaries of such Investment Funds. By investing in the Investment Funds through the Fund, a Shareholder in the Fund will bear a portion of the Management Fee and other expenses of the Fund. A Shareholder in the Fund will also indirectly bear a portion of the asset-based fees, carried interests or incentive allocations (which are a share of an Investment Fund's returns which are paid to the Investment Manager) and fees and expenses borne by the Fund as an investor in the Investment Funds. In addition, to the extent that the Fund invests in an Investment Fund that is itself a "fund of funds," the Fund will bear a third layer of fees. Each Investment Manager receives any incentive-based allocations to which it is entitled irrespective of the performance of the other Investment Funds and the Fund generally. As a result, an Investment Fund with positive performance may receive compensation from the Fund, even if the Fund's overall returns are negative.

## **PORTFOLIO STRATEGIST**

In providing "Portfolio Strategist" services, the Adviser generally uses either technical or fundamental analysis techniques in formulating asset allocation recommendations and/or incorporates strategies with specific income distribution objectives from within an investment strategy pursued directly with the Mutual Funds. The Adviser provides asset allocation recommendations within various asset classes. Such recommendations include allocations in varying levels to the Mutual Funds.

## **ITEM 9: DISCIPLINARY HISTORY**

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There are no material legal or disciplinary events to disclose for the Adviser, or its management persons.



## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

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In some instances certain Private Funds may invest in another, unaffiliated hedge fund that is advised by an investment adviser (or its affiliate) which may also be engaged as a sub-adviser to a Mutual Fund and/or whose investment strategies are accessed by a Mutual Fund, directly or indirectly, through portfolio investments in securities, swaps, structured notes, call options or other instruments. Similarly, certain Commodity Pools have in some instances engaged a unaffiliated commodity trading advisor to pursue a trading program on its behalf, and that same commodity trading advisor (or its affiliate), and/or trading program, which is accessed by a Mutual Fund, directly or indirectly, through portfolio investments in securities, swaps, structured notes, call options or other instruments. Additionally, some employees, including Executive Officers of the Adviser, may have investments with such managers via investments in private funds, managed accounts, and/or trading programs. These circumstances can create conflicts of interest, as to compensation, trade allocation practices and possibly other conflicts, across these accounts managed by non-affiliated commodity trading advisors and/or investment advisers that are engaged or accessed, directly or indirectly, by the Mutual Funds, as well as the Private Funds or the Commodity Pools.

**Broker-Dealers.** **Altegris Investments, LLC (“Altegris Investments”)** is a broker-dealer affiliate of the Adviser and pursuant to an agreement with the Mutual Funds’ principal underwriter, acts as a selling agent of the Mutual Funds. As disclosed in the Mutual Funds’ Prospectuses, Altegris Investments and other selling agents will receive compensation in connection with their respective sales of the Mutual Funds, and such compensation will be paid by the Mutual Funds’ principal underwriter out of its 12b-1 fee revenue. Altegris Investments also acts as a wholesaler of the Mutual Funds pursuant to an agreement with the Adviser whereby Altegris Investments is compensated for its wholesaling efforts out of the Mutual Fund advisory fee revenue of the Adviser.

Altegris Investments has been engaged as the distributor to the Closed-End Fund(s) to facilitate the placement of its Shares in the Closed-End Fund(s). Altegris Investments will be compensated by the Closed-End Fund(s) through a distribution fee payable in respect of Class A Shares of that Fund, and will also receive sales loads on its sales of Class A Shares of the Closed-End Fund(s). Altegris Investments will also act as a wholesaler of the Closed-End Fund(s) pursuant to an agreement with the Adviser whereby Altegris Investments is compensated for its wholesaling efforts out of Closed-End Fund(s) Advisory Fee revenue of the Adviser.

Altegris Investments also acts as a selling agent and wholesaling agent for Private Funds (and Commodity Pools) sponsored and/or advised by the Adviser, and is compensated for such sales and services it provides to those funds. Executive officers are deemed to be (i) management persons of the Adviser (ii) registered representatives of Altegris Investments, and (iii) executive officers of an affiliated introducing broker described below. These executive officers do not receive any direct sales-related compensation in their capacity as

registered representatives, though certain executive officers have a financial interest in the overall profitability of the Adviser and its affiliates.

Sub-advisers to the Mutual Funds have discretion in the selection of broker-dealers to use for execution of transactions on behalf of the Mutual Funds, and may potentially execute a portion of a Mutual Fund's transactions through such broker-dealer. While the Adviser does not direct the brokerage, this would present a potential conflict of interest given such broker-dealer's indirect affiliation with the Adviser. The Adviser does not choose, direct or influence the choice of broker-dealers used by the sub-advisers.

