ALTEGRIS EQUITY LONG SHORT FUND SUB-ADVISER

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Mr. Gottlieb is the Managing Partner and Chief Investment Officer of Visium Asset Management. He founded Visium in November 2005 with a team of 20 investment professionals from Balyasny Asset Management. Prior to joining Balyasny in 2001, Jacob served as a portfolio manager at Merlin and a buy-side analyst at Sanford C. Bernstein.

ABOUT THE SUB-STRATEGY

+ A low to moderate net exposure strategy that opportunistically invests in a wide range of sectors.
+ Represents a "best ideas" portfolio that leverages the resources of 50-plus investment professionals across the firm.
+ Offered by Visium Asset Management, multi-sector specialists with assets under management of $3.3 billion as of June 30, 2012.

Diversified strategy draws upon the "best ideas" of portfolio managers across an industry-leading firm

Visium Asset Management is a sub-adviser of the Altegris Equity Long Short Fund. Following is a Q&A about Visium's philosophy and expertise managing a strategy substantially similar to that of the mutual fund's diversified sub-strategy.*

ALTEGRIS: What is the investment philosophy for the strategy?

VISIUM: The philosophy is to have a "best ideas" portfolio. To support that objective, we have an in-depth fundamental research effort leveraging Visium's broad platform of 50-plus investment professionals. As director of research and the portfolio manager for the strategy, Bob Kim sits in the middle of all the investment ideas of the firm, and has access and dialogue with all of our sector- and strategy-specific portfolio managers—so that, in addition to doing his own work, he benefits from the best ideas from all parts of the firm.

For the firm, I think we have a culture of deep, fundamental research with highly educated, specialized investment professionals who adhere to a rigorous investment process, all in a collegial atmosphere. That culture has roots back to 2001, when I started managing a portfolio at Balyasny Asset Management and built up a team there through 2005. At that point, we spun out into a separate firm.

Our basic business revolves around a multi-PM (portfolio manager) model, and the structural advantages are primarily derived from liquidity and transparency. And that liquidity and transparency, in turn, facilitates very active asset allocation and active risk management. Those are critical

* *Robert Kim, Director of Research at Visium Asset Management, serves as the sub-adviser portfolio manager for the Fund's assets managed by Visium.*

advantages in any kind of market environment, in my opinion, but particularly in the environment we've been in the last couple of years—fairly choppy and directionless, and challenging for PMs. This model also has advantages related to specialization—having portfolio managers who are experts in a narrow range of sectors or strategies or geographies. Our size plays a role as well—a multi-PM model allows you to have portfolio managers who are very active and nimble, and optimally sized for seeking alpha.

One of the things that is important to understand about our business model is there is no single right way of doing things. We support a profusion of styles and strategies, and I think that's part of the organization's strength. Not only do we have a broadly diversified portfolio as a result, but we focus more on maintaining a collaborative, collegial environment than the silos that are often the unintended consequence of multi-PM models. As a result, we're able to capture a lot of the synergies that are available from having that breadth of activity, as well as specific industry, sector, strategy or market expertise, across a range of investing styles. That's very important for us.

ALTEGRIS: How would a typical investment idea be generated, evaluated and executed?

VISIUM: Bob meets with each investment team on a weekly basis to get a deep dive into their portfolios. He goes over the PMs' weekly write-ups, which list their largest long and short positions, to discuss ideas and overall themes relevant to his strategy. We use both a systematic formula and a discretionary element to choose what names go into the portfolio. On the systematic side, 75% percent of the strategy consists of the top three longs and top three shorts for each sector PM. The remaining 25% of the portfolio is at Bob's discretion and is made up of ideas that he feels offer the best risk/reward. Execution of the trades is carried out by a centralized trading desk that is staffed 24 hours a day.

At the firm level, we've found the most productive way for ideas to be generated is to have portfolio managers with focused expertise, so that, theoretically, nothing can happen in their coverage universe without them knowing about it. If they're covering a sector where there is, say, 150 investible names, they should be so much in the flow of information that nothing of any importance can happen without them being aware of it and understanding the implications of it and, in particular, where that creates an investment opportunity.

