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PORTFOLIO COMMENTARY : June 2018

Since January, financial markets have begun to exhibit more normalized levels of volatility. While many investors may see such volatility as extreme, similar daily price movements used to be viewed as relatively "normal" (pre-central bank tinkering). The VIX volatility index averaged 19.7 from January through April this year which, to the shock of many newer investors, is roughly the average volatility over the past 20 years -- the average VIX since 1997 is 20.4. These more "normal" levels of volatility provided a much-improved environment for our strategy. Even with the strong rebound in equity markets, including some that have reached new all-time highs, the Absolute Strategies Fund has outperformed both the S&P 500 and the HFRX Global Hedge Fund Index. From January 31 through May 31, the Fund is up 2.1% vs -3.0% for the HFRX Global Hedge Fund Index and -3.5% for the S&P 500. During the more volatile months from January through April, the Fund was up 4.0% vs -3.3% for the HFRX Global Hedge Fund Index, -5.8% for the S&P 500, and -2.4% for the iShares TLT Bond ETF.

We believe the combination of artificial flows from central banks, corporate buybacks, ETF momentum, and suppressed volatility have resulted in a market that is narrow and highly inefficient. Since the introduction of asset purchases by central banks (also known as quantitative easing), financial assets have become increasingly expensive and highly correlated; price-discovery and volatility are artificially suppressed. Traditional assets classes and many hedge fund strategies have become a correlated beta trade that acts in unison with the overall equity markets. It appears the entire financial system has become one combined bet on market beta and low interest rates. We believe relying on this combination is no different than buying near the top of the 2000 bubble. In fact, financial history is littered with "easy-money" periods; and nearly every one of them was built on cheap debt and speculation over some new technology.

PORTFOLIO POSITIONING

We believe markets move in cycles over time. Occasional extreme cycles have been a common occurrence over the past 15-20 years. As we stare across the spectrum of over-valued asset classes, we see the potential for major secular shifts in market cycles. In the past, investing near turns in major cycles has proven to be highly rewarding; the turns can be frustrating, but new cycles can last years. In this regard, we continue to concentrate in areas that we believe are large secular opportunities that offer excellent longer-term risk/reward trade-offs. These opportunities are summarized into 4 major themes:

1. *Long value, short over-priced growth and over-leveraged small cap*
2. *Long volatility*
3. *Long commodities/energy vs overall market hedge*
4. *Convertible Arbitrage (interest rate agnostic)*

Long value, short overpriced growth and over-leveraged small cap: Growth stocks, represented largely by the Nasdaq 100 Index, have outpaced the broader markets by levels not seen since the late 1990s. Valuations and love affairs with certain technology stocks (FAANG) rival the 2000 bubble and greed is sky high. Value stocks, on the other hand, have underperformed growth at a level also last seen during the 2000 bubble. This is a gap that we believe will eventually close, if not reverse. Following the 2000 bubble, value outperformed growth by more than 100% over the next three years. Additionally, the Russell 2000 is also witnessing valuations at all-time highs with a Price to Earnings ratio of 89x, and an overall Enterprise value to EBITDA (earnings before interest, tax, depreciation and amortization) that is twice the 2000 and 2007 peaks. These companies are also highly leveraged and are at risk of rising interest rates (3-month LIBOR has risen from 0.3% to 2.3%). Net Debt to EBITDA for Russell 2000 companies is 4.5x vs 3.5x in 2007 and 3.0x in 2000; this compares to 1.4x for S&P 500 companies. Making the leverage more troubling, 42% of the debt of these companies carries floating interest rates vs 9% for the S&P 500. The bulk of our overall portfolio is positioned for long value vs short growth and short small-cap. We intend to move exposures as volatility spikes. As an example, during the months of February-April, we capitalized on volatility and monetized much of our short exposure including the bulk of our short exposure

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in growth; this exposure has recently been added back as some indices have rallied to new highs. The portfolio also owns a large number of call options on the S&P 500 as hedge should this index find a new wave of speculative activity and break out to new highs.

Volatility: Up until very recently, volatility had never been more compressed for so long. The US equity market (represented by the S&P 500 Index) recently set an all-time record for the number of days without a 3% dip in prices. Market players across financial markets are now using volatility as an input for risk taking. This is most certainly the case with risk parity strategies, but institutions and retail investors have also been using short volatility trading to generate income or excess yield. This is very similar to the idea of selling credit default swaps during the housing bubble which then led to the financial crisis. Long periods of low volatility lead to periods of high volatility. As stated earlier, recent levels of volatility were actually within the average of the last 20 years. We believe our overall portfolio is set up with the potential to benefit from an increase in volatility and should be able to capitalize on large spikes in market movements both long and short.

Commodities and Energy: Energy and commodities are another area that is seeing significant divergence as compared to the overall market. The energy sector is close to its lowest weighting in the S&P 500 on record of only 4-5%; this was last seen near the 2000 bubble peak. Oil services companies recently traded near 2009 financial crisis lows. However, following the last low weighting in the S&P in 2000, energy companies (represented by the Oil Services Index) outperformed the S&P by over 50% during the next three years and over 150% during the next six years. The CRB Commodity Index has underperformed the S&P 500 by 40% over the last few years, a deficit nearly identical to that during the late 1990s. The ratio of commodities/S&P 500 is also on par with the early 1970s, a period that preceded significant commodity inflation. Both time periods saw commodities outperform the S&P 500 by over 100% during the following three years. Approximately 15% of our portfolio is long energy/commodity related securities.

Convertible Arbitrage: Convertible arbitrage is one of few areas of the financial markets that is not flooded with excess capital. Hedged convertible securities currently offer attractive return and risk characteristics relative to most other areas of the bond market. This strategy also offers a relatively steady return profile is less sensitive to interest rate risk than most credit investment, including fixed income alternatives.

