ABSOLUTE STRATEGIES FUND

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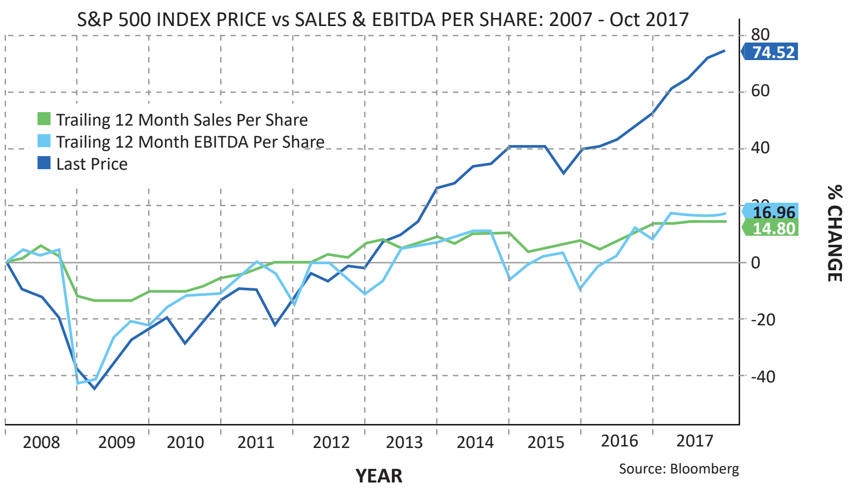
As much as we and our investors are frustrated with our performance, our portfolio is setting up for the largest opportunity we have seen since late 2008 to early 2009. In fact, we would argue that today's environment is nearly the inverse of that cycle period in terms of sentiment and price and volatility extremes.

MARKET ENVIRONMENT

We have witnessed historic financial market intrusions by central banks that has created extreme distortions in asset prices and caused volatility to collapse. A lack of volatility has led risk-parity strategies, quant funds and momentum players to bet further on these extremes. We are even witnessing a massive bet on "short volatility" which is essentially a replay of the "selling of insurance" gravy train that led up to the financial crisis.

Is this a permanent new paradigm? Is it really different this time?

Those questions have been repeated throughout history and the predictions have always proved incorrect. That said, we are routinely discussing with sub-managers and others: "What is going on? At what point will it end?" We do not know. We are living through a period of substantial central bank distortions that seem inconceivable. However, certain economic relationships are already highly stretched. The most glaring is the lack of overall fundamental growth for the S&P 500 vs Price.



As the chart to the left illustrates, there has been very little growth in revenue and EBITDA (earnings before interest, tax, depreciation and amortization) per share since 2007. There has been almost no growth since 2013, yet the S&P is up over 40% since that time.

It would take a drop of more than 30% to get back to 2007 peak valuations of price to revenue and price to EBITDA.

When valuation ratios reach levels similar to 2000 and 1929 peaks, is it an opportunity to stay fully invested in risky assets or an opportune time to hedge? Central banks are on the verge of removing an estimated $1 trillion in market liquidity over the next year. Eventually there will be a large reversion to the mean and we are positioned accordingly.

OUR POSITIONING

Our discipline and process has not changed. We continue to allocate capital based on opportunities to be long and short. The challenge has come from a market cycle that has been skewed by central bank intrusions. Our approach is generally the antithesis of current extreme levels of high valuations, momentum/trend investing, and suppressed volatility. All of these have been coiled against us in both time and price. From a long/short perspective, we tend to favor underpriced or out of favor long ideas vs a short portfolio of overpriced or crowded areas. Many of these positions are simply relative-value relationships that revert to the mean as assets begin to seek value once areas of perfection eventually turn out to be illusory. Volatility is used to help monetize these relationships over time. Year-to-date, our performance has been directly impacted by a lack of volatility, and an extreme turn of

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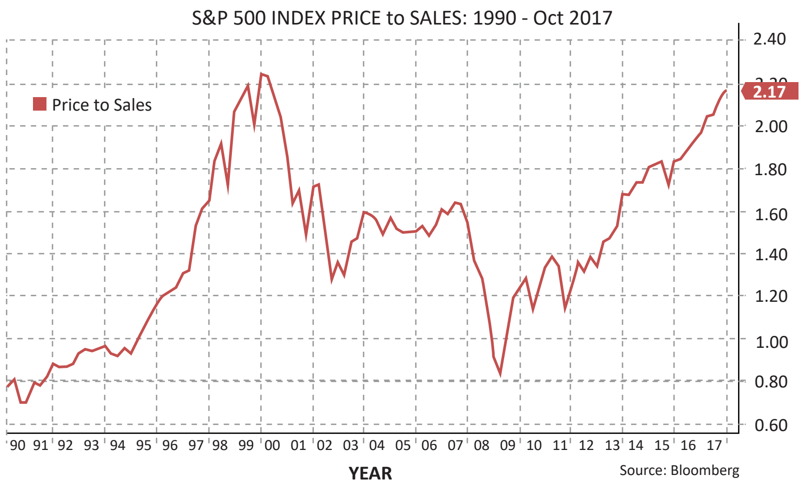
the market cycle that has punished out-of-favor longs while rewarding crowded, over-valued indexing. This has created a large spread between our long and short positions that has pushed our overall portfolio to opportunity levels we have not seen since 2009. We are now currently positioned for extensive mean reversion opportunities that have been stretched over several years and have recently reached historic levels. Details of these opportunities are outlined below.

