



ALTEGRIS ADVISORS, LLC

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Form ADV Part 2A: Brochure February 15, 2021

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@altegris.com. 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. The searchable IARD/CRD number for Altegris Advisors is 154003.

ITEM 2: MATERIAL CHANGES

This Item 2 discusses specific material changes that were made to this Brochure since the last update, dated March 30, 2020.

Item 4 – *Advisory Business* – was updated to reflect new ownership and a decrease in regulated assets under management since the last annual update of this Brochure, as the result of a series of transactions occurring in 2020 and early 2021. In these transactions, the former parent holding company of Altegris Advisors, in the third quarter of 2020, sold the management and advisement rights over a group of privately offered hedge funds and private equity funds to a third party, which assumed the role of general partner and/or investment adviser to such funds from Altegris Advisors. Thereafter, in the first quarter of 2021, its former parent holding company sold to a third party the management and advisement rights over a closed-end registered investment company, which assumed the role of investment adviser to such fund from Altegris Advisors. Immediately thereafter, Altegris Advisors (and certain of its affiliates) were sold to new ownership (as described herein), and Altegris Advisors continues to operate as the investment adviser to the Funds described herein, under its current ownership and management.

Altegris Advisors no longer has investment adviser representatives (“IAR”) associated with it and has retired each Form ADV Part 2B – Brochure that previously provided details and information regarding each such former IAR.

The discussion of investment strategies and corresponding risk factors in Item 8 – *Methods of Analysis, Investment Strategies, Risk of Loss* – and other Items as applicable, have been revised to reflect the removal of certain types of investment funds and strategies previously advised by Altegris Advisors and for which Altegris Advisors has ceased providing investment advisory services since the last annual update of this Brochure, due to the transactions described above.

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ITEM 4: ADVISORY BUSINESS

The Adviser is a Delaware limited liability company formed in February 2010 and commenced its advisory operations in August 2010, and is registered as an investment adviser and transfer agent with the Securities and Exchange Commission (the “SEC”). The 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”). These registrations should not be taken to imply a certain level of skill or training by the Adviser or its personnel.

The Adviser is wholly-owned by Altegris Holdings, LLC which in turn is owned by Continuum Capital Managers, LLC (“Continuum”) and AV5 Acquisition, LLC (“AV5”). Mr. Matthew Osborne is the sole owner and member of AV5. Continuum is wholly owned and controlled by Messrs. Douglas Grip and Stephen Vanourny.

The Adviser currently provides investment advisory services to registered open-end investment companies and certain private fund(s) operating as “Subsidiaries” (as defined below) of such investment companies. It does not currently, but may in the future, also provide investment advisory services to registered closed-end investment companies, and to privately-offered unregistered funds operating as hedge funds, private equity funds or similar alternative investment vehicles.

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. Certain Commodity Pools are public reporting funds under SEC rules.

The Adviser serves as the investment adviser to one or more mutual funds each organized as a separate series of the Northern Lights Fund Trust, a Delaware statutory trust, organized on January 19, 2005 as an open-end series management investment company (each a “**Mutual Fund**” or collectively, the “**Mutual Funds**”).

The Adviser serves as the investment adviser to one or more privately-offered, and wholly-owned and controlled subsidiaries of the Mutual Funds, (each, a “**Subsidiary**” and collectively, the “**Subsidiaries**”). Each Subsidiary, although not registered as an investment company, 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 Subsidiaries (collectively, the “**Funds**”) in accordance with applicable law and the investment objectives, policies and restrictions as set forth in each such 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.

As of December 31, 2020, , the Adviser had approximately \$779,866,907 in regulatory assets

under management (“**RAUM**”) comprised of Mutual Fund RAUM (including Subsidiaries, on a consolidated basis). The RAUM data above excludes the assets of Commodity Pools sponsored by the Adviser in its capacity as a CPO.

The Adviser’s advisory fee, if applicable (see Item 5 – *Fees and Compensation*, below) and other expenses paid by each Mutual Fund and their respective shareholders are described in the applicable prospectus for each Mutual Fund.

