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

Quarterly Performance Recap

We hope everyone had a safe and happy new year. The Fund was up +14.34% during Q4 2023, slightly trailing the Dow Jones US Real Estate Total Return Index (DJUSRET) at +17.98% and the Morningstar Real Estate Category at +15.68%. The Fund's +11.46% year-to-date return aligns with the benchmark DJUSRET at +12.25%. The prevailing 'higher for longer' Fed policy stance narrative continued to dominate investors' focus, but potential rate cuts in 2024 have some cautiously optimistic. Nonetheless, we maintain a long-term positive outlook and confidence in our ability to generate long-term returns above the benchmark and Morningstar category.

Valuation

Our portfolio is predominantly REITs and REOCs and typically diverges significantly from the index – about 40-60% 'off-index' (or not included in the DJUSRET index). This deviation naturally results in a higher tracking error than more index-aligned funds. Moreover, where there is overlap between the index and our positions, our portfolio may hold higher weights – up to 2-3x more than the index allocations in certain instances. So, we believe index-tracking expectations are an apples-to-oranges comparison and advise investors against this. We believe the portfolio is positioned nicely based on the characteristics below:

- **The portfolio's growth forecast is still multiples of the asset class at large.** The Fund has an underlying 2024 funds from operations (FFO) growth rate of 17.08%. In comparison, the Real Estate sector has a growth rate of 2.30%.[1,2]
- **The portfolio's valuation is at a slight discount to the asset class.** Aggregate Fund FFO is 16.5x 2024 FFO, while the MSCI US REIT Index trades at 18.10x 2024 FFO.[3,4]
- **The portfolio is less leveraged than the aggregate leverage in the asset class.** The S&P Equity REIT index carries an underlying leverage ratio of about 43.62%, while the Fund's leverage ratio is 27.73%.[5,6]

In simple terms, the Fund's investments exhibit significantly higher growth forecasts (per S&P Global) and lower risk (or leverage, per S&P Global), with a slight valuation discount (price/FFO multiple valuations).

We think owning growth in this environment is critical. With elevated rates and lower multiples, the surest way for companies to produce value appreciation is to make more money (increase earnings). Price appreciation is a function of earnings growth, multiple expansion, or some combination thereof. We believe our holdings comprise companies whose growth is fueled by superior business models capable of sustaining higher occupancies and driving higher rents over long periods.

The portfolio is strategically positioned in secular real estate growth opportunities that offer exposure to high-quality, same-store net operating income growth, potentially leading to higher asset value, cash flow, and dividends. In addition, we have no exposure to sectors that, in our opinion, face significant structural headwinds.

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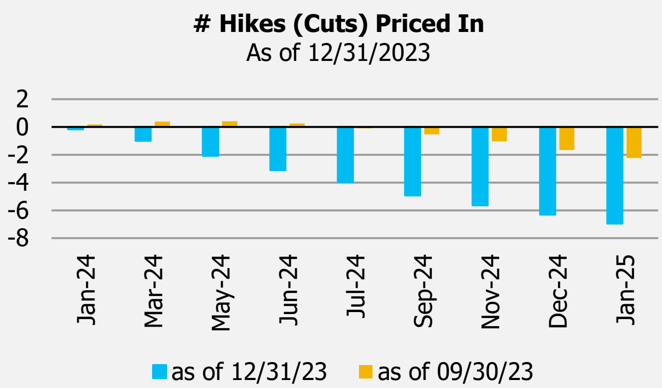
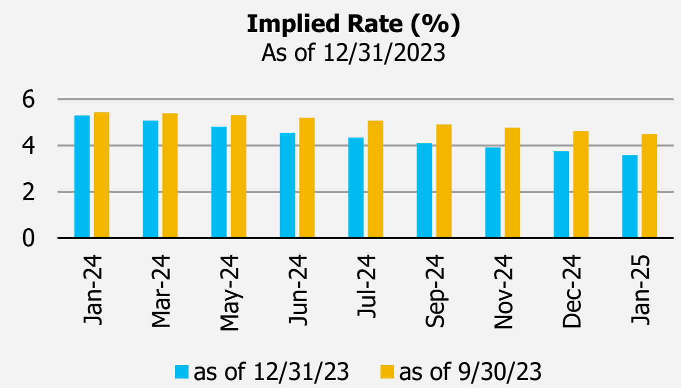
[1] Real Estate Sector Growth rate represented by the MSCI US REIT Index.
[2] According to S&P Global
[3] Fund FFO is an AACA estimate using S&P Global data
[4] S&P Equity REIT Index FFO sourced from S&P Global
[5] S&P Equity REIT Index sourced from S&P Global
[6] Fund leverage is an AACA estimate using data from S&P Global

