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PORTFOLIO COMMENTARY : Fourth Quarter, 2011

For the 2011 calendar year, the Absolute Strategies Fund was up 2.61% vs. 2.11% for the S&P 500 and -8.87% for the HFRX Global Hedge Fund Index.

[Quarter-End Performance: As of 12/31/11, the 1- year, 5-year and since inception annualized performance for I- Share was 2.61%, 2.86% and 3.36% 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. For performance current to the most recent month-end, visit the Fund's web site at www.absoluteadvisers.com. As stated in the current prospectus, the Fund's total annual operating expense ratio (gross) for Institutional Shares is 2.28%. Excluding the effect of expenses attributable to dividends on short sales and acquired fund fees and expenses, the Fund's total annual operating expense ratio (net) was 1.73% for Institutional Shares.]

While 2011 was a highly volatile and challenging year for many investment strategies, our Fund performed quite well and exhibited a clear diversification away from the "risk-on/risk-off" crowd that has encapsulated so many traditional and alternative investments alike. We would prefer to be in an environment where we could be more aggressive; however the current investment climate simply does not offer much upside and return asymmetry is to the downside. The financial markets have simply become a meat-grinder that will test every investment strategy (including ours) in order to shake convictions and patience. The short-term, momentum orientation of investors is now one large herd that oscillates rather sharply between hope and despair. Market volume has been dropping and is now almost entirely made up of institutional speculators and machines with investing time frames measured in days or even seconds. These self-proclaimed, shadow market makers are only interested in pursuing their own interests. As such, we fear the financial markets are largely broken and liquidity is a mirage (especially in the credit markets). This is hardly a healthy condition for long-term investors and whipsaw volatility is likely to continue for some time. Financial markets now appear to be 100% reliant on central bank involvement. This is highly disconcerting considering the muted impact prior monetary policy has had on the economy and the potential for even a small rise in interest rates to wreck havoc on the bond markets. We believe this is the largest asymmetric risk in the financial markets.

The equity market selloff provided an opportunity for our managers to pick up some very cheap stocks. However this was short lived and the market has not only rebounded quickly but investors have rotated back toward speculative, low quality securities. In our 3Q commentary we stated, "We feel fairly certain that there will be continued attempts to bailout XYZ country, to recapitalize the European banks, or to engage in money-printing. There will be many that will hold up the 'all clear' sign and this may prompt the crowd to speculate short term, resulting in powerful market rallies." This has become a frustrating, yet somewhat predictable routine over the past 5 years as financial market participants chase down the last dime in an environment fraught with risk of substantial dislocation. What is most surprising is that after all of the volatility, investor behavior continues to illustrate almost uncanny correlation between price movements and sentiment. In other words, investors become MORE willing to buy stocks AFTER they have risen in price. The same holds true for economic data. As much as we want to believe people will eventually learn from their mistakes, investors today are still completely focused on the rear-view mirror. While we are becoming tired of the willingness of investors to reach for yield and dismiss obvious risks, our convictions remain and we will not be seduced by the irrationality of others.

Once again we find ourselves largely repeating prior commentary. None of the concerns we have raised in our prior letters has been resolved and in fact, global growth and solvency issues have gotten much worse as the markets revisit recent highs. We will not rehash the issues completely. Simply put we continue to believe the US (while certainly having problems) can survive within its own sandbox, but both Europe and China have imbalances that appear to be reaching a head and could produce extreme outcomes. Europe's situation continues to worsen with insolvent sovereigns, insolvent banks, and the chance of a recession nearing 100%. The structural imbalances of too much government spending, too much debt, and capital-deficient banks are not fixable with policymaker propaganda, money printing and sentiment cycles. Considering they are STILL trying to bail out Greece, makes one wonder how Portugal, Ireland, Spain and Italy will be handled. Solvency is the issue here and Europe's economic platform needs to be completely dismantled. Additionally, European banks were responsible for the bulk of emerging market lending over the past few years, but they are now largely insolvent with dwindling deposits.

