GUIDE TO **LONG/SHORT EQUITY**

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About Long/Short Equity

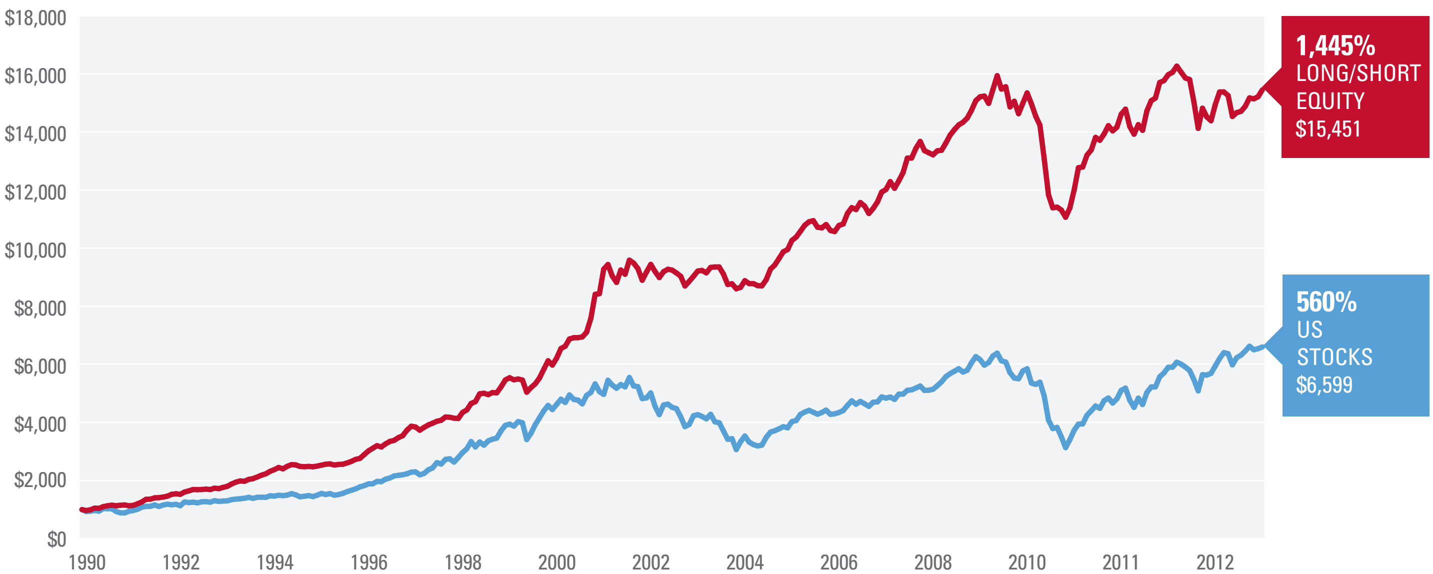
Long/short equity managers seek to produce equity-like returns with lower volatility compared to long-only equity strategies. These managers have the ability to take long and short positions based on their views and typically develop an investment philosophy by sector, style and/or geographic region. The typically flexible nature of long/short equity may provide a diversification opportunity to the equity portion of an investment portfolio.

Long/short equity has historically withstood a number of major market scenarios, which may be attributed to its typically flexible nature. In fact since 1990, long/short equity gained 1,445%, while US stocks gained 560%. Of course, there is no guarantee that any investment will achieve its objectives, generate profits or avoid losses.

FIGURE 1.

LONG/SHORT EQUITY PERFORMANCE: VALUE OF AN INITIAL $1,000 INVESTMENT

January 1990–December 2012



Past performance is not indicative of future results. The total return of an investment is only one measure of performance. See page 10 for performance returns over various time frames. Performance should never be the sole consideration when making an investment decision. There is no guarantee than any investment product will achieve its objectives, generate profits or avoid losses. Short: selling an asset/security that may have been borrowed from a third party with the intention of buying back at a later date. Short positions profit from a decline in price. If a short position increases in price, the potential loss on an uncovered short is unlimited. Long: buying an asset/security that gives partial ownership to the buyer of the position. Long positions profit from an increase in price. An investor cannot invest directly in an index. Moreover, indices do not reflect commissions or fees that may be charged to an investment product based on the index, which may materially affect the performance data presented. US stocks represented by S&P 500 Total Return Index; long/short equity represented by HFRI Equity Hedge (Total) Index (started January 1990). The referenced indices are shown for general market comparisons and are not meant to represent any particular Fund. Source: Altegris.

