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

Quarterly Performance Recap

The Fund was up +7.24% during Q3 2024, underperforming the Dow Jones US Real Estate Total Return Index (DJUSRET) at +16.92% and the Morningstar Real Estate Category at +15.79%. In September, the Fed semi-surprised markets with a 0.50% rate cut (expectations were split between a 0.25% and 0.50% rate cut at the time). In addition to the 0.50% rate cut, the Fed Funds futures market has priced in additional rate cuts, which have driven REITs and other interest rate-sensitive asset classes higher. With our strategy about 40% invested in REITs, it is no surprise (in hindsight) that the rate-cut-sensitive benchmark outperformed the Fund this quarter; however, we believe rate cut expectations may have priced in more cuts than will ultimately materialize as the Fed Funds futures market is pricing in 2 rate cuts (or about 0.42%) more than the Fed dot plot forecast. We believe that non-REITs (the other ~60% of our portfolio) may outperform REITs as many rate cuts have already been priced into REITs. We have already seen this start to play out during the first days of Q4, as the 10-year Treasury yield has risen from 3.74% at quarter end to more than 4.00% as of this writing (10/7). Strong jobs numbers suggest a possibility that rates may not be cut as much as the markets have priced in. From here, 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 diverges significantly from the index – typically about 60-70% 'off-index' (or not included in the DJUSRET index). The deviation results in a higher tracking error than more index-aligned funds. Moreover, where there is overlap between our portfolio and the index, our position sizing may be up to 2-3x more than the index allocations at times. So, we advise investors against index-tracking expectations as we believe they are an apples-to-oranges comparison. We believe the portfolio is positioned for success based on the following:

- **The portfolio's growth forecast remains multiples of the asset class at large.** The Fund has an underlying 2025 funds from operations (FFO) growth rate of 14.48%. In comparison, the Real Estate sector has a growth rate of 6.70%.[1,2]
- **The portfolio's valuation is a slight discount to the asset class.** Aggregate Fund FFO is 17.30x 2024 FFO, while the MSCI US REIT Index trades at 19.37x 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 28.82%, while the Fund's leverage ratio is 22.65%.[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 small valuation discount (price/FFO multiple valuations).

Price appreciation is a function of some combination of earnings growth and multiple expansion. With higher rates and lower multiples, the surest way to achieve price appreciation is to make more money (increase earnings). Hence, we think growth-oriented companies are critical in this environment and believe our holdings comprise growth-oriented companies with superior business models capable of sustaining higher occupancies and rents over long periods. Furthermore, we have no exposure to sectors that, in our opinion, face significant structural headwinds.

The portfolio is strategically positioned in secular real estate growth opportunities with high-quality, same-store net operating income growth, which may drive higher asset values, cash flows, and dividends.

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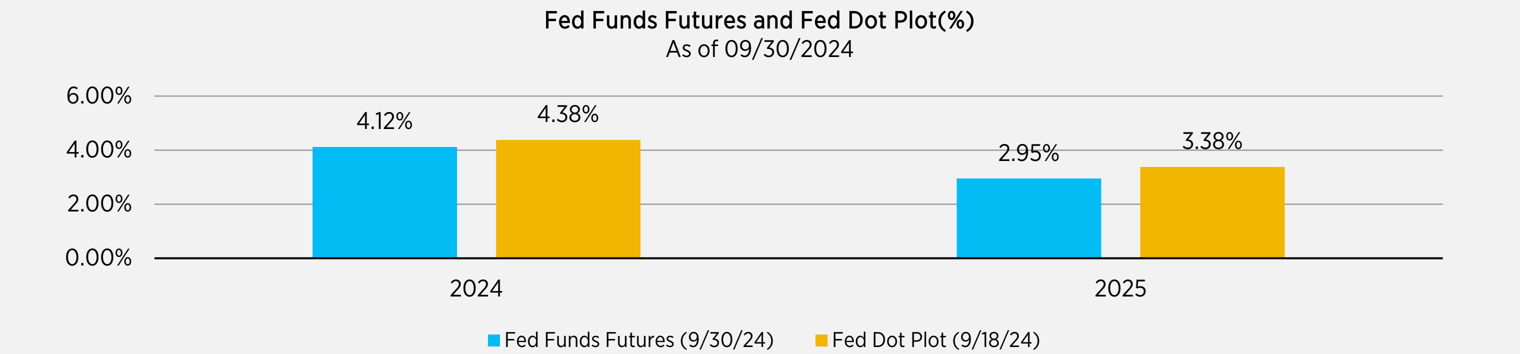
[1] Real Estate Sector Growth rate represented by the MSCI US REIT Index.
[2] According to S&P Global
[3] Fund FFO is an AACA estimate using S&P Global data
[4] S&P Equity REIT Index FFO sourced from S&P Global
[5] S&P Equity REIT Index sourced from S&P Global
[6] Fund leverage is an AACA estimate using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