Macro Outlook

The ongoing war, elevated interest rates, trade conflicts, and subsequent market volatility have created muddied visibility, rendering predictions much more difficult. But looking 12-18 months ahead, we identify these as the most critical market drivers:

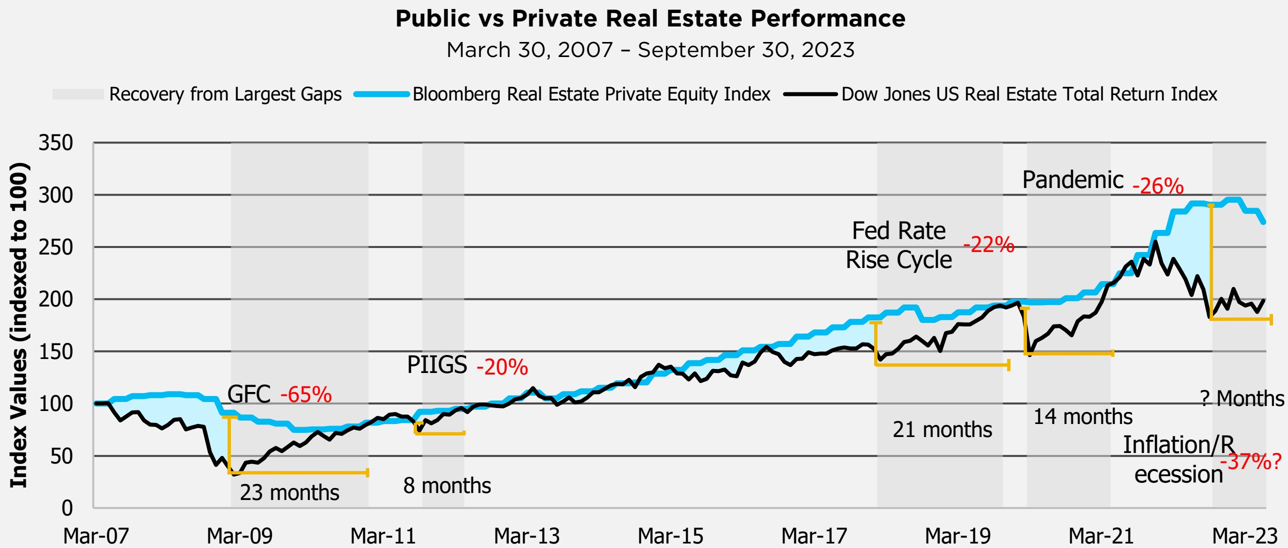
- **The Fed's Pause.** The Fed left rates unchanged at the December 2023 meeting without ruling out future hikes; however, current expectations for the Fed Funds are 3.8% at the end of 2024, with an estimated six cuts in 2024. The last two years have seen a paradigm shift in publicly listed real estate security valuations to a higher correlation with interest rate expectations.





Source. Bloomberg. There is no assurance these opinions or forecasts will come to pass and past performance is no assurance of future results.

- **Cap Rate Normalization.** The aggressive tightening cycle has driven cap rates from 4.6% on December 31, 2021, 5.9% on December 31, 2022, and 6.1% on December 31, 2023. We believe the 'once the dust settles' cap rate level is ~5%, implying that REITs are currently underpriced by double-digits.[7] Real estate transaction volume has seen a notable dip compared to 2021-2022, with a historically high bid-ask spread.
- **Private vs. Public Real Estate.** As indicated below, private real estate have the potential to outperform public real estate for extended periods. This is often due to private real estate funds delaying markdowns, and, in somce cases, they can restrict redemptions from investors. However, over time, these performance gaps tend to narrow, typically within 1-2 years, as public real estate rebounds. Our



Source: Bloomberg

[7] See our recent white paper Exploring REITs Valuation – Is it Time to Buy for more detail on our forecasting process.

analysis suggests that the current gap is narrowing, which could be indicative of a robust year for public real estate in 2024.