About Long/Short Equity

The Key to Long/Short Equity

Long/short equity managers seek to generate alpha through effective stock selection and market exposure management. Managers have the ability to buy ("go long") securities they expect to increase in price and sell ("go short") those they expect to depreciate. They also control the portfolio's net exposure to the market by adjusting the mix of long and short holdings. Managers' ability to generate alpha from both long and short positions and manage market exposure determines their success.

Stock Selection

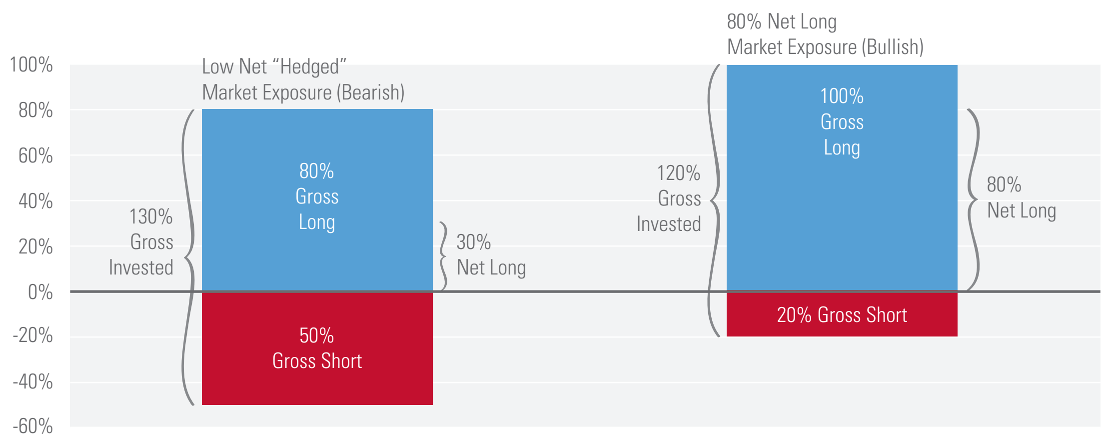
- Ability to effectively pick stocks is a core element to generate alpha
- Short positions express investment viewpoint and/or act as hedge
- Typically fundamental, research-driven process

Market Exposure

- Managers adjust a portfolio's long/short exposure and holding period of investments
- Higher net long exposures generally correspond to periods of increased bullishness
- Lower net exposures generally indicate more bearish outlook/cautious positioning

FIGURE 2.

MARKET EXPOSURE ILLUSTRATION



For illustrative purposes only.

Short: selling an asset/security that may have been borrowed from a third party with the intention of buying back at a later date. Short positions profit from a decline in price. If a short position increases in price, the potential loss on an uncovered short is unlimited. Long: buying an asset/security that gives partial ownership to the buyer of the position. Long positions profit from an increase in price. There is no guarantee that any investment product will achieve its objectives, generate profits or avoid losses. The success of an investment is dependent upon the ability of a long/short equity manager to identify profitable investment opportunities and successfully trade, which is difficult, requires skill, and involves a significant degree of uncertainty. Long/short equity trading can be highly leveraged, speculative, volatile, and subject to substantial charges for management and advisory fees. Managers may trade highly illiquid markets, or on foreign markets, and may lack diversification.

Why Long/Short Equity?

FIGURE 3.

