

Jay Compton is the portfolio manager for the Absolute Strategies Fund and Principal and Co-Founder of Absolute Investment Advisers LLC

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For many investors, the current market environment feels like status quo: central banks supporting low interest rates and higher asset prices. Yet when we look around global markets, there is a significant unwinding in some very important asset markets and currencies that central banks appear to be struggling to protect. The list is quite long but includes China, most emerging markets and their currencies, oil and various commodities. Additionally, equities or bonds sensitive to these markets are showing significant cracks. Clearly the main culprit appears to be the US Dollar. We have been discussing the risks associated with China, EM and the US dollar for the past few years. It now appears that global investors are waking up to these risks. And, they are significant. While investors in US markets have benefited from capital flows, more recently there has also been a breakdown in market internals and many bellwether stocks are gapping down following earnings disappointments.

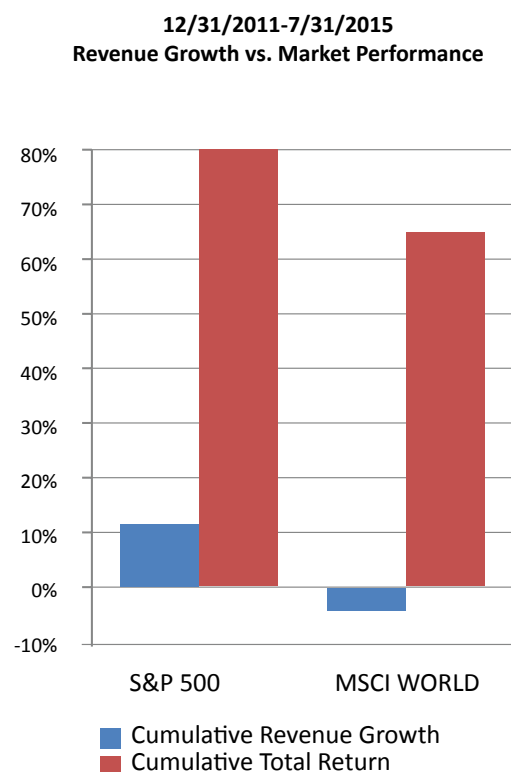
China and emerging markets have been the main drivers of global trade and global growth since 2008. These markets have taken on significant amounts of US dollar denominated debt to fund massive projects. Like every credit fueled expansion, it led to large over-investment and a misallocation of capital. The ensuing breakdown is likely to have real implications for the global economy. The seriousness of this process cannot be underestimated because the most vital element and foundation for our entire global leveraged financial system is collateral. Collateral provides the means (the asset-side of a balance sheet) for lending and borrowing. When asset prices rise, additional debt can be created. When asset prices rise artificially, thanks to the effort of central banks over the past decade-plus through artificially low interest rates, it provides an unsustainable foundation for new debt. This is no different than the housing crisis where the artificial increase in house prices (collateral) allowed homeowners to take on additional debt and use their home values as an ATM. When prices of homes dropped back to supply/demand equilibrium, the higher levels of debt that were based on artificially high home prices caused a massive collateral problem. The asset/home dropped in value while the liability remained the same, thus wiping out all of the homeowner's equity. As it relates to emerging markets, the amount of collateral is much more significant, and it is being hit by both crashing commodity prices and currency adjustments.

When prices of collateral fall, selling ensues. Currently the selling has been largely confined to industrial commodity producers. However, eventually selling and volatility can become contagious. It is extremely rare to see a major collapse in one asset market without it impacting every other. Today we are witnessing collapses in multiple asset markets. Slowly, but nearly on cue, many recent US company earnings reports are noting significant impacts from declining demand in China and emerging markets as well as currency impacts from a rising US dollar. These warnings are stretching far beyond energy and materials. As was the case with housing in 2006, a single

sector can begin to wreak havoc and nobody should be dismissing the impact the energy sector could have on the economy and the credit markets. To put simply and into perspective, the estimated decline in revenues for ExxonMobil and Chevron since oil peaked would more than wipe out the entire combined revenue base for Apple and Google. Magnify that over the entire energy space, which includes substantial amounts of high yield debt, and you can imagine the potential for broadening concerns.

Given the above, along with a U.S. equity market that is the 2nd most over-valued in history (using a variety of metrics) and a bond market that reeks of illiquidity, it is quite worrying to hear that very few investor portfolios offer any real protection from declining asset prices. Investors are crowded into the few remaining markets or securities that have held up, and those markets are generally significantly overvalued. Being bullish and investing long always seems most compelling when markets are at their highest point. For advisors and investors who may not want to risk the last 5-10% move up in equity markets and are looking to protect or diversify portfolios from volatility and contagion, we are committed to staying disciplined. Given the environment and our objective, we are positioned exactly as we should be: very defensive.

The following charts are a reminder of the complete disconnect between market prices and fundamentals:





Definitions: The S&P 500 Index is a broad-based, unmanaged measurement of changes in stock market conditions based on the average of 500 widely held common stocks. The MSCI World Index captures large and mid-cap representation across 23 developed Markets. With 1,631 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. It is not possible to invest directly in an index or average. Alpha is the measure of performance on a risk-adjusted (beta) basis. Alpha takes the volatility (price risk) of a fund and compares its risk-adjusted performance to a benchmark index. The excess return of the fund relative to the return of the benchmark index is a fund's alpha. Beta is the measure of a fund's relative volatility as compared to the S&P 500 Index which by definition is 1.00. Accordingly, a fund with a 1.10 beta is expected to perform 10% better than the Index in up markets and 10% worse in down markets.

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.