- **The Great Migration.** Driven by safety concerns, remote work trends, and idiotic (in our opinion) policy changes of (mostly) blue states, there is an ongoing population shift from high-tax, high-regulation, and high-cost cities toward low-tax, low-regulation, and low-cost cities. Nashville, Austin, Atlanta, Charlotte, Tampa, Raleigh, and Las Vegas are among the places that meet the low-end criteria. Meanwhile, cities like San Francisco are failing while individuals and companies flee. This migration trend is a central consideration in our portfolio construction and capital allocation processes. However, it is worth noting that the recent increase in residential mortgage rates has caused many homeowners with low-rate mortgages to hesitate selling their homes, slowing the migration's pace, as some wait to see how mortgage rates evolve before making decisions.
- **Office Fallout.** The current office market problems are evident in the ~50% average office vacancy in the US. It's worth noting that office exposure is generally smaller in the public markets compared to private markets. We have maintained a negative outlook on central business district office space. We believed the work-from-home (WFH) trend would lead to a permanent hybrid solution and lasting challenges for much of the nation's 'commodity' office space, and our outlook has been substantiated by recent developments.

  Interestingly, however, we now hear reports suggesting that the balance may be shifting once again towards a return to the office. For instance, an employee from one of the world's largest banks recently informed us that they are required to be back in the office for a minimum of 8 days of every 10. This requirement raises questions about how this filters down to other banks and various other professions. We will continue to monitor this and consider its implications in our investment decisions.

Portfolio

Top 10 Holdings | As of 12/31/2023

Holding	%	Holding	%
IQHQ, Inc.	12.10%	DigitalBridge Group, Inc.	5.62%
American Tower Corp.	8.11%	Hudson Pacific Properties, Inc.	5.05%
Digital Realty Trust, Inc.	6.02%	Equinix, Inc.	4.42%
FTAI Aviation Ltd.	5.71%	Innovative Industrial Properties, Inc.	4.40%
FTAI Infrastructure LLC	5.65%	Crown Castle International Corp.	3.88%

Top 5 Sectors | As of 12/31/2023

Sector	%
Infrastructure	18.3%
Industrial	17.3%
Data Centers	16.1%
Lab Space	15.0%
Communications Networks	14.7%

Holdings are subject to change and do not constitute a recommendation or solicitation to buy a particular security.

Infrastructure

Our largest segment exposure is infrastructure. There are several compelling drivers for this investment thesis:

- **Artificial intelligence (AI)** is driving electricity demand (and data center demand) at previously unheard-of levels. Tech giants like Google (GOOG), Microsoft (MSFT), and Amazon (AMZN) Web Services (AWS), and others require larger spaces with much higher electrical density to support AI operations.
- **Electric Vehicle (EV) Adoption.** Secondly, various layers of governments are promoting or even mandating the use of EVs, which will likely drive additional electricity consumption.
- **Reshoring Initiatives.** The CHIPs Act and related trade agreements are injecting billions of dollars into re-shoring critical components of the United States's supply chains.[8] Manufacturing, which is a key focus in reshoring efforts is known to consume large amounts of electricity.

Over of the last decade, most of the new US electrical capacity has come from solar and wind, both of which have proven intermittent and unreliable. Therefore, grid operators are actively encouraging the development of new energy sources such as combined cycle gas. Combined cycle gas is cleaner than other carbon-based alternatives, highly efficient, follows well-understood development cycles, and reduces our dependence on other countries for energy supply.

Our portfolio includes exposure to a diverse range of infrastructure assets, including solar, wind, hydroelectric, nuclear, toll roads, bridges, terminals, ports, combined cycle gas, liquefied natural gas, rail, water storage, and supply. This diverse portfolio covers various aspects of the secular trend in infrastructure development.