Macro Outlook

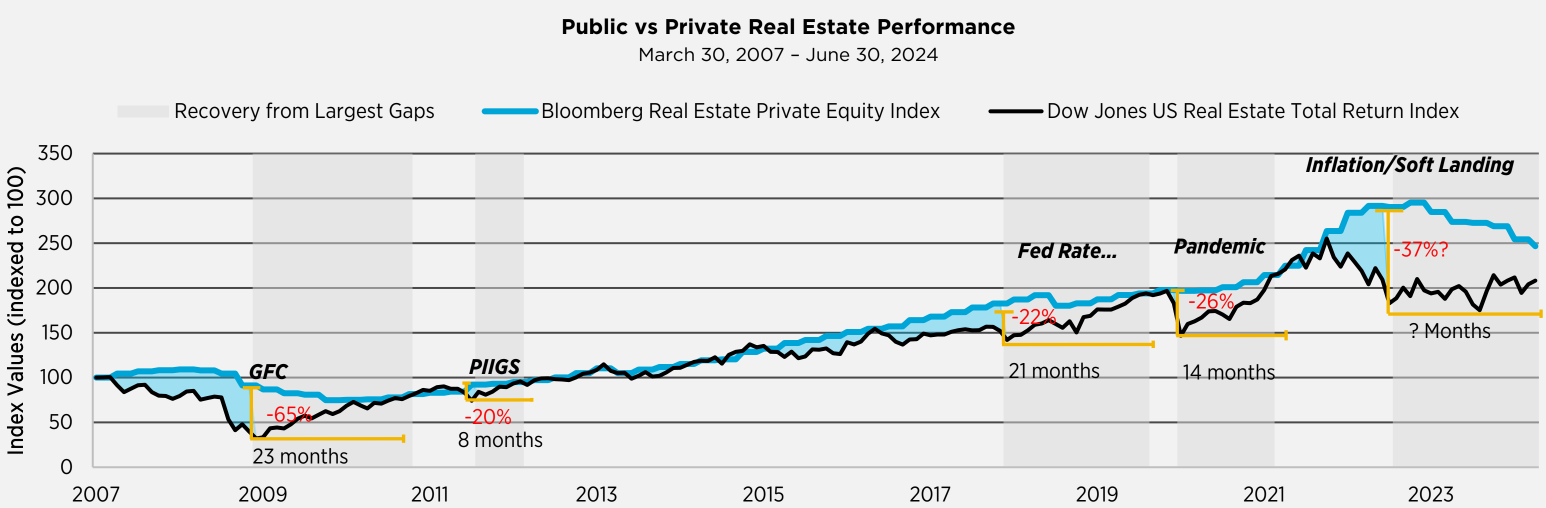
The ongoing war, elevated interest rates, trade conflicts, and subsequent market volatility have muddied visibility, making predictions much more difficult. But looking 12-18 months ahead, we identify these as the most critical market drivers:

- **The Fed's rate cutting cycle:** Fed chair Powell cut rates at the Sep-2024 meeting and opened the door for future cuts. Publicly listed real estate security valuations seem tied to interest rate expectations, a paradigm held for the past two years. Fed Funds futures are pricing in (as of 9/30) the Fed Funds to be 4.12% at the end of 2024 and 2.95% at the end of 2025. However, the Fed's dot plot shows Fed rate expectations are currently higher than market-based expectations (futures). Time will tell whose forecasts are closer to reality; however, with a Fed that largely does what they say they are going to do, we would suggest that most of the rate-cutting tailwind may already be priced in.