The Adviser from time to time provides non-discretionary model portfolio allocation recommendations with regard to its advised Funds to certain high net worth individuals, family offices and institutions. Although the Adviser does not charge a fee or enter into client engagements in connection with such allocation recommendations, the recommendations relate to Funds advised by the Adviser and for which it and its affiliates receive asset-based management fees and distribution revenue.

ITEM 5: FEES AND COMPENSATION

Mutual Funds (Registered Investment Companies)

The Adviser has entered into investment advisory agreements with each of the Mutual Funds and Subsidiaries. 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 Fund’s prospectus. A copy of the current prospectus for each Mutual is available publicly and can be reviewed and downloaded at www.altegris.com. Advisory Fees for services rendered under existing investment advisory agreements with the Mutual Funds currently range from 1.30% 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 Mutual 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 a Fund’s prospectus for additional details.

Service providers of the Mutual Funds 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, will pay other broker-dealers for wholesaling, platform distribution fees and other distribution-related services in connection with the Mutual Funds, including Altegris Investments, LLC (“**Altegris Investments**”), an SEC-registered broker-dealer and FINRA member affiliated with the Adviser. 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 a distributor and provider of other services, directly or indirectly, to the Mutual Funds.

Investors have the option to purchase Mutual Funds advised by the Adviser through brokers or agents other than Altegris Investments, which are not affiliated with the Adviser.

A summary of fees applicable to the Mutual Funds advised by the Adviser as of the date of this Brochure, and based on information available as of December 31, 2020, is set out below. Please refer to a Fund's most recent prospectus, SAI and semi-annual or annual report for more detailed information regarding the advisory fees and other fees paid to the Adviser and its affiliates by, and other expenses of, the Mutual Funds.

Mutual Fund – Altegris Futures Evolution Strategy Fund. The Adviser is paid an advisory fee computed and accrued daily and paid monthly, based on the Mutual Fund's average daily net assets computed at the following annual rates: 1.50% on the first \$ 1 billion, 1.40% on net assets greater than \$1 billion and less than or equal to \$1.5 billion, 1.30% on net assets greater than \$1.5 billion and less than or equal to \$2 billion, 1.20% on net assets greater than \$2 billion and less than or equal to \$2.5 billion, 1.10% on net assets greater than \$2.5 billion and less than or equal to \$3 billion, and 1.00% on net assets greater than \$3 billion.

Pursuant to a written agreement (the "**Waiver Agreement**"), the Adviser has contractually agreed to reduce its fees and to reimburse expenses, at least until October 31, 2022, to ensure that total annual Mutual Fund operating expenses (exclusive of any front-end or contingent deferred loads; brokerage fees and commissions; acquired fund fees and expenses; fees and expenses associated with investments in other collective investment vehicles or derivative instruments (including for example option and swap fees and expenses); borrowing costs (such as interest and dividend expense on securities sold short); taxes; expenses incurred in connection with any merger or reorganization; and extraordinary expenses such as litigation expenses) will not exceed certain percentage amounts of the Fund's net assets (the "**Expense Limitation**"), depending on the Class of Fund Shares (*i.e.*, 1.94% for Classes A and N, 2.69% for Class C, and 1.69% for Class I). The Mutual Fund's Board of Trustees may terminate the Waiver Agreement at any time. If the Adviser waives any fee or reimburses any expense pursuant to the Waiver Agreement, and the Mutual Fund's operating expenses are subsequently lower than its respective Expense Limitation, the Adviser is entitled to reimbursement by the Mutual Fund provided that such reimbursement does not cause the Fund's operating expense to exceed the respective Expense Limitation. If a Mutual Fund's operating expenses subsequently exceed its expense limitation, the reimbursement for the Mutual Fund will be suspended. The Adviser may seek reimbursement only for expenses waived or paid by it during the three years prior to such reimbursement; provided, however, that such expenses may only be reimbursed to the extent they were waived or paid after the date of the Waiver Agreement (or any similar agreement).