As for China, they have been the driver of global growth for two decades and provided huge global stimulus measures in 2009. They are now living through their own centrally planned housing and credit bubble at a time when 60% of exports go to Europe.

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While all of this amounts to tremendous prosperity on the way up, it is not sustainable and the markets (including US) are not priced for a change in economic circumstances in Europe or China, let alone a sovereign meltdown or hard landing. Also, has anyone bothered to wonder what could happen if Germany was the one to leave the Euro? We do not view this as an immaterial probability given German culture.

The Fund's positioning continues to seek opportunity and discrepancy in the pricing of high quality vs. high risk companies (measured by price/cash generation and balance sheet strength). For the first time in years, we believe meaningful gains are possible in both long and short opportunities. The long equity portfolio is geared largely toward individual domestic companies that have stable economic profiles and attractive valuations, mostly in technology and consumer staples sectors. The short equity portfolio leans toward companies where earnings power and valuations are stretched. As markets retrace moves back to the upside, we believe the discrepancy will continue to widen as the momentum crowd engages in a mad dash for crap with the least amount of liquidity. Our most opportunistic exposure is short positions in specific financial and industrial companies focused on Europe and Asia. The Fund also continues to have a large allocation to convertible arbitrage which we believe provides an attractive balance of risk and reward that can also benefit from equity volatility.

To better understand the Fund's short exposures that relate to the macro discussion above, we borrow commentary from one of our managers:

> *"Higher prices appear to have ratified in the minds of investors that positive outcomes for a resolved European solvency crisis, a renewed Federal Reserve quantitative easing campaign and a round of cyclical easing in China are inevitably guaranteed. While investors clearly are taking recent price action as informative and predictive, our only conclusion this early in the year is that the bull case for earnings is more dependent on actual and perceived government support and subsidy than any time in our investment career. This suppression of volatility by government policy action in the short-term creates an illusion of stability, yet such suppression only creates the prospect for greater volatility in future. In the ongoing battle between experimental policy and underlying fundamentals, the outcome appears asymmetric to the downside. As the resolution develops, it should have meaningful impact on earnings and cost of capital. Both have been radically subsidized by policy and are not sustainable. We believe historically high margins driven by low tax rates, low financing costs, benign inflationary dynamics and low wage pressures are subject to meaningful mean reversion. Moreover, the revenue line is greatly dependent on fiscal policy and wealth transfers.*
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> *Consensus presumes China has a soft landing, Europe muddles through with the support of the ECB, profit margins are structurally high and sustainable, cost of capital will remain exceedingly low while growth remains acceptable, and that valuation is cheap despite the benefit to earnings driven by government stimulus. So the burden truly is on government to do its most to meet increasingly needy investor demands. It is hard not to assume that the now all-too-familiar pattern of hype and disappointment is destined to play out again this year just as it did in the last several years. The current short portfolio remains heavily exposed to global financial, industrial and consumer businesses. We maintain financial short investments across domestic and international banks which continue to face risks in problem assets, sub-optimal funding structures, net interest margin contraction and low loan growth."*

We continue to stress that investors remain patient. Given that we are likely in the 1% of money managers that look beyond the next 30 days, it is inevitable that the markets will move counter to our positioning. This is to be expected and is consistent with the Fund's historical performance (and hopefully helps diversify investor portfolios). We continue to remain disciplined in our approach and, at times, receive counsel from the investing bible: Graham and Dodd's *Security Analysis*. For those few true value investors left, it's worth noting that nowhere is the phrase "margin of safety" defined by quantitative easing, government stimulus, or bank bailouts.

All commentary is available on our web site at
www.absoluteadvisers.com

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 HFRI Indices are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. It is not possible to invest directly in an index or average. 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 is non-diversified and may focus its investments in the securities of a comparatively small number of issuers. Concentration in securities of a limited number of issuers exposes a fund to greater market risk and potential monetary losses than if its assets were diversified among the securities of a greater number of issuers.
The Fund may invest in small- and medium-sized companies which involve greater risk than investing in larger, more established companies, such as increased volatility of earnings and prospects,higher failure rates, and limited markets, product lines or financial resources.

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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