ALTEGRIS: What are some examples of trades you've implemented?

VISIUM: We recently established a long position in the stock of a global leader in flash memory storage solutions—a $25 billion market that we believe is going to grow to $50 billion in the next few years. This company currently trades around $45 per share, has a $12 billion market cap, $4 in cash per share and a $500 million buyback program in place.

In this area of consumer technology, costs on a dollar-per-gigabyte basis are now less than $1, and going lower. This particular company is the only one in the industry offering a triple-layer flash drive, and it receives royalties from other market players. At the same time, there are high technological and productive barriers to entry in this space. We believe that this company is hitting the product cycles at the right time, and it is doing so when it is not particularly well covered by analysts, as it operates in an industry cross-space. We believe that the company can earn $10 in EPS (earnings per share) per year over the next five years.

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ALTEGRIS: What do you believe are primary competitive edges for your strategy?

VISIUM: The business processes where we have an edge as an organization involve a few discreet elements: risk management, capital allocation/portfolio construction and design, and talent acquisition and development. We have spent a lot of time, attention and resources building what we believe are best-in-class risk management systems, processes and disciplines to support a wide range of investment programs. We have a very rigorous and disciplined process around capital allocation and supporting the individual portfolio managers in their portfolio construction decisions, and then thinking about how those roll up to an aggregated portfolio, in the case of our global strategy, or into a subset of that aggregated portfolio.

Where I would say we have built a significant competitive advantage is in the talent acquisition and development end of the business. And that's critically important, because at the end of the day, the people we're able to attract and develop and retain are really going to determine the success or failure of our business. We have a 10-step process that takes two to six months, where we're actively looking at very talented portfolio managers and investment professionals. We have three full-time, dedicated professionals focused on recruiting and assessing portfolio manager talent. To illustrate how intense our screening and hiring process is, in 2011 we received about 9,000 resumes for jobs, 4,000 of which were for PM or analyst roles. Of those people, we interviewed 489 and hired ten. Then there's very active engagement throughout the firm—from people like Bob, as director of research, for example, to a trading coach who works with our portfolio managers as well. The ultimate goal is allowing our portfolio managers to be the best they can be, and to successfully generate alpha on our platform.

For the strategy, what's interesting is that, in Bob, you have a very experienced investment professional who has also worked in this director of research type of role. Bob has traded and invested with some of the best in the industry—he came up in the business at Moore Capital, then worked at SAC and was later seeded at a hedge fund by that firm. He also worked at Soros and GLG, then was director of research of proprietary trading at RBC, and most recently was at Millennium. And now he's sitting in the middle of all of the research and ideas that are being generated at Visium, which has a long track record of success with alternative investment strategies—including our balanced and global strategies—and he has open access to the entire firm. I think that's pretty compelling.

ALTEGRIS: What are some of the principal risks in pursuing your strategy?

VISIUM: I think that the chief risk concerns stock selection. With the way the portfolio is run, in a long/short format, it's not taking a lot of beta—the primary challenge is the quality of the stock selection, and the size of the alpha spread.

Since we're taking less net exposure and our short exposure consists of individual stocks rather than indices, we should generally perform better during times when fundamentals are driving the markets. During times like 2011, when correlations are high, we will generally have a harder time generating alpha through stock selection.

Our goal is to have a well-informed view of all the risks that we're taking, so that we are taking risks explicitly and deliberately—because that's the nature of good portfolio management.

ALTEGRIS: What role can your strategy potentially play within a diversified portfolio for an investor?

VISIUM: Whatever objective an investor seeks from long/short equity—such as capturing market return on the upside but not capturing much of the downside, or equity-like returns with bond-like volatility—our intent is to provide a high-quality long/short focused portfolio with the ability to deliver higher potential after-tax returns.

There is no guarantee that any investment will achieve its objectives, generate profits or avoid losses.

RISKS AND IMPORTANT CONSIDERATIONS

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GLOSSARY

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, covering the short position at a higher price may result in a loss.*

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

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