Furthermore, the sector trades at 6-12x 2024 EBITDA, which is favorable when compared to other asset-based investment options. This suggests that the infrastructure sector presents attractive investment opportunities in the current market landscape.

Lab Space

We have maintained our exposure to the lab space segment since the inception of the Fund. This segment includes significant players such as big pharmaceutical companies, biotech firms, diagnostic labs, educational institutions, hospitals, and large-scale research laboratories, all of which are expanding their usage of this crucial space. We believe that many entities within this segment are currently undervalued

To illustrate this point, consider Alexandria Real Estate (ARE) which has been actively involved in buying and selling nearly $2 billion worth of life science assets this year at around a 5% cap rate. In our view, these are large-scale trades between sophisticated parties representing fair value for these assets. However, the interesting aspect is that ARE's share price does not seem to reflect this, as it trades at roughly a 15% discount to the consensus net asset value (NAV). This difference suggests that either market participants are transacting at nonsensical values or the market is undervaluing ARE's equity. We lean towards the latter.

Furthermore, Alexandria's existing development pipeline is expected to yield 8% on an unlevered basis. Additionally, the expected same-store net operating income growth is about 5%. This means investors essentially have the opportunity to acquire a 13% unlevered return over time, and ARE is strategically levering this opportunity, potentially leading returns in the mid-teen range.

Data Centers

The demand for data and the need for secure storage and transmission of data have been central to our investment thesis for the past decade. During this time, mergers and privatizations have led to the consolidation of the data center industry, resulting in an oligopoly primarily composed of Digital Bridge, Digital Realty, and Equinix. The recent surge in the use of Artificial Intelligence (AI) applications has significantly increased the demand for data centers, creating a substantial supply-demand gap. This gap is further exacerbated by limited access to power for new data center developments.

A critical issue that arises in this context is that major players like AWS are requesting massive expansions in data center capacity, while the power infrastructure falls short of meeting these demands. The imbalance is

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[8] Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act was designed to boost investment in domestic high-tech research and bring semiconductor manufacturing back to the United States.

further compounded by lengthy regulatory procedures and limited access to power, indicating that the industry's imbalance is likely to persist.

Consequently, we anticipate substantially higher renewal rates. Furthermore, the trend of tenants seeking green credentials amplifies the strain on existing renewable power assets. Yet, the reliability of solar and wind power falls short of the stringent uptime requirements for data centers, leading to increased pressure on assets claiming renewable energy use. It's important to note that claims of using renewable power often involve purchasing carbon offsets rather than directly generating power in an eco-friendly manner.

Fund Performance

Fund Returns | As of 12/31/2023

				Annualized Return			
	QTD	YTD	1YR	3YR	5YR	10Y	Since Inception*
RAAIX: Class I	14.34%	11.46%	11.46%	-10.07%	6.47%	7.16%	7.91%
RAAAX: Class A	14.27%	11.16%	11.16%	-10.29%	6.21%	6.90%	7.71%
RAACX: Class C	14.04%	10.37%	10.37%	-10.94%	n/a	n/a	-8.80%
Dow Jones US Real Estate TR Index	17.98%	12.25%	12.25%	5.30%	7.35%	7.70%	7.63%
S&P 500 TR Index	11.69%	26.29%	26.29%	10.00%	15.69%	12.03%	12.72%
RAAAX: Class A (max load)**	7.66%	4.81%	4.81%	-12.05%	4.96%	6.27%	7.22%