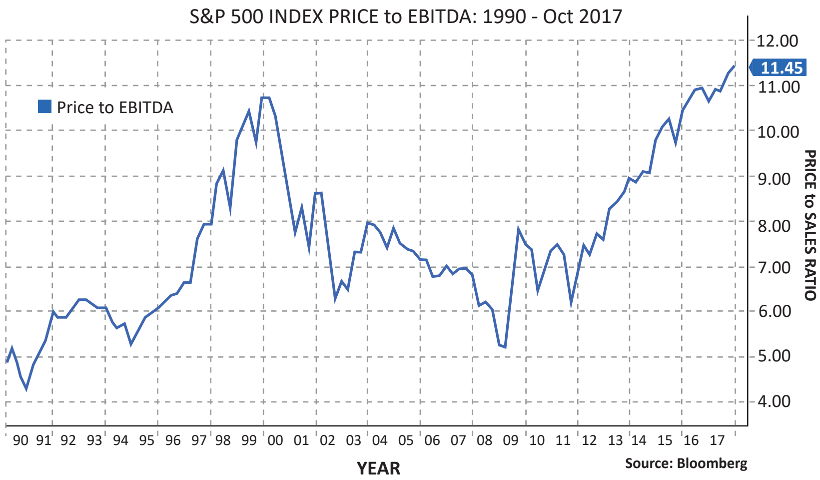
Value vs. Growth. One major side effect from all of the central bank activity and momentum chasing is that value investing is currently stuck in one of the worst stretches on record. Value stocks have significantly lagged growth stocks this year, compounding a gap that has persisted since the end of the financial crisis almost ten years ago. Value has underperformed growth by more than -12% year-to-date and by more than -45% since 2007. This has caused the bulk of our poor returns this year. However, the last time value underperformed growth to this degree was in 1999. During the next three years, value outperformed growth by more than 100%. This is not a small divergence. It is a significant market-neutral, risk/reward opportunity. Approximately 40-45% of our portfolio is positioned for this mean reversion idea of long value, short growth/indices.

Short Equity. Market indices are trading at valuation levels only seen near 1929 and 2000 peaks. The median price/sales for the S&P 500 is over 2.5x, or nearly 50% higher than the prior peak in 2007. The Russell 2000 Index trades for a P/E over 110. The Nasdaq Composite P/E is over 50. We believe many securities in various global markets and sectors are at risk of significant repricing, some upwards of 50% or more. These include certain foreign financials, domestic industrials and growth equities. Approximately 20% of the portfolio is currently positioned in short equity securities.

Convertible Arbitrage. Convertible arbitrage is one of few areas of 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 to diversify away from other areas of our portfolio. Approximately 20% of the portfolio is allocated to convertible arbitrage.



Energy is another area that is seeing significant divergence vs 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 are now near 2009 financial crisis lows. Relative underperformance of energy year to date versus the S&P 500 is -25%, and this has contributed to negative performance. However, following the last low weighting in the S&P in 2000, energy companies outperformed the S&P by over 50% during the next three years and over 150% during the next six years. Approximately 10% of our portfolio is positioned long energy vs short market indices.



Other commodities are also at an extreme low vs overall equity market indices. The Commodity Research Bureau (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

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periods saw commodities outperform the S&P 500 by over 100% during the following three years. A more modest 5-7% of our portfolio is targeted for long commodity-sensitive securities vs market indices.

Volatility has never been more compressed than it is today. The US equity market recently set a 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 are also using short volatility trading to generate income or excess yield. This is very similar to the idea of selling credit default swaps (selling insurance) during the housing bubble which then led to the financial crisis. It is estimated that risk parity, quants and CTA (commodity trading advisor) strategies amount to $1 trillion in implicit short volatility strategies. Additionally, tens of billions are being bet directly on short volatility through ETFs. Volatility has never been more suppressed, and is unlikely to stay this low for any length of time. Our overall portfolio is set up to benefit from an increase in volatility and should be able to capitalize on large spikes in volatility should they occur.

We believe markets move in cycles over time. Occasionally cycles reach extremes, which has actually been a common occurrence over the past 20 years. Additionally, some markets may be nearing the end of an extreme bull cycle while others may be ending an extreme bear cycle. It is very difficult to know the timing of when a market cycle turns, and patience can be especially tested when both long and short positions are fighting the last trend.

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 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.

***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 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 Russell is by far the most common benchmark for mutual funds that identify themselves as "small-cap." The Nasdaq Composite Index is the market capitalization-weighted index of approximately 3,000 common equities listed on the Nasdaq stock exchange. Convertible arbitrage is an investment strategy that involves the simultaneous purchase of convertible securities and the short sale of the same issuer's common stock. 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. A commodity trading advisor (CTA) is an individual or firm who provides individualized advice regarding the buying and selling of futures contracts, options on futures or certain foreign exchange contracts. The Commodity Trading Bureau (CRB) provides comprehensive database of the entire commodity markets' price history. The (Thomson Reuters/ Core Commodity) CRB Index is a commodity futures price index created to facilitate easy comparison of both spot and futures indexes.*

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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