CALENDAR YEAR PERFORMANCE: LONG/SHORT EQUITY VS US STOCKS

January 1990–December 2012

	Long/Short Equity	*US Stocks*
2012	7.39%	15.98%
2011	-8.38%	2.12%
2010	10.44%	15.06%
2009	24.57%	26.45%
2008	-26.64%	-37.00%
2007	10.50%	5.50%
2006	11.71%	15.79%
2005	10.60%	4.89%
2004	7.69%	10.87%
2003	20.53%	28.69%
2002	-4.71%	-22.11%
2001	0.40%	-11.88%
2000	9.09%	-9.09%
1999	44.22%	21.03%
1998	15.98%	28.57%
1997	23.41%	33.38%
1996	21.75%	22.96%
1995	31.04%	37.59%
1994	2.61%	1.32%
1993	27.94%	10.08%
1992	21.32%	7.64%
1991	40.15%	30.47%
1990	14.43%	-3.12%

Potential Benefits of Long/Short Equity

Strong Historical Returns

Long/short equity managers have the potential to deliver risk-adjusted returns across a broad array of market conditions, including bear markets.

Lower Historical Volatility

Long/short equity has historically exhibited lower volatility, as measured by standard deviation, compared to long-only equity strategies.

Potential Downside Protection Across Various Market Conditions

Long/short equity has historically demonstrated downside protection in various market conditions, such as during adverse or falling equity market periods.

Investment Flexibility

Long/short equity managers use various approaches to make stock selections typically by sector, geographic region, and/or style. The array of philosophies used by managers give them the opportunity to potentially profit from both positive and negative developments in multiple markets simultaneously.

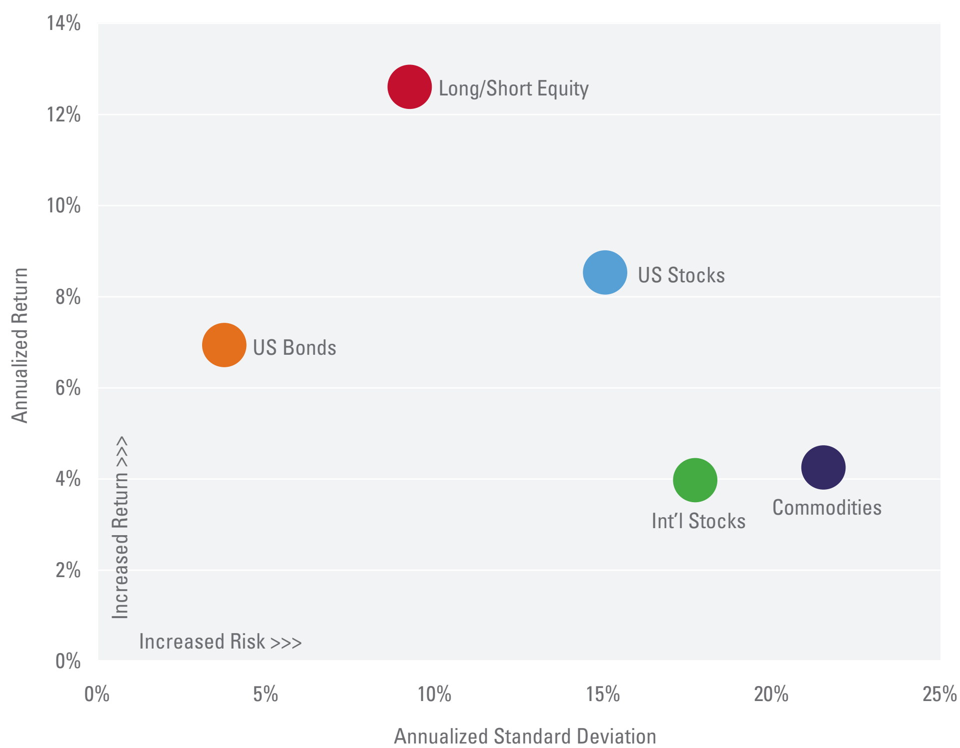
Past performance is not indicative of future results. There is no guarantee that any investment product will achieve its objectives, generate profits or avoid losses. The success of an investment is dependent upon the ability of a long/short equity manager to identify profitable investment opportunities and successfully trade. The identification of attractive trading opportunities is difficult, requires skill, and involves a significant degree of uncertainty. An investor cannot invest directly in an index. Moreover, indices do not reflect commissions or fees that may be charged to an investment product based on the index, which may materially affect the performance data presented. US stocks represented by S&P 500 Total Return Index; long/short equity represented by HFRI Equity Hedge (Total) Index. The referenced indices are shown for general market comparisons and are not meant to represent any particular Fund. Source: Altegris.