** The inception date of the Predecessor Fund was February 1, 2011. Returns for periods longer than one year are annualized. The inception date of Class C shares was 12/1/2020.*
*** The maximum sales charge (load) for Class A is 5.75%. Class A share investors may be eligible for a reduction in sales charges.*
The total annual fund operating expense ratio is 2.44% for Class A, 3.19% for Class C, and 2.19% for Class I. The Adviser has contractually agreed to reduce its fees and/or absorb expenses of the Fund as described in the Fund's Prospectus, until at least October 31, 2024, to ensure that total Annual Fund operating expenses after fee waiver and/or expense reimbursement will not exceed 1.80%, 2.55%, and 1.55% of average daily net assets attributable to Class A, Class C, and Class I shares, respectively. Waived fees and absorbed expenses are subject to possible recoupment from the Funds in future years on a rolling three-year basis (within the three years after the fees have been waived or reimbursed) if such recoupment can be achieved within the foregoing expense limits. This agreement may only be terminated only by the Board of Trustees on 60 days' written notice to the Adviser.
The performance data quoted here represents past performance, which is no guarantee of future results. Current performance may be lower or higher than the performance data quoted above. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original costs. A Fund's performance, especially for very short periods of time, should not be the sole factor in making your investment decisions. For performance information current to the most recent month end, please call (877) 855-3434.
The Performance shown before January 9, 2014 is that of the American Assets Real Estate Securities, LP ("Predecessor Fund") which was managed by AACA, the Fund's sub-adviser, from February 1, 2011 through January 9, 2014 in the same style and pursuant to substantially identical real estate long short strategies, investment goals and guidelines, as are presently being pursued on behalf of the Fund by AACA. Because the Predecessor Fund was not registered under the Investment Company Act of 1940, it was not subject to the same investment restrictions, diversification requirements, leverage limits, and other regulatory restrictions of the Fund, which might have reduced its returns. The Predecessor Fund also was not subject to sales loads that would have adversely affected its performance. Performance shown of the Predecessor Fund is net of its applicable management fees, performance fees, and other actual expenses and is not an indicator of future results.

Portfolio Performance Review

This quarter, the portfolio's top five attributors were American Tower Corp., FTAI Aviation Ltd., Hudson Pacific Properties Inc., Innovative Industrial Properties Inc, and FTAI Infrastructure LLC.[9]

- **American Tower Corp. ("AMT") | Communications Infrastructure:** AMT is the world's largest and most diverse cell tower operator. They have been the most aggressive operator in international expansion, with about 1/3 of revenue from outside the United States. International markets are typically 5-10 years behind the US market in carrier investment and mobile penetration. Until Q4, the communications infrastructure sector had been one of the hardest hit in 2023 due to a slight pullback in tenant activity. Still, now we're seeing a snapback (which we noted the possibility of in our last letter), and we see this uptrend continuing into 1H24, with demand for mobile data showing no signs of slowing.
- **FTAI Aviation Ltd. ("FTAI") | Infrastructure:** FTAI Aviation provides various aviation products, including aircraft leasing, engine (CFM56) leasing, engine repair, and used serviceable material. FTAI recently split into aviation and infrastructure companies and elected C-Corp status, which has enhanced shareholder value. Due to carbon regulations, airlines must replace, update, or repair engines on a specified schedule, creating built-in demand for the core FTAI business segment. FTAI is on the Fund's top 5 contributors list for the fifth consecutive quarter.
- **Hudson Pacific Properties, Inc. ("HPP") | Diversified:** HPP is a diversified REIT operating in the office and film studio business. Founded in 2006, the company has a strong presence in Los Angeles, San Francisco, and Seattle. This was an opportunistic trade with the stock down due to the Hollywood writers' strike. Factoring in the recent strike resolution, we expect operations to return to normal in 1H24.
- **Innovative Industrial Properties, Inc. ("IIPR") | Specialized Agricultural:** IIPR is a self-advised REIT focused on the acquisition, ownership, and management of specialized properties leased to experienced, state-licensed operators for their regulated medical-use cannabis facilities. Founded in 2016, they were the first publicly traded firm on the New York Stock Exchange to deliver real estate capital to the regulated cannabis industry. Last quarter, IIPR had rough performance due to lower-than-normal rent collections, but now we're experiencing a snapback even stronger than the broader market.
- **FTAI Infrastructure LLC ("FIP") | Infrastructure:** FTAI owns infrastructure assets in the energy, intermodal, and rail sectors. They have three large-scale infrastructure projects, each unique with very large earnings potential. FTAI recently split into two companies, aviation, and infrastructure, and elected C-Corp status. We expect the infrastructure segment to continue to see tailwinds from solid energy demand in 2024.