**Commodities Registrations.** The Adviser is registered as a CPO with the CFTC and a member of the NFA. Certain of the Adviser's executive or senior officers are deemed to be management persons of the Adviser and are registered as associated persons of the Adviser. These management persons of Adviser do not receive any direct sales-related compensation in their capacity as an associated person, though certain executive officers have a financial interest in the overall profitability of the Adviser and its affiliates. See Item 4 above. The Adviser deregistered as a Commodity Trading Advisor effective December 31, 2017. Completion of the deregistration was confirmed March 15, 2018.

The Adviser is affiliated with Artivest Advisors, LLC, a Delaware limited liability company ("Artivest Advisors"). Artivest Advisors is registered as a CPO with the CFTC and provides services to certain private equity and venture capital fund-of-funds.

**Investment Advisers.** The Adviser is affiliated with Artivest Alternative Advisors, LLC, a Delaware limited liability company with its principal place of business in New York, NY. Artivest Alternative Advisors, LLC is provisionally registered with the SEC as of March 15, 2018.

**Introducing Broker.** Altegris Clearing Solutions, L.L.C. ("ACS"), is an affiliated futures introducing broker ("IB") registered with the CFTC. As an IB, ACS and certain of its associated persons, for compensation, introduce customers' futures trading accounts to futures commission merchants. As described above, certain Mutual Funds invest, directly or indirectly, in securities issued by underlying commodity pools, swaps, structured notes, call options and/or other instruments for the purpose of gaining exposure to the commodity and financial futures markets. In some instances, such investments by the Mutual Funds could be effected through a futures commission merchant which is also conducting business with ACS. This creates a potential conflict of interest among the Adviser and its clients, the Mutual Funds, on the one hand, and ACS and its customers on the other, in respect of compensation received across the different businesses of the Adviser and ACS, as affiliates.

ACS does not provide services to the Adviser, the Mutual Funds, or the Closed-End Fund(s). ACS acts as the IB to the Commodity Pools, and receives revenue associated from the futures brokerage activities of the Commodity Pools. None of the executive or senior officers who are deemed to be management persons of the Adviser and are registered associated persons or principals with respect to ACS's IB activities receive any direct sales-

related compensation in their capacity as an associated person of ACS, though certain executive officers have a financial interest in the overall profitability of ACS.

**Related Fund IT Solution Services.** The Adviser is affiliated with Artivest Solutions, LLC, a Delaware limited liability company. Artivest Solutions generally develops and licenses, on a white-label basis, proprietary information technology-based, investment fund platform solutions which include a suite of digital and on-line media tools and streamlined workflows, and provides certain of these services to certain Private Funds where the Adviser is the GP.

**Other Affiliates.** Other affiliates under common control with the Adviser, by virtue of their direct or indirect ownership or control by private equity investment funds managed by various owners of Artivest Holdings, Inc., are also regulated financial services firms. The Adviser does not deem the businesses of such affiliates, merely by virtue of their being under common control, to be material to its advisory operations, as it has no direct business dealings with such affiliates, does not refer to or share clients with such affiliates, and does not share or rely on any management or personnel to or from such other affiliates in conducting its advisory business as described herein. Therefore, the Adviser does not consider such affiliations to create material conflicts of interest for the Adviser or its clients.

#### **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

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The Adviser is subject to both Rule 17j-1 of the 1940 Act and Rule 204A-1 of the Investment Advisers Act of 1940 (“**Advisers Act**”) which requires the Advisor to maintain a code of ethics (the “**Code**”) for access persons, as defined in the Code, (“**Access Persons**”) of the Adviser. The Code is designed to guide Access Persons in their ethical obligations and to provide rules for their personal securities transactions. Specifically, the Code requires Access Persons to (i) place the interests of the Advisers’ clients first, (ii) conduct all personal securities transactions in a manner consistent with the Code and in such a manner as to avoid any actual or potential conflict of interest or any abuse of their position of trust and responsibility, (iii) not take inappropriate advantage of their positions or of their relationship with the Advisers’ clients, (iv) maintain the confidentiality of client information, (v) not misuse non-public information, (vi) comply at all times with all applicable state and federal securities laws and other governmental rules and regulations, and (vii) act with honesty, integrity including the disclosure of actual and potential conflicts of interests between both the Access Person and Altegris, and its clients.

The Code contains certain reporting requirements with respect to security transactions and holdings, and also requires all Access Persons to pre-clear investments in private placements and initial public offerings with a compliance officer.

The Code also prohibits an Access Person from (i) serving on the board of a publicly traded company without preapproval, (ii) making any political contributions which are designed to influence a political official or government entity to direct investment advisory business or services to the Adviser, or (iii) accepting or making gifts that are outside the normal course of business. All Access Persons are responsible for reporting any known violations of the Code to the Chief Compliance Officer.

The Adviser will provide a copy of the Code to any current or prospective investor, shareholder or client upon request.