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 4.3% on December 31, 2021, to 5.9% on December 31, 2023 (currently 5.5% as of Sept 30, 2024). We believe the 'once the dust settles' cap rate level is ~5%, implying that REITs are currently underpriced. Real estate transaction volume has experienced a notable dip compared to 2021-2022, with a historically high bid-ask spread.
- **Private vs. Public Real Estate:** Historical data indicate that private real estate opens up gaps above public real estate values, as private real estate tends to lag on downward valuation revisions (they can also close their doors to redemptions). These gaps tend to close over 1-3 years as public real estate recovers. We are seeing the current gap close, another indication of REITs' reasonable pricing and a strong outlook for real estate overall.



Source: Bloomberg

Portfolio

Holding	%	Holding	%
FTAI Infrastructure LLC	10.2%	IQHQ, Inc.	5.5%
American Tower Corp.	7.8%	MGM Resorts International	5.2%
Equinix, Inc.	7.5%	Simon Property Group, Inc.	4.8%
DigitalBridge Group, Inc.	6.7%	Innovative Industrial Properties, Inc.	4.3%
Wynn Resorts Ltd.	5.6%	Newlake Capital Partners Inc	4.3%

Sector	%
Data Centers	18.1%
Industrial	17.0%
Infrastructure	14.8%
Gaming	10.8%
Communication Networks	7.8%

Infrastructure

Our largest segment exposure is infrastructure. There is a confluence of drivers for this investment thesis:

1. Artificial intelligence (AI) drives electricity demand (and data centers) at previously unheard-of levels. AI companies like Google, Microsoft, and Amazon demand larger spaces with vastly increased electrical density. These new spaces are as much as ten times the size of a typical mandate from a decade ago with up to five times the electrical density, driving up the total electrical requirements ten to twenty times what it would have been just five years ago.
2. Various layers of governments are encouraging or mandating the use of EVs, which will drive additional uptake of electricity. Specifically, the White House mandates that 50% of passenger cars be EVs by 2030 and 70% by 2032. This same mandate was applied to trucks. Despite the fact the physics of this will not work it places an absurd level of demand on the electric grid.
3. The CHIPs Act and other related trade agreements are pumping billions into re-shoring critical components of the US's supply chains, particularly in manufacturing, which uses a lot of electricity.
4. Crypto mining farms that have popped up in low-cost-of-energy markets like Texas have placed a strain on the electrical grid that seems to hit the tipping point and news headlines during extreme hot and cold weather events.

In the last decade, most new US electrical capacity has taken the form of solar and wind, both intermittent and unreliable in a dispatch sense. Solar is typically 25% of 'nameplate capacity,' and wind is 35%. Therefore, grid operators looking for reliability are encouraging the development of new energy sources such as combined cycle gas, which operates much cleaner than other carbon-based alternatives, is very efficient, has well-understood development cycles, and decreases reliance on other countries.

The portfolio has exposure to solar, wind, hydroelectric, nuclear, toll roads, bridges, terminals, ports, combined cycle gas, liquified natural gas, rail, and water storage and supply -- a wide swath covering many points in this secular trend. The sector trades at 6-12x 2024 EBITDA, comparing favorably with other asset-based spaces.

Data Centers

The demand for data and places to store, secure, and transmit it has been part of our investment thesis for a decade. Mergers and privatizations have consolidated the field, leaving Digital Bridge, Digital Realty, and Equinix in a public company oligopoly. There are a handful of previously public companies that large PE shops have privatized over the last 5 years. The surge in AI applications has drastically spiked demand, creating an overwhelming supply-demand gap exacerbated by limited access to power for new developments.