Historical Performance Against Other Asset Classes

The strong historical performance of long/short equity has been coupled with lower historical risk compared to long-only strategies. For over 20 years, long/short equity has delivered historical returns of 12.6% annually. US stocks returned 8.6% annually, a difference of 4% per year when compared to long/short equity. In addition, long/short equity has experienced lower historical risk with an annualized standard deviation of 9.2%, compared to 15.0% for US stocks. Of course, past performance is not indicative of future results.

FIGURE 4.

RISK/RETURN SPECTRUM | January 1990–December 2012



Past performance is not indicative of future results. There is no guarantee than any investment product will achieve its objectives, generate profits or avoid losses. An investor cannot invest directly in an index. Moreover, indices do not reflect commissions or fees that may be charged to an investment product based on the index, which may materially affect the performance data presented. Standard deviation is a statistical measure of how consistent returns are over time; a lower standard deviation indicates historically less volatility. US stocks represented by S&P 500 Total Return Index; US bonds represented by Barclays Capital US Aggregate Bond Index; international stocks represented by MSCI EAFE Index; commodities represented by S&P GSCI Total Return Index; long/short equity represented by HFRI Equity Hedge (Total) Index. The referenced indices are shown for general market comparisons and are not meant to represent any particular Fund. It should also be noted that the various types of investments presented involve different types of risks. Source: Altegris.