## **ITEM 12: BROKERAGE PRACTICES**

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Under its advisory agreements, the Adviser, under the supervision of the Mutual Funds' and Closed-End Fund(s) respective Board of Trustees, agrees to invest the assets of the Mutual Funds and the Closed-End Fund(s) directly in accordance with applicable law and the investment objectives, policies and restrictions set forth in the respective Prospectus and SAI, and subject to such further limitations as the Mutual Funds' or Closed-End Fund(s) respective Board of Trustees may from time to time impose by written notice to the Adviser.

The Adviser will review the sub-adviser's policies and procedures for best execution for securities transactions executed on behalf of the Mutual Funds and Closed-End Fund(s), as applicable. For purposes of this disclosure, best execution means that the Adviser or sub-adviser will execute securities transactions in such a manner that the total cost or proceeds in each transaction is the most favorable under the circumstances. The Adviser will consider the full range and quality of a broker's services in placing brokerage, including, among other things, execution capability, trading expertise, accuracy of execution, commission rates, reputation and integrity, fairness in resolving disputes, financial responsibility and responsiveness.

The Mutual Funds' and Closed-End Fund(s) sub-advisers have their own best execution policies and procedures which have been reviewed by the Adviser and respective Board of Trustees. The sub-advisers to the Mutual Funds will, subject to the supervision and control of the Adviser, determine in their respective discretion which issuers and securities will be purchased, held, sold or exchanged by the Mutual Funds, and will place orders with and give instruction to brokers and dealers for execution in a manner consistent with their respective best execution obligations, pursuant to any investment guidelines established, as applicable.

Relating to the Private Funds, the Adviser does not exercise discretion with respect to the underlying investments purchased for the Underlying Funds.

## **ITEM 13: REVIEW OF ACCOUNTS**

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On an on-going basis, Mutual Fund and Closed-End Fund(s) activity is reviewed by the Adviser's portfolio managers as well as contracted service providers and sub-advisers. On an ongoing basis, the Adviser performs quantitative analysis of performance against predefined parameters, looking for unexplained variances. The Adviser monitors volatility and trading frequency, and changes in correlation, operations or management.

With respect to its role as general partner/sponsor to the Private Funds, the Adviser periodically reviews the Underlying Funds. The Investment Committee comprised of the executive officers of the Adviser and its affiliates, as well as senior research personnel of the Adviser, make the initial investment decisions, as well as the periodic reviews of these investments on an on-going basis. The Investment Committee can re-evaluate their decisions for various reasons, including but not limited to events relating to the manager, strategy or general market conditions.

With respect to its "Portfolio Strategist" services, the Adviser will rebalance portfolios (return back to policy mix) and/or reallocate (change the target mix), either periodically or as deemed appropriate over time, depending on the specific asset allocation approach and investment process.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

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The Adviser does not obtain any direct economic benefit for providing investment advice to any parties other than the Mutual Funds, the Closed-End Fund(s) and the Private Funds (and to the Commodity Pools, operating as a CPO). The Adviser does obtain an indirect benefit in acting as a "Portfolio Strategist", since investment recommendations and asset allocation advice in those capacities will result in investment allocations to the Mutual Funds for which the Adviser receives an Advisory Fee.

The Adviser, the Mutual Funds' principal underwriter, and Millennium Wave Securities, LLC ("MWS") previously have entered into an agreement pursuant to which the Adviser compensates MWS for certain marketing efforts performed by John Mauldin. The original agreement expired at the end of 2015, however, there has been a mutual agreement to extend the effectiveness and compensation continues to be paid to MWS under the agreement.

Altegris Investments and ACS previously entered into a joint marketing agreement with Millennium Wave Advisors, LLC ("MWA") and MWS in respect of client referrals to Private Funds and managed futures accounts recommended by ACS. John Mauldin is the

President of MWA, which is an investment advisory firm registered with multiple states. John Mauldin is a registered representative and associated person of MWS, an SEC-registered broker-dealer and a CFTC-registered CPO, CTA and IB. This agreement expired at the end of 2015, however, there has been a mutual agreement to extend its effectiveness and continues.

The Adviser will also pay fees (out of its Mutual Funds' and Closed-End Fund(s) Advisory Fee revenue) to certain mutual fund distribution platforms sponsored by unaffiliated broker-dealers (e.g., "mutual fund supermarkets"), in order for those platforms to include the Mutual Funds and/or Closed-End Fund(s) among the funds available for purchase thereon. The Mutual Funds' principal underwriter, in some instances, will reimburse the Adviser a portion of the distribution and/or service fees the Adviser pays on behalf of the Mutual Funds, to financial intermediaries, with such reimbursement in each instance made out of the principal underwriter's 12b-1 fee revenue from Mutual Fund sales.