A crucial conversation dynamic emerges: Major players like AWS are requesting monumental expansions in data center capacity, yet the power infrastructure falls short, highlighting a structural imbalance. This disparity, compounded by lengthy regulatory procedures and limited access to power, suggests a prolonged imbalance in the industry. As a result, we anticipate substantially higher renewal rates. Furthermore, tenants seeking green credentials, a recent trend, 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.

Gaming

We have recently added exposure to the casino & gaming operators as we believe the industry has several tailwinds that can drive valuation multiple as well as earnings growth:

- Many gaming companies are generating significant positive cash flow and announcing share buyback mandates to reduce their number of shares outstanding by a few percent each year. This continues to make the stocks cheaper on per-share valuation metrics. Most gaming companies are now trading at a mid-single-digit multiple of EBITDA (see table below), meaningfully cheaper than valuation multiples on REITs and stocks in general.
- International expansion is heating up, with Wynn Resorts Ltd. ("WYNN") securing the first gaming license ever issued by the United Arabs Emirate ("UAE") and building what is expected to be a market-leading asset on Al Marjan Island near Dubai. Other companies like MGM are also actively pursuing expansion opportunities in Japan and the UAE, but these projects are in very early stages. In our opinion, the share prices do not reflect the value of these expansions, and investors are effectively "getting them for free" at current prices.
- The recent round of China stimulus and new policies likely benefits Macau and the gaming industry. Additionally, equities with exposure to China have broadly traded off the past 3 years, and the China equity market is now trading at less than half the valuation of U.S. equities (on 9/30/24, China's Hang Seng Index was trading at 10.8x P/E, and the S&P 500 was trading at 24.8x P/E[7]). Overall, the stocks appear cheap relative to themselves and the equity market and seem to have a host of tailwinds and catalysts poised to propel their value upward.

Gaming Stocks in S&P 500:	WYNN	MGM	CZR	LVS
Total Enterprise Value (TEV) /2025 EBITDA	7.4x	5.1x	7.2x	9.5x
2025 Free Cash Flow Multiple	6.1x	4.0x	5.8x	10.8x
2025 Free Cash Flow Yield	16.5%	24.8%	17.2%	9.2%

Data Source: S&P Global

Fund Performance

[7] Bloomberg data as of 9/30/24

Fund Returns | As of 9/30/2024

				Annualized Return			
	QTD	YTD	1YR	3YR	5YR	10Y	Since Inception*
RAAIX: Class I	7.36%	6.78%	22.08%	-9.18%	0.79%	6.30%	7.98%
RAAAX: Class A	7.24%	6.56%	21.77%	-9.42%	0.53%	6.04%	7.77%
RAACX: Class C	7.03%	5.99%	20.87%	-10.07%	n/a	n/a	-5.72%
Dow Jones US Real Estate TR Index	17.08%	13.71%	34.17%	3.05%	4.85%	7.74%	8.21%
S&P 500 TR Index	5.89%	22.08%	36.35%	11.91%	15.98%	13.38%	13.63%
RAAAX: Class A (max load)**	1.05%	0.45%	14.72%	-11.18%	-0.65%	5.41%	7.31%

** 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 3.05% for Class A, 3.63% for Class C, and 2.61% 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, 2025, 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 (888) 524-9441.
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 FTAI Infrastructure Inc., American Tower Corp., GE Vernova Inc., Equinix Inc., and Innovative Industrial Properties Inc.[8]

- **FTAI Infrastructure, Inc. ("FIP") | Infrastructure:** FTAI owns infrastructure assets in the energy, intermodal, and rail sectors. They have four large-scale infrastructure projects, each unique with huge earnings potential. FTAI recently split into aviation and infrastructure companies and elected C-Corp status. FIP's portfolio of transportation and energy assets is in the sweet spot of the megatrends we highlighted earlier in the letter. They recently were approached by a data center operator/developer to move on to the campus of their Long Ridge Combined Cycle Natural Gas

[8] FIP, AMT, GEV, EQIX, and IIPR net exposures are 10.2%, 7.8%, 3.7%, 7.5%, and 4.3%, respectively.

power plant, making about 525 MW of low-cost, reliable, reasonably clean power, which is sold mainly into the PJM (Pennsylvania/Maryland/New Jersey) grid. They are going to pay a roughly 250% price premium for power.