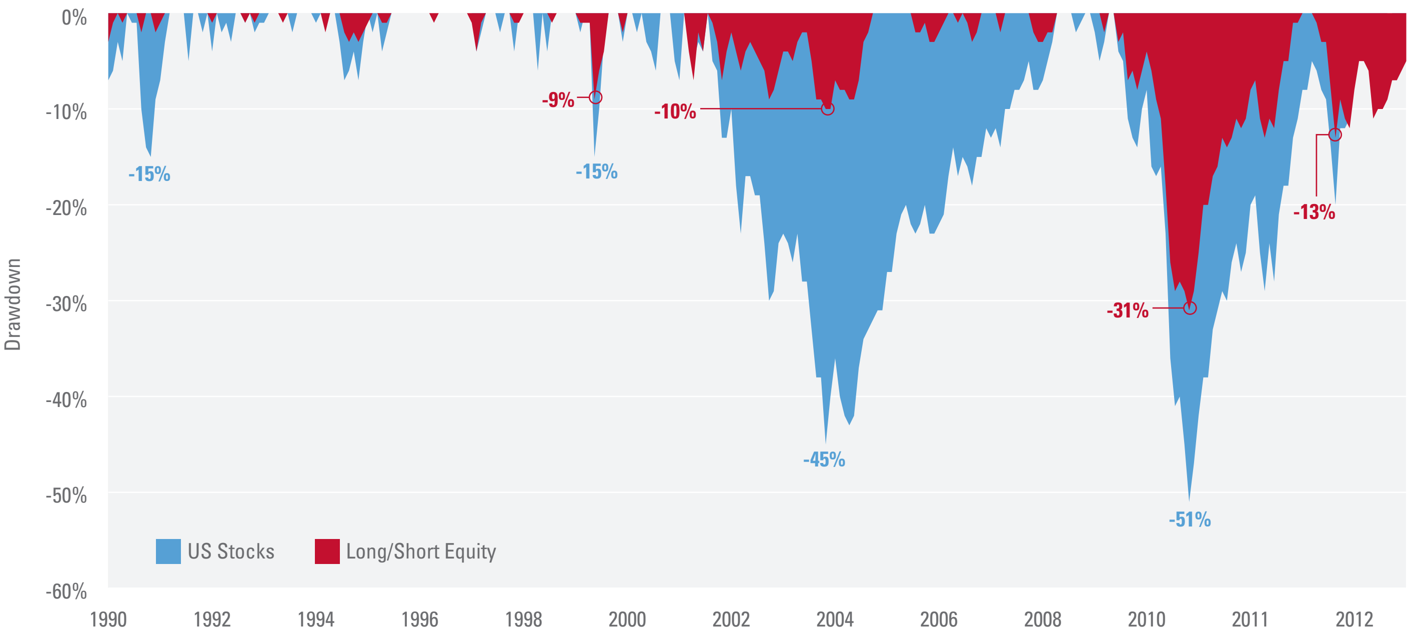
Historical Drawdowns

For over 20 years, long/short equity strategies have historically exhibited lower drawdowns across various market conditions compared to long-only equity strategies. Drawdown measures the peak to valley loss relative to the peak for a stated time period. Of course, past performance is not indicative of future results.

FIGURE 5.

WORST DRAWDOWN: LONG/SHORT EQUITY VS US STOCKS

January 1990–December 2012



Past performance is not indicative of future results. There is no guarantee than any investment product will achieve its objectives, generate profits or avoid losses. An investor cannot invest directly in an index. Moreover, indices do not reflect commissions or fees that may be charged to an investment product based on the index, which may materially affect the performance data presented. US stocks represented by S&P 500 Total Return Index; long/short equity represented by HFRI Equity Hedge (Total) Index. The referenced indices are shown for general market comparisons and are not meant to represent any particular Fund. Source: Altegris.

Flexible Investment Opportunities

Long/short equity managers typically base their investment philosophy by sector, geographic region and/or style. Investment decisions are usually determined by fundamental, research-driven analysis, while some may utilize a quantitative approach. The flexible nature of long/short equity gives managers the opportunity to potentially profit during rising market periods in tandem with the potential to provide additional alpha or hedge net market exposure during falling markets.

FIGURE 6.
LONG/SHORT EQUITY INVESTMENT APPROACHES

Sector
Utilize a broad-based or concentrated approach to gain exposure to sectors such as energy, technology, financial, transportation, health care, etc.

Style
Flexibility to use an array of investment techniques that may include value or growth.

Geographic Region
Ability to gain exposure across a variety of global equity markets

Long/short equity may provide diversification to the equity portion of a portfolio and serve as an alternative to traditional stock investments due to various investment approaches available.

Not all long/short equity managers use the investment approaches shown above. Short: selling an asset/security that may have been borrowed from a third party with the intention of buying back at a later date. Short positions profit from a decline in price. If a short position increases in price, the potential loss on an uncovered short is unlimited. Long: buying an asset/security that gives partial ownership to the buyer of the position. Long positions profit from an increase in price. There is no guarantee that any investment product will achieve its objectives, generate profits or avoid losses. Diversification does not ensure profit or protect against loss in a positive or declining market.

Index Descriptions

An investor cannot invest directly in an index. Moreover, indices do not reflect commissions or fees that may be charged to an investment product based on the index, which may materially affect the performance data presented..

Commodities. The S&P GSCI Total return Index measures a fully collateralized commodity futures investment. Currently, the GSCI includes 24 commodity nearby futures contracts.

Int'l Stocks. The MSCI EAFE Index is a capitalization-weighted index widely accepted as a benchmark of non-US stocks compiled by Morgan Stanley. It represents an aggregate of 21 individual country indices that collectively represent many of the major markets of the world.

Long/Short Equity. The HFRI Equity Hedge (Total) Index tracks funds that maintain positions both long and short in primarily equity derivative securities. Equity hedge managers would typically maintain at least 50% exposure, and may in some cases be entirely invested in, equities—both long and short. HFRI Equity Hedge (Total) is a fund weighted index and reflects monthly returns, net of all fees, of funds that have at least $50 million under management or been actively trading for at least twelve months.

US Bonds. The Barclays Capital U.S. Aggregate Bond Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. These specific indices include the Government/Credit Index, Government Index, Treasury Index, Agency Index, and Credit Index.