The Adviser, out of its own advisory fee revenue, will also pay other broker-dealers, including Altegris Investments, for wholesaling and other distribution-related services in connection with the Mutual Funds, Closed-End Fund(s), and Private Funds. In addition, the Closed-End Fund(s) will pay distribution fees and sales loads to Altegris Investments, as distributor, with respect to Class A Shares. Because the Adviser and Altegris Investments are affiliates, the Adviser will benefit indirectly from the fees paid to, and revenue generated by, Altegris Investments as the distributor, selling agent or provider of other services, directly or indirectly, to the Mutual Funds, Closed-End Fund(s) or the Private Funds.

The Adviser has entered into a Solicitor Agreement whereby the Adviser is compensated for client referrals to an unaffiliated investment adviser. Such agreement complies with the requirements of Rule 206(4)-3 of the Advisers Act. Each prospective client who is referred to the unaffiliated investment adviser will receive a copy of the unaffiliated adviser's disclosure brochure, and a written statement disclosing the compensation arrangement for which the referred/solicited client will be required to sign (a copy of which will be maintained by the Adviser).

## **ITEM 15: CUSTODY**

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The Adviser does not have custody of any Mutual Fund or Closed-End Fund(s) assets or securities, as defined under Rule 206(4)-2 of the Advisers Act.

The Adviser serves as general partner and/or sponsor of the Private Funds and, the Adviser is deemed to have "custody" of the Private Funds assets within the meaning of Rule 206(4)-2 under the Advisers Act. Each investor in a Private Fund receives audited financial statements within 120 days (180 days for private fund-of-funds) following the Private Fund's fiscal year end. The Adviser and/or the Private Fund have engaged qualified



custodians (the “**Custodians**”) to provide custodial services for the Private Funds. The Custodian, or an affiliate of the Custodians, will provide statements directly to the investors of the Private Fund, where applicable, at least quarterly. Private Fund investors should carefully review these statements upon receipt from the Custodian.

## **ITEM 16: INVESTMENT DISCRETION**

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Under the advisory agreement, the Adviser, under the supervision of the Mutual Funds’ and the Closed-End Fund(s) respective Boards of Trustees, has been granted investment discretion and agrees to invest the assets of the Mutual Funds and the Closed-End Fund(s) directly in accordance with applicable law and the investment objectives, policies and restrictions set forth in the applicable Prospectus and SAI, and subject to such further limitations as the Mutual Funds’ or Closed-End Fund(s) respective Board of Trustees may from time to time impose by written notice to the Adviser. The Adviser may engage sub-advisers to manage all or a portion of the assets of any Mutual Fund or Closed-End Fund(s) on a discretionary or non-discretionary basis.

Under the terms of the organizational and governing documents for each Private Fund, the Adviser has been granted investment discretion to allocate Private Fund assets. Once allocated, the Adviser does not exercise discretion with respect to the investments made by the managers of the Underlying Funds.

## **ITEM 17: VOTING CLIENT SECURITIES**

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With respect to the Mutual Funds and Closed-End Fund(s), their respective Boards of Trustees have adopted Proxy Voting Policies and Procedures (the “**Policies**”) on their behalf, which delegate the responsibility for voting proxies to the Adviser or its designee, subject to the Board of Trustees’ continuing oversight. The Policies require that the Adviser or its designee vote proxies received in a manner consistent with the best interests of the Mutual Funds, Closed-End Fund(s) and their respective shareholders. The Policies also require the Adviser or its designee to present to the Board of Trustees, at least annually, the Adviser’s Proxy Policies, or the proxy policies of the Adviser’s designee, and a record of each proxy voted by the Adviser or its designee on behalf of the Mutual Funds or Closed-End Fund(s), as applicable, including a report on the resolution of all proxies identified by the Adviser as involving a conflict of interest.

Solely with respect to proxies received by the Mutual Funds in relation to securities managed by sub-advisers to the Mutual Funds, the Adviser has conveyed all proxy voting

authority and responsibility to each such Mutual Fund's sub-adviser(s), as applicable. Each sub-adviser has its own policies and procedures regarding the voting of proxies, which have been reviewed by the Adviser and the Mutual Funds' Board of Trustees, and which are included in the SAI for each Mutual Fund. However, should a sub-adviser not be in a position to vote a proxy relating to a Mutual Fund security, the Adviser stands prepared, upon notice and in accordance with applicable proxy voting policies, to take the necessary action.

With respect to the Private Funds, the Adviser does not exercise discretion with respect to the underlying investments purchased for the Underlying Funds. Therefore, it is anticipated that the managers of the Underlying Funds will vote all proxies on behalf of the Private Funds.

#### **ITEM 18: FINANCIAL INFORMATION**

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The Adviser does not have any financial condition that is likely to impair its ability to meet contractual commitments to its clients.