The Mutual Fund adopted a Master Distribution and Shareholder Servicing Plan pursuant to Rule 12b-1 under the 1940 Act, which provides that a monthly service and/or distribution fee is calculated by the Fund at an annual rate of 0.25%, 1.00% and 0.25% of the average daily net assets attributable to Class A, Class C and Class N Shares, respectively. These fees are paid to the Northern Lights Distributors, LLC to provide compensation for ongoing distribution-related activities and/or maintenance of the Mutual Fund's shareholder accounts that are not otherwise required to be provided by the Adviser.

Mutual Fund – Altegris/AACA Opportunistic Real Estate Fund. The Adviser is paid an advisory fee computed and accrued daily and paid monthly, based on the Mutual Fund's average daily net assets computed at an annual rate of 1.30%.

The Adviser has contractually agreed to waive its fees and/or absorb expenses of the Mutual Fund, to ensure that total annual operating expenses after fee waiver and/or reimbursement (exclusive of any front-end or contingent deferred loads, brokerage fees and commissions, acquired fund fees and expenses; fees and expenses associated with investments with other collective investment vehicles or derivative instruments (including for example options and swap fees and expenses), borrowing costs (such as interest and dividend expenses on securities sold short), taxes, expenses incurred in connection with any merger or reorganization and extraordinary expenses such as litigation expenses (which may include indemnification of officers and Trustees. and contractual indemnification of fund service providers (other than the Advisor)) will not exceed certain percentages with respect to the Mutual Fund (the "**Expense Limitations**"). Pursuant to the Expense Limitations, at least until October 31, 2022, the Mutual Fund's Operating Expenses will not exceed 1.80%, 1.55%, 1.80% and 2.55% of the daily average net assets attributable to each of the Class A, Class I, Class N and Class C shares, respectively. The Adviser may seek reimbursement only for expenses waived or paid by it during the three fiscal years prior to such reimbursement; provided, however, that such expenses may only be reimbursed to the extent they were waived or paid after the date of the waiver agreement (or any similar agreement). The Mutual Fund's Board of Trustees may terminate this expense reimbursement arrangement at any time.

The Mutual Fund adopted a Master Distribution and Shareholder Servicing Plan (the "**Plan**") for Class A, Class C and Class N shares, pursuant to Rule 12b-1 under the 1940 Act. The Plan provides that a monthly service and/or distribution fee is calculated by the Mutual Fund at an annual rate of 0.25% of the average daily net assets attributable to each of Class A and Class N Shares, and at an annual rate of 1.00% of the average daily net assets attributable to Class C Shares. These fees are paid to Northern Lights Distributors, LLC to provide compensation for ongoing distribution-related activities or services and/or maintenance of the Fund's shareholder accounts that are not otherwise required to be provided by the Adviser.

Mutual Funds: Sales Charges and Ongoing Fees. Each of the above Mutual Funds offers 4 classes of Shares, with the main differences between classes being sales charges, ongoing fees and minimum investment. Class A charges a maximum sales load of 5.75% and Class A and Class C charges a maximum deferred charge of 1.00%. Class A, Class C and Class N Shares pay an annual distribution fee of up to 0.25%, 1.00%, and 0.25% respectively, of the Fund's average daily net assets attributable to such Class for distribution and shareholder servicing expenses pursuant to the Plan adopted pursuant to Rule 12b-1. Class I shares do not pay sales loads or 12b-1 fees. The Mutual Funds reserve the right to waive sales charges. Complete details regarding sale charges and ongoing fees can be found in each Mutual Fund's current prospectus.

Additional Information

The Adviser has entered into an agreement with a solicitor (the “**Solicitor Agreement**”) whereby the Adviser may be compensated for client referrals to an unaffiliated investment adviser. Such referral fees, to the extent earned and received, will be disclosed in the disclosure statement provided to, and signed by, solicited clients of the unaffiliated investment adviser. See Item 14 – *Client Referrals and Other Compensation*.