US Stocks. The S&P 500 Total Return Index is the total return version of S&P 500 index. The S&P 500 index is unmanaged and is generally representative of certain portions of the U.S. equity markets. For the S&P 500 Total Return Index, dividends are reinvested on a daily basis and the base date for the index is January 4, 1988. All regular cash dividends are assumed reinvested in the S&P 500 index on the ex-date. Special cash dividends trigger a price adjustment in the price return index.

	Representative Index	Characteristics	Key Risks
US Stocks	S&P 500 Total Return (TR) Index	500 US stocks Weighted towards large capitalizations	**Stock market risk.** Stock prices may decline. **Country / regional risk.** World events may adversely affect values.
US Bonds	Barclays Capital US Aggregate Bond Index	Wide spectrum of taxable, investment-grade US fixed income	**Interest rate risk.** Bond prices will decline if rates rise. **Credit risk.** Bond issuer may not pay. **Income risk.** Income may decline.
International Stocks	MSCI EAFE Index	1,000+ stocks from 20+ developed markets in Europe and the Pacific Rim	**Stock market risk.** Stock prices may decline **Country / regional risk.** World events may adversely affect values. **Currency risk.** Unfavorable exchange rates may occur.
Long/Short Equity	HFRI Equity Hedge (Total) Index	Variety of investment processes that maintain at least 50% exposure to equities—both long and short	**Stock market risk.** Stock prices may decline. **Industry risk.** Adverse sector performance may cause declines. **Leverage risk.** Volatility and risk of loss may magnify with use of leverage.
Commodities	S&P GSCI Total Return Index	24 principal physical commodities that are the subject of active, liquid futures markets	**Market risk.** Prices may decline. **Derivative risk.** May be subject to higher volatility. **Leverage risk.** Volatility and risk of loss may magnify with use of leverage.

Glossary

Alpha: measures the non-systematic return, that which cannot be attributed to the market. It shows the difference between a fund's actual return and its expected return, given its level of systematic (or market) risk (as measured by beta). A positive alpha indicates that the fund has performed better than its beta would predict. Alpha is widely viewed as a measure of the value added or lost by a fund manager.

Drawdown: a drawdown is any losing period during an investment time frame. It is calculated by taking the peak to valley loss relative to the peak for a stated time period. The figure is expressed as a percentage.

Exposure: the proportion of money invested in a particular type of security and/or market sector or industry. Usually expressed as a percentage of total portfolio holdings.

Long: buying an asset/security that gives partial ownership to the buyer of the position. Long positions profit from an increase in price.

Sector: group of businesess that share similar characteristics or a related product of service (e.g. energy, consumer, financials, technology).

Short: selling an asset/security that may have been borrowed from a third party with the intention of buying back at a later date. Short positions profit from a decline in price. If a short position increases in price, the potential loss on an uncovered short is unlimited.

Standard deviation: a statistical measure of how consistent returns are over time; a lower standard deviation indicates historically less volatility.

Style: the primary strategy or philosophy used by an investor or money manager to select individual securities.

Index Historical Performance

10-, 5-, 3-, 1-YEAR COMPARISON

As of December 2012

	10-Year | Jan 03 – Dec 12		
	Ann ROR	Ann Std Dev	Max DD
Long/Short Equity	5.82%	8.73%	-30.57%
US Stocks	7.10%	14.71%	-50.95%
Int'l Stocks	8.21%	18.35%	-56.68%
Commodities	2.76%	25.00%	-67.65%
US Bonds	5.19%	3.53%	-3.82%

	5-Year | Jan 08 – Dec 12		
	Ann ROR	Ann Std Dev	Max DD
Long/Short Equity	-0.14%	10.75%	-28.88%
US Stocks	1.66%	18.88%	-48.46%
Int'l Stocks	-3.69%	23.27%	-54.18%
Commodities	-8.10%	27.21%	-67.65%
US Bonds	5.96%	3.50%	-3.82%