This quarter, the portfolio's top five detractors were IQHQ, Inc., Cadiz Inc., Paramount Group Inc., Wynn Resorts, Limited, and Digital Bridge Group, Inc.[10]

- **IQHQ, Inc. ("IQHQ") | Lab Space:** IQHQ operates premier life science real estate and is rapidly expanding in 3 major markets: San Francisco, San Diego, and Boston. With the growing demand for life science assets and vaccine research, we have strong confidence in the company's trajectory. We recently toured their development in downtown San Diego, the Research and Development District. It will undoubtedly be Southern California's premier lab space asset once development is finished (1-2 quarters).
- **Cadiz Inc. ("CDZI") | Infrastructure:** CDZI is a water resource development company based in California. They have historically faced political opposition to their water projects. Still, we're expecting a better 2024 in terms of CDZI's stock performance, as they were recently approved to advance their Northern Pipeline project by the Bureau of Land Management.
- **Paramount Group Inc. ("PGRE") | Office:** PGRE specializes in Class A office properties in metropolitan markets such as New York and San Francisco. As many of you know, we have been bearish on traditional office stocks in a post-COVID environment and hold a short position in PGRE. But with the market upswing we've experienced in Q4, PGRE is our fund's top detractor.

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[9] AMT, FTAI, HPP, IIPR, and FIP net exposures are 8.1%, 5.7%, 5.0%, 4.4%, and 5.6%, respectively.
[10] IQHQ, CDZI, PGRE, WYNN, and DBRG net exposures are 12.1%, 2.1%, -1.7%, 2.7%, and 5.6%, respectively.

- **Wynn Resorts, Limited. ("WYNN") | Gaming/Entertainment:** WYNN operates high-end integrated resorts in Las Vegas and Macau (and Boston up until recently). The stock was favorable for the quarter but underperformed the broader market as the world awaits a Las Vegas-style rebound in Macau. Thankfully for WYNN, however, they are split between geographical segments, and their stock was not as negatively impacted as their peers, who are more heavily concentrated in China. Regardless, we see Macau as the next rebound in the gaming/entertainment space, similar to Las Vegas in 2022/23. Lighter travel restrictions/ COVID policy would go a long way.
- **Digital Bridge Group, Inc. ("DBRG") | Communications Infrastructure:** DBRG is a digital infrastructure investment firm built from the remnants of a REIT. For lack of a better comparison, they aim to be the 'Blackstone for digital,' which we think is a good idea. In addition, they recently bought Switch Inc. with institutional capital. Peers and colleagues deeply respect CEO Marc Ganzi. Given their excellent management and asset-light, institutionally-funded model, we expect their future returns on assets to exceed REIT cohorts. DBRG was the fund's top contributor in Q2 and Q3, but now it joins the top detractor list, as the stock saw a moderation in Q4.

This commentary reflects the views of the sub-adviser portfolio manager through 12/31/2023. The manager's views are subject to change as market and other conditions warrant. This commentary is only for informational purposes and should not be construed as investment advice. No forecasts are guaranteed. There is no guarantee that any investment will achieve its objectives, generate profits, or avoid losses.

IMPORTANT DISCLOSURES

Carefully consider the Fund's investment objectives, risks, charges, and expenses as detailed in its Prospectus and Summary Prospectus, which can be obtained by calling (877) 855-3434. Before investing, read the Prospectus carefully for additional information about the Fund and its risks.

Funds are distributed by Northern Lights Distributors, LLC, Member FINRA/SIPC. Destra Capital Investments is the third party marketing agent of the Altegris/AACA Opportunistic Real Estate Fund. Altegris Advisors, Northern Lights and Destra Capital are not affiliated.