ITEM 6: PERFORMANCE BASED FEES

At this time, the Adviser does not charge performance-based fees.

ITEM 7: TYPES OF CLIENTS

As disclosed in more detail in Item 4 – *Advisory Business* above, the Adviser currently serves as the investment adviser to Mutual Funds, and their respective Subsidiaries, as applicable.

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

The Adviser advises and allocates the assets of the Mutual Funds, and their Subsidiaries, as applicable, 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 Boards of Trustees of the Mutual Funds may, from time to time, impose by written notice to the Adviser. **Please refer to each Mutual Fund’s prospectus and SAI for a full description of 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.

ADVISER’S SELECTION METHODOLOGY

The Adviser is an adviser to Funds that generally pursue their respective investment objectives via one or a combination of the following: (i) investments in other unaffiliated registered or unregistered investment funds (“**Underlying Funds**”), in each instance as managed by third-party managers; (ii) engagements of third-party managers as Fund sub-advisers; and (iii) investments in derivatives structured to access the returns of funds or accounts managed by third-party managers. The Adviser, in advising the Funds and implementing their respective investment strategies, conducts a thorough due diligence review of each such third-party manager prior to a Fund accessing the manager as a component of its investment strategy via investment(s) or engagement(s).

The Adviser’s ongoing process for the identification, selection, and monitoring of other managers and/or Underlying Funds 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 ongoing operational due diligence to assist in the prevention of investment failures or fraud. With respect to the Mutual Funds, the Adviser makes determinations as to allocations of assets to be managed, directly or indirectly, by

other 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 Funds, 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 in the future 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.

Investing in securities and other instruments involves a risk of loss that the investors in the 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 Funds 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 and SAI and consult with their own advisors before making an investment decision. In addition, as each Fund’s investment program changes or develops over time, an investment may be subject to risk factors not described in this document. The Funds will update their respective prospectus and SAI to account for any material changes in the risks involved with an investment in the Fund. Please read the Fund’s current prospectus and SAI 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 the Funds 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 Funds 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 Fund invests, counterparties with which a Fund 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 Funds) and other parties. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future. While a Fund'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 Fund. As a result, Funds and their investors could be negatively impacted.

ERISA Considerations: Certain Fund 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 Fund 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 Fund will be subject to investment limitations and restrictions that would not otherwise be applicable and may materially impact the Fund's performance.

Force Majeure Event Risks: Portfolio investments of the Funds or Underlying Funds may be affected by *force majeure* events (i.e., events beyond the control of the Adviser or the Fund, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemics or other serious public health concerns, war, terrorism, labor strikes, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, governmental policies and social instability). Some *force majeure* events may adversely affect the ability of a Fund or its investment counterparties to perform their obligations until there is an ability to remedy the *force majeure* event. Furthermore, *force majeure* events that are incapable of or are too costly to cure may have a permanent adverse effect on portfolio investments of the Funds. Certain *force majeure* events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in a country in which a Fund has invested specifically. Any of the foregoing

may therefore adversely affect the performance of any of the Funds advised by the Adviser. In addition, the cost to a Fund, the Adviser or its affiliates of repairing or replacing damaged assets or systems resulting from such a *force majeure* event could be considerable. While the Adviser has adopted certain policies and procedures designed to restore and/or continue the Adviser's business and operations in such situations, there is no guarantee that such policies and procedures will be effective in any of such situations or will be implemented in time, and the Funds may be adversely affected thereby.

Leverage: A Fund may borrow money in connection with its investment activities — *i.e.*, a Fund may utilize leverage. Specifically, a Fund may borrow money through a credit facility or other arrangements to fund investments up to the applicable limits on leverage under applicable law and regulations. A 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. A 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 a Fund may terminate or refuse to renew any credit facility into which the Fund has entered. If a 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 a Fund.