- **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. We expect the demand for mobile data to be a long-term trend.
- **GE Vernova Inc., ("GEV") | Infrastructure:** GEV (formerly GE Power and GE Renewable Energy) was spun off General Electric's energy businesses in 2024 as a pure-play energy equipment manufacturing and services company. With the growing demand for electricity generation to power electric vehicles, artificial intelligence, and the crypto industry, we believe the demand for power generation to be a strong tailwind for the stock.
- **Equinix, Inc. ("EQIX") | Data Centers:** EQIX develops, owns, and operates a global platform of about 250 interconnected data centers across more than 70 metros. We believe EQIX to be one of the best operators in the data center sector. Domestic data centers fared well in the COVID-19 environment as work-from-home and stay-at-home orders have increased data usage, and they continue to perform well as the demand for A.I. data centers is accelerating.
- **Innovative Industrial Properties Inc ("IIPR") | Specialized Agriculture:** IIPR is the only US public company providing real estate capital to state-licensed cannabis operators. Their stock performance this quarter seems to be driven by recent developments in cannabis legalization legislation. Industry participants are confident that Cannabis will be re-scheduled from Schedule 1 to Schedule 3. The White House believes this will be popular with Democratic voters.

This quarter, the portfolio's top five detractors were New Fortress Energy Inc., IQHQ Inc., Caesars Entertainment Inc., MGM Resorts International, and Paramount Group Inc. (short position)[9]

- **New Fortress Energy, Inc. ("NFE") | Infrastructure:** NFE is a global energy infrastructure company focused on creative solutions to the world's rapidly growing demand for electricity. We believe the shares are undervalued, and the recent share price weakness represents an opportunity. The White House has placed a ban on LNG exports, which does not affect NFE, but the shares seem to have been caught up in that negative sentiment, which we believe is wildly overdone.
- **IQHQ, Inc. ("IQHQ") | Lab Space:** IQHQ is a premier life science real estate operator 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).
- **Caesars Entertainment Inc. ("CZR") | Gaming/Entertainment:** CZR is an entertainment company that operates a diverse portfolio of resort destinations, casinos, and live entertainment venues across the United States, with a concentration in Las Vegas. In addition to its physical locations, CZR has expanded into online gaming and sports betting, positioning itself as a dominant player in this space (along with MGM)
- **MGM Resorts International ("MGM") | Gaming/Entertainment:** MGM is a global entertainment company that operates a diverse portfolio of resort destinations, casinos, and live entertainment venues across the United States and abroad, with a concentration in Las Vegas, Cotai, and Macau. In addition to its physical locations, MGM has expanded into online gaming and sports betting, positioning itself as a dominant player in this space (along with CZR). In addition, travel to Macau and Cotai is ramping up after COVID lingered.

[9] NFE, IQHQ, CZR, MGM, and PGRE net exposures are 4.2%, 5.5%, 0.0%, 5.2%, and (-1.4%), respectively.

- **Paramount Group Inc. ("PGRE") | Office (short position) :** 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 that we've experienced, PGRE has detracted from performance.

This commentary reflects the views of the sub-adviser portfolio manager through 9/30/2024. 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 (888) 524-9441. Before investing, read the Prospectus carefully for additional information about the Fund and its risks.

Funds are distributed by Northern Lights Distributors, LLC. Destra Capital Advisors is the third party marketing agent of the Altegris Futures Evolution Strategy 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. ***DEFINITIONS AACA.*** *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.* ***Free Cash Flow.*** *The amount of cash generated from operations after capital expenditures necessary to maintain or expand its real estate assets. FCF represents the cash available for distribution to investors, reinvestment, or other corporate purposes.* ***Free Cash Flow Yield.*** *Free Cash Flow as a percentage of total equity value or market capitalization.* ***Total Enterprise Value (TEV).*** *Represents the equity market value (or market capitalization) and the debt market value of a company less any cash..* ***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.*** is *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.)*** *The 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 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 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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