The Fund may not be suitable for all investors. *Investing involves risk, including possible loss of principal. You may have a gain or loss when you sell shares. There can be no assurance that the Fund will achieve its investment objectives. Concentrating the Fund's investments in real estate securities subjects it to the same risks as direct investments in real estate, and real estate is particularly sensitive to economic downturns. The Fund will leverage investments, as deemed appropriate, to the extent permitted by its investment policies and applicable law, which will magnify the impacts of increases or decreases in the value of Fund investments. The Fund's investment in ETFs or other investment funds will subject it to the risks and expenses affecting those funds. The Fund's use of short selling involves increased risks and costs, as the Fund may pay more for a security than it receives in a short sale, with potentially significant and possibly unlimited losses. Investments in non-US securities pose additional risks to the Fund, as compared to US securities, due to currency fluctuation, adverse political or economic conditions, and differing audit and legal standards (risks that are magnified for investments in emerging markets). The Fund may invest in options and derivative instruments, which can be more volatile. Less liquid and increased risk of loss, as compared to traditional securities. Derivatives and options can be subject to counterparty default risks and adverse tax treatment. Investing in sector funds is more volatile as compared to broadly diversified funds, as there is greater concentration risk due to investing in the same or similar issuers and offerings. The Fund is non-diversified and can invest a greater portion of its assets in securities of the same issuers than a diversified fund, and therefore a change in the value of a single security could cause greater fluctuation in the Fund's share price than would occur if it were diversified. The Fund trades actively, which can increase volatility and costs due to high turnover.* ***DEFINITIONSAACA.*** *American Assets Capital Advisors.* ***REITs.*** *Real Estate Investment Trusts (REITs) own and operate income-generating real estate properties. REITs distribute at least 90% of their taxable income to their shareholders as dividends.* ***REOCs.*** *Real Estate Operating Companies (REOCs) own and operate real estate properties but do not have the same tax advantages as REITs. Unlike REITs, REOCs are not required to distribute a specific percentage of their income to shareholders and are taxed at the corporate level.* ***Net Operating Income (NOI).*** *A measure used in real estate to determine the profitability of income-generating properties. It is calculated by subtracting the operating expenses from the gross income a property generates, excluding financing costs or income taxes.* ***EBITDA.*** *Earnings* *before interest, tax, depreciation, and amortization.* ***CPI****. The Consumer Price Index is a measure of the average change in prices of a basket of goods and services purchased by households over time.* ***Global Financial Crisis (GFC).*** *A severe worldwide economic crisis that occurred between mid-2007 and early 2009.* ***Portugal Italy Ireland Greece and Spain (PIIGS) PIIGS*** *is an acronym for the weakest economies in the Eurozone that garnered attention due to their weakened economic output and financial instability which heightened doubts about the nations' abilities to pay back bondholders following the 2008 crisis.* ***Unlevered*** *IRR. a financial metric often used in capital budgeting to evaluate the potential profitability of an investment. It calculates the estimated rate of return of an investment assuming that the investment is made entirely with equity, without any financing or borrowing.* ***INDEX DESCRIPTIONS*** *An index is unmanaged, not available for direct investment, and its performance does not reflect transaction costs, fees, or expenses.* ***FTSE NAREIT All Equity REITs Total Return Index*** *is a free-float adjusted, market capitalization-weighted index of US equity REITs. Constituents of the index include all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property.* ***Dow Jones US Real Estate Total Return (TR.)*** *Index tracks the performance of real estate investment trusts (REITs) and other companies that invest directly or indirectly in real estate through development, management, or ownership, including property agencies.* ***The S&P 500 Total Return Index*** *is a broad-based index, the performance of which is based on the performance of 500 widely held common stocks chosen for market size, liquidity, and industry group representation.* ***Bloomberg Private Real Estate Index.*** *The Bloomberg Real Estate Private Equity Index represents the average NAV-based return of private equity funds with a real estate strategy, as defined by the Bloomberg Private Equity Classifications.* ***S&P Equity REIT Index*** *measures the performance of all U.S.-domiciled equity real estate investment trusts (REITs) that own and manage income-producing real estate. These may include offices, residential buildings, industrial properties, healthcare-related properties, shopping centers, hotels/resorts, commercial forests, data centers, cell towers, other infrastructure properties, and properties with diversified ownership across two or more properties. Mortgage REITs are excluded.* ***MSCI US REIT Index.*** *The MSCI US REIT Index is a price-only index, which MSCI began calculating on June 20, 2005. Previously, the AMEX calculated and maintained this index (then known as the Morgan Stanley REIT Index). The AMEX began calculating the index with a base level of 200 as of December 30, 1994.* ***ALTEGRIS ADVISORS, LLC*** *is a CFTC- and NFA-registered commodity pool operator and SEC-registered investment adviser that manages funds pursuing alternative investment strategies.*

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