Liquidity Risk: Funds advised by the Adviser are subject to varying degrees of liquidity risk, depending upon their investment objectives, structure and regulatory status. Liquidity risk exists when particular investments of a Fund or an Underlying Fund would be difficult to purchase or sell, possibly preventing a Fund or an Underlying Fund from selling such illiquid securities at an advantageous time or price, or possibly requiring a Fund or Underlying Fund to dispose of other investments at unfavorable times or prices in order to satisfy obligations. A portion of a Fund's assets may be invested in securities 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 judgments about the attractiveness, value and potential appreciation of particular asset classes and securities in which a Fund invests or its allocations of Fund assets among various sub-advisers, Underlying Funds, 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 sub-advisers or managers to Underlying Funds may also prove incorrect and may not produce the desired results. There can be no assurance that either the sub-advisers, Underlying Funds or the securities selected by the Adviser 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 Funds having multiple sub-advisers, or multiple Underlying Funds, for example, may result in a Fund holding a significant amount of certain types of securities. The degree of correlation among the investment strategies and the market will vary because of market conditions and other

factors, and certain sub-advisers, managers or strategies could have a greater degree of correlation with each other and with the market than other sub-advisers, managers or strategies.

Market Risk: The net asset value of a Fund will fluctuate based on changes in the value of its investments, and certain investments, such as derivatives, may be more volatile and carry more risk than other forms of investment. The price of securities, derivatives and other investments held by the Funds or Underlying Funds, as applicable, may rise or fall because of economic or political changes and result in greater volatility for a Fund. Market prices of securities and derivatives in broad market segments may be adversely affected by macro trends or changes (e.g., interest rates, exchange rates or other factors) wholly unrelated to the value or financial condition of the issuer of such securities or derivatives.

Regulatory Changes: Legal and regulatory changes continually occur in the U.S. and non-U.S. financial markets in which the Funds operate and invest, which may adversely affect a Fund's performance.

Tax Risk: The federal income tax treatment of an investment in any Fund may not be as favorable as a direct investment in an underlying asset held by a Fund, and may adversely affect the timing, character and amount of income a Fund realizes from its investments. As a result, a larger portion of a Fund's distributions may be treated as ordinary income rather than capital gains resulting in higher tax liability to investors, if such treatment is applied. 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 to a Fund's investment portfolio, there could be an increase (or decrease) in the amount of taxable dividends paid by the Fund to investors. 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 Risks: Alternative investment strategies pursued by the Funds 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 a 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: Certain of the Funds or Underlying Funds that pursue commodity futures strategies will be exposed to risks inherent in the commodity futures markets, and such Funds may be subject to greater volatility and less liquidity 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: Certain of the Funds or Underlying Funds will pursue investment strategies that involve investment in convertible securities. 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 a 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 or an Underlying 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: A Fund or Underlying Fund may invest in credit default swaps (“CDS”) to transfer credit risk, which requires a forecast of, among other things, the likelihood of a 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 a Fund will be able to eliminate its exposure under an outstanding CDS by entering into an offsetting swap, and a Fund may not assign a swap without the consent of the counterparty to it. In addition, each CDS exposes a Fund to counterparty risk and a Fund’s CDS positions may be concentrated 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 a Fund was the buyer of a CDS and no event of default occurred, the Fund would lose its entire investment. Similarly, if a 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 a 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. Lower credit quality also may affect liquidity and make it difficult for a Fund or an Underlying Fund 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 held by a Fund, thereby reducing the net asset value of the Fund and that value of investors’ interests in the Fund. In addition, default may cause a Fund or Underlying Fund 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 a Fund or an Underlying Fund 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 a Fund to decrease. In addition, to the extent a Fund or an Underlying Fund 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 generally neither restricted from dealing with any particular counterparties nor from concentrating any or all of its transactions with one counterparty, except that any 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: Certain Funds may pursue strategies that entail currency trading. 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. A Fund may be exposed to short positions, through derivatives, if the 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 a Fund or Underlying Fund sells a currency it does not own but, has borrowed in anticipation that the market price of the currency will decline. The Fund 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”) 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: A 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, a 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 a Fund's value or prevent a Fund from being able to meet cash obligations or take advantage of other investment opportunities.