	3-Year | Jan 10 – Dec 12		
	Ann ROR	Ann Std Dev	Max DD
Long/Short Equity	2.81%	8.78%	-13.18%
US Stocks	10.87%	15.09%	-16.26%
Int'l Stocks	3.56%	19.37%	-22.83%
Commodities	2.53%	20.17%	-22.24%
US Bonds	6.21%	2.38%	-1.64%

	1-Year | Jan 12 – Dec 12		
	Ann ROR	Ann Std Dev	Max DD
Long/Short Equity	7.39%	7.11%	-5.49%
US Stocks	15.98%	10.07%	-6.60%
Int'l Stocks	17.32%	15.97%	-13.61%
Commodities	0.06%	17.87%	-15.46%
US Bonds	4.23%	1.92%	-0.57%

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Risks and Important Considerations

Altegris Advisors LLC is an SEC-registered investment adviser that advises alternative strategy mutual funds that may pursue investment returns through a combination of managed futures, macro, equity long/short, fixed income and/or other investment strategies.

It is important to note that all investments are subject to risk that affect their performance in different market cycles. Equity securities are subject to the risk of decline due to adverse company or industry news or general economic decline. International stocks are often more risky than domestic stocks due to adverse economic, social, and political factors as well as differing legal and auditing standards. Commodities are affected by adverse weather, geologic and environmental factors and heightened regulatory oversight. Bonds are subject to risk of default, credit risk, and interest rate risk; when interest rates rise, bond prices fall.

Investing in equity securities involves market risk or the risk of loss due to adverse market conditions, industry news or a general economic decline. Short sales involve the sale of a borrowed security, with the expectation that the security will underperform the market. Short selling is considered "leverage" and positions in shorted securities are speculative and more risky than long positions. Leverage may magnify gains or losses. The use of long and short positions does not limit the exposure to market volatility and other risks. Short selling theoretically involves unlimited loss potential since the market price of a security sold short may continuously increase. The risk of volatility may be heightened for alternative or complex investment strategies.

If used in connection with the sale or promotion of an investment company product, this material must be preceded or accompanied by a prospectus for the respective product.

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About Altegris

Altegris searches the world to find what we believe are the best alternative investments. Our suite of alternative investment solutions are designed for financial professionals and individuals seeking to improve portfolio diversification.

With one of the leading research and investment groups focused solely on alternatives, Altegris follows a disciplined process for identifying, evaluating, selecting and monitoring investment talent across a spectrum of alternative strategies including managed futures, global macro, long/short equity, event-driven and others.

Veteran experts in the art and science of alternatives, Altegris guides investors through the complex and often opaque universe of alternative investing. Alternatives are in our DNA. Our very name, Altegris, highlights our singular focus on alternatives, the highest standards of integrity, and a process that constantly seeks to minimize investor risk while maximizing potential returns.

The Altegris Companies,* wholly owned subsidiaries of Genworth Financial, Inc., include Altegris Investments, Altegris Advisors, Altegris Funds, and Altegris Clearing Solutions. Altegris currently has approximately $3.32 billion in client assets, and provides clearing services to $878 million in institutional client assets.

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Genworth has approximately 6,300 employees and operates through three divisions: U.S. Life Insurance, which includes life insurance, long term care insurance and fixed annuities; Global Mortgage Insurance, containing U.S. Mortgage Insurance and International Mortgage Insurance segments; and the Corporate and Other division, which includes the International Protection, Wealth Management and Runoff segments. Products and services are offered through financial intermediaries, advisors, independent distributors and sales specialists. Genworth Financial, Inc., headquartered in Richmond, Virginia, traces its roots back to 1871 and became a public company in 2004. For more information, visit genworth.com. From time to time, Genworth Financial, Inc. releases important information via postings on its corporate website. Accordingly, investors and other interested parties are encouraged to enroll to receive automatic email alerts and Really Simple Syndication (RSS) feeds regarding new postings. Enrollment information is found under the "Investors" section of genworth.com.

ALTEGRIS ADVISORS
888.524.9441
www.altegris.com

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