ABSOLUTE STRATEGIES FUND

PORTFOLIO ANALYSIS - ASFIX

Nathan Houser, VP, Portfolio Management

Q1 2017

ABSOLUTE FUNDS

FUND