Equity Securities Risk: A 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 officers 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: Certain Mutual Funds, dependent on their investment mandates and strategies, may invest in Exchange Traded Fund ("ETFs") or exchange-listed 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 a Fund. Because the value of ETF and CEF shares depends on the demand in the market, the Fund may not be able to liquidate its 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 Mutual Funds may 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. For Funds that invest in ETNs, a Fund's decision to sell its ETN holdings also may be limited by the availability of a secondary market. If a 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 ETN 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 Risk: 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, and currently, have resulted in, and may in the future result 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 a Fund invests in fixed income securities or derivatives, the value of its investment 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 a 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 a 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 a Fund's hedging transactions will be effective. A 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. A 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 Risks: 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.

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. Accordingly, a relatively small price movement may result in an immediate and substantial loss to a Fund that invests in derivatives or otherwise incur leverage. 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.

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 a Fund may also co-invest directly in an operating company. Securities of private equity funds, as well as the underlying companies these funds invest in, tend to be more illiquid, and highly speculative. Therefore, such investments are subject to a unique and heightened set of risks, including but not limited to, liquidity risks and lack of secondary market trading, concentration and non-diversification risks, foreign investment risk, lack of transparency, leverage and volatility risks, and risks associated with the challenges of assigning fair valuations to securities of illiquid, early-stage and speculative companies.

Real Estate Investments: Funds with investment mandates or strategies that encompass real estate investing will be exposed to real estate risk. Real estate investments are subject to 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 inability to predict correctly the direction of securities prices, interest rates, currency exchange rates and other economic factors; and (e) the possibility that a counterparty will default in the performance of its obligations. Because option premiums paid or received by a 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 manager's skill and experience with respect to such instruments and is subject to special risk considerations. The primary risks associated with the use of forward and futures contracts, which may adversely affect a Fund include: (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) a manager'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 Fund effects a short sale by selling a security that it 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. A 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 a 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. To the extent a Mutual Fund engages in short-selling, the Adviser will ensure compliance with Section 18(f) of the 1940 Act to ensure that a Fund will not lose more than the amount invested in the Fund. Market factors may prevent a 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 a 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 or types of securities, making it difficult if not impossible to continue to implement certain long-short (as well as other) equity strategies. Such an outcome could result in losses for Funds that pursue equity long-short strategies.

Technology Sector Risks: 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 Sector Risks: 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 or Underlying Fund may invest in portfolio companies in the utilities sector, thereby exposing it 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: A Fund may have investments that appreciate or decrease significantly in value of short periods of time. This may cause a 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

Fund of Funds Risks: Funds structured as a fund of funds will invest across various Underlying Funds and will be subject to fund of funds risk. This means that the ability of the Fund to meet its investment objective is directly related to the ability of the Underlying Funds 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 in Certain Underlying Fund Interests: There is no regular market for interest in certain illiquid Underlying Funds such as private equity funds, which typically must be sold in privately negotiated transactions. Any such sales would likely require the consent of the applicable Underlying Fund and could occur at a discount to the stated net asset value. If the Adviser determines to cause a Fund to sell its interests in an Underlying 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 – Fund of Funds: An Underlying Fund manager may receive a performance fee, carried interest or incentive allocation generally equal to 20% (but may range from 10% to 25%) of the net profits earned by the Underlying Fund that it manages. These performance incentives may create an incentive for the Underlying Fund 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.

Layering of Fees and Expenses –Fund of Funds: Investors contemplating investment in a Fund structured as a fund of funds, and which pursues a private equity or other illiquid strategy, could potentially invest directly in the companies being invested in by the Underlying Fund, and by doing so, would avoid the layering of fees inherent in a fund of

funds or feeder fund structure. By investing in such Fund, an investor will bear a portion of the management fee and other expenses of the Fund, and will also indirectly bear a portion of the asset-based fees, carried interests or incentive allocations and fees and expenses borne by the Fund as an investor in the Underlying Fund .

ITEM 9: DISCIPLINARY HISTORY

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

The Adviser and its affiliates engage in financial services activities in addition to sponsorship, management and/or advisement of the Funds, including the Adviser acting as a CPO for Commodity Pools, , and as a distributor, wholesaler or Selling Agent of the Funds, as a futures introducing broker to Commodity Pool, and other affiliated investment advisers under common control with the Adviser that sponsor and manage investment funds that are also distributed by the Adviser's broker-dealer affiliate. In addition, Executive Officers of the Adviser and its affiliates will engage in investment activities for their own accounts, including investments in the Funds. These other financial services activities are summarized in this Item 10.

In the ordinary course of conducting such other financial services activities, the interests of a Fund may conflict with the interests of the Adviser, the Adviser's Executive Officers, other Funds and/or their respective affiliates. These and similar conflicts of interest are identified and discussed in this Item 10 and elsewhere in this Brochure, including Item 5 – *Fees and Compensation*; Item 8 – *Methods of Analysis, Investment Strategies, Risk of Loss*; Item 11 – *Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*; and Item 14 – *Client Referrals and Other Compensation*.

RESOLUTION OF CONFLICTS

In the case of most conflicts of interest, the Adviser's determination as to which factors are relevant, and the resolution of such conflicts, will be made using the Adviser's best judgment and in its discretion subject to a Funds' organizational and governing documents and/or subject to a Board of Trustees determinations and oversight, as applicable. In resolving conflicts, the Adviser acting in accordance with its fiduciary obligations will consider and review all relevant factors, including the interests of the applicable Funds with respect to the immediate issue and/or with respect to their longer-term courses of dealing. Certain steps for resolving conflicts of interest are described below and when conflicts arise, these steps are intended to mitigate, but may not eliminate, the conflicts of interest.

- As discussed in more detail in Item 8 – *Methods of Analysis, Investment Strategies, Risk of Loss – Adviser's Selection Methodology*, the selection of managers and investments in Underlying Funds are subject to an Investment Committee process whereby the Adviser and its affiliates will take into consideration relevant factors to ensure that actions taken by the Adviser on behalf of Funds are an appropriate action and in the best interest of a Fund when considered from the viewpoint of each such Fund.
- Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions contained in the relevant organizational documents for the Funds, or per regulations or governance requirements implemented and overseen by a Board of Trustees, as applicable.

Such provisions are designed to protect the interests of Fund investors in situations where conflicts may exist, although these provisions do not eliminate such conflicts. In certain instances, some of such conflicts of interest may be resolved in a manner adverse to a Fund and its ability to achieve its investment objectives, or to certain investors in a Fund.

- As the Adviser or Board of Trustees, as applicable, deems appropriate, unaffiliated third parties may be used to help resolve conflicts (*e.g.*, such as a third-party consultant to opine as to the fairness of fair valuations or of a specific transaction); and
- Prior to subscribing for or purchasing interests in a Fund, Investors receive information relating to significant potential conflicts of interest arising from an investment in, and proposed activities of, a Fund, the Adviser and its affiliates.

FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATES

Multi-Manager Advisory Business. In some instances a Fund may invest in an Underlying Fund that is advised by an investment adviser (or its affiliate) which may also be engaged as a sub-adviser to a Mutual Fund, 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, or manage an Underlying Fund of another Fund. 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, 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 Commodity Pools.

Broker-Dealers. 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 also acts as a Selling Agent and wholesaling agent for and Commodity Pools sponsored and operated by the Adviser and is compensated for such sales and

services it provides to those pools. 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 as 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 broker-dealer and other 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 a broker-dealer that also acts as a Selling Agent or distributor of other Funds. While the Adviser does not direct the brokerage, this would present a potential conflict of interest given such broker-dealer's relationship with other Funds advised by the Adviser. The Adviser does not choose, direct or influence the choice of broker-dealers used by the sub-advisers.