We believe there is little, if any, potential for a diversified portfolio of typical “hedge fund hotel” strategies to produce anything other than the returns of a traditional portfolio. In effect, many hedge funds have become as crowded as the ETF universe with both taking nearly the same risks that require abnormally low levels of volatility to work. A repricing of financial markets caused by artificially suppressed interest rates would very likely result in large losses across equities, fixed income and most alternative investments. *(continued on next page)*

Quarter-End Performance for ASFIX: As of 3/31/18, the 1 year, 5 year and 10 year annualized performance was -4.45%, -1.54% and 0.60% respectively. *Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than the original cost. To obtain performance information current to the most recent month-end, call the Fund at 888-99-ABSOLUTE. Returns include the reinvestment of dividends and capital gains. Some of the Fund’s fees were waived or expenses reimbursed; otherwise, returns would have been lower.*

As stated in the current prospectus, the Absolute Strategies Fund’s total annual operating expense ratio (gross) for Institutional Shares is 2.94%. By prospectus, the net expense ratio is 2.91%, as the Fund’s Adviser has contractually agreed to waive its fee and/or reimburse Fund expenses to limit Total Annual Fund Operating Expenses through August 1, 2019.

Excluding all taxes, interest, portfolio transaction expenses, dividend and interest expenses on short sales, acquired fund fees and expenses, proxy expenses and extraordinary expenses, the Fund’s annual operating expense ratio is limited to 1.99% (expense cap) for Institutional Shares.

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In late 2008, it seemed as if the market would never stop going down. Price-insensitive sellers dominated the market. Yet, we removed the bulk of our shorts and increased our net long position to the largest ever at the time. We were early, but the opportunity was very large. Today, we see the inverse of that cycle. The market often seems as if it will never go down and price-insensitive buyers are dominating the market. Again, we may be early but the opportunity warrants our positioning.

We continue to remind investors of what we see as extreme market risks which should, at a minimum, serve as a warning for what could eventually materialize into a much larger problem. It is hard to tell exactly where we go from here but we feel certain that downside risks are as great as anything we can analyze historically. At this time, we are maintaining our positioning. Should markets experience a large drawdown, there may be a short-term opportunity to reduce some of our net short exposure. Option positions have also been utilized opportunistically for both upside and downside tail risk. In effect, the Fund may capitalize on exposure to either significant spikes up or down in market indices.

***Definitions:** *The Volatility Index, or VIX, is an index created by the Chicago Board Options Exchange (CBOE), which shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities on S&P 500 index options. The HFRX Global Hedge Fund Index, (comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage) is designed to be representative of the overall composition of the hedge fund universe. The NASDAQ-100 is a stock market index made up of 103 equity securities issued by 100 of the largest non-financial companies listed on the NASDAQ. The Russell 2500 and 2000 are market cap weighted indices that include the smallest 2,500 and 2,000 companies covered in the Russell 3000 universe of United States-based listed equities. The Oil Service Index is a price-weighted index composed of the common stocks of 15 companies that provide oil drilling and production services, oil field equipment, support services, and geophysical/reservoir services. The Russell is by far the most common benchmark for mutual funds that identify themselves as "small-cap." LIBOR is the London Inter-bank Offered Rate, which is the average of interest rates estimated by each of the leading banks in London that it would be charged were it to borrow from other banks. EBITDA, earnings before interest, tax, depreciation and amortization, is a measure of a company's operating performance used to evaluate a company's performance without having to factor in financing decisions, accounting decisions or tax environments. The Thomson Reuters/CoreCommodity CRB Index (TR/CC CRB) is a commodity futures price indexused to facilitate easy comparison of both spot and futures indexes. It is not possible to invest directly in an index or average.*

Additional Risks: Since the Fund utilizes a multi-manager strategy with multiple subadvisers, it may be exposed to varying forms of risk. The Fund's net asset value and investment return will fluctuate based upon changes in the value of its portfolio securities. There is no assurance that the Fund will achieve its investment objective, and an investment in the Fund is not by itself a complete or balanced investment program. For a complete description of the Fund's principal investment risks please refer to the prospectus.

The Fund may invest in foreign or emerging markets securities which involve special risks, including the volatility of currency exchange rates and, in some cases, limited geographic focus, political and economic instability, and relatively illiquid markets. The Fund may invest in debt securities which are subject to interest rate risk. An increase in interest rates typically causes a fall in the value of the debt securities the Fund may invest in.

The Fund may also invest in high yield, lower rated (junk) bonds which involve a greater degree of risk and price fluctuation than investment grade bonds in return for higher yield potential. The Fund's distressed debt strategy may involve a substantial degree of risk, including investments in sub-prime mortgage securities.

The Fund may purchase securities of companies in initial public offerings. Special risks associated with these securities may include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the company and limited operating history. The Fund may leverage transactions which include selling securities short as well as borrowing for other than temporary or emergency purposes. Leverage creates the risk of magnified capital losses.

The Fund may also invest in derivatives which can be volatile and involve various types and degrees of risks, depending upon the characteristics of a particular derivative. The Fund may invest in options and futures which are subject to special risks and may not fully protect the Fund against declines in the value of its stocks. In addition, an option writing strategy limits the upside profit potential normally associated with stocks. Futures trading is very speculative, largely due to the traditional volatility of futures prices.

Investors should carefully consider the Fund's investment objectives, risks, charges and expenses before investing. This and other information is in the prospectus, a copy of which may be obtained by calling (888) 992-2765 or visiting the Fund's web site: www.absoluteadvisers.com. Please Read the prospectus carefully before you invest.

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