Commodity Futures Registrations and Affiliates. 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 in its capacity as a CPO. 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 – *Advisory Business*, above.

Introducing Broker. Altegris Clearing Solutions, LLC ("**ACS**"), is an affiliated futures introducing broker ("**IB**") registered with the CFTC and an NFA member. As an IB, ACS for compensation introduces the Commodity Pools' futures trading accounts to certain 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 the Commodity Pools on the other, in respect of compensation received across the different businesses of the Adviser and ACS, as affiliates.

In mitigation of this conflict, ACS does not provide services to the Adviser or the Mutual Funds. ACS acts as the IB solely 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 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.

Other Affiliates. Other affiliates under common control with the Adviser, by virtue of their direct or indirect ownership or control by Continuum, a controlling interest holder in

Altegris Advisors' parent company, 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

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 Adviser to maintain a code of ethics (the “**Code**”) for “**Access Persons**”, as defined in the Code of the Adviser. The Code is designed to guide Access Persons in their ethical obligations and to provide rules applicable to 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, the Adviser 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

Pursuant to its advisory agreements, the Adviser, under the supervision of the Mutual Funds' Board of Trustees, agrees to invest the assets of the Mutual Funds 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' Board of Trustees may from time to time impose by written notice to the Adviser.

The Adviser will review a sub-adviser's policies and procedures for best execution for securities transactions executed on behalf of the Mutual Funds, 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' 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 of the Adviser, determine in their respective discretion which issuers and securities will be purchased, held, sold or exchanged, 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.

ITEM 13: REVIEW OF ACCOUNTS

On an on-going basis, Mutual Fund 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.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

The Adviser does not obtain any direct economic benefit for providing investment advice to any parties other than the Mutual Funds and to the Commodity Pools, in its capacity as a CPO.

Altegris Investments and ACS previously entered into a joint marketing agreement with Millennium Wave Advisors, LLC (“MWA”) and Millennium Wave Securities, LLC (“MWS”), which remains in effect with respect to certain client referrals to Commodity Pools. 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, certain provisions of the agreement with respect to continuing compensation for prior referrals remain in effect

The Adviser will pay fees (out of its Mutual Funds’ 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 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. 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.

The Adviser has entered into a Solicitor Agreement whereby the Adviser may be compensated for client referrals to an unaffiliated investment adviser (if and when such referrals materialize pursuant to the agreement). 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).

The Adviser from time to time provides non-discretionary model portfolio recommendations regarding its advised Funds to certain high net worth individuals, family offices and institutions, for which no fees are charged, and not pursuant to any client engagement. As the recommendations relate to Funds advised by the Adviser and for which it, its affiliates and adviser representatives receive asset-based management fees,

distribution revenue and/or other compensation, a conflict of interest exists in making such non-discretionary recommendations to persons relating only to Funds advised by the Adviser. The Adviser in making such recommendations, will consider factors other than maximizing fees and revenue to the Adviser and its affiliates, and materials used in making such recommendations will disclose these and other relevant conflicts of interest.

ITEM 15: CUSTODY

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

ITEM 16: INVESTMENT DISCRETION

Under applicable advisory agreements, the Adviser, under the supervision of the Mutual Funds' Board of Trustees, has been granted investment discretion and agrees to invest the assets of the Mutual Funds 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' 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 on a discretionary or non-discretionary basis.

ITEM 17: VOTING CLIENT SECURITIES

With respect to the Mutual Funds, their Board 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 manner consistent with the best interests of the Mutual Funds 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 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, 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.

Investors may obtain a copy of the Adviser's policies and procedures relating to proxy voting as well as a record of the proxy votes made in respect of assets held by the Funds, by emailing the Adviser at compliance@altegris.com or by writing to the address listed on the cover page of this brochure.

ITEM 18: FINANCIAL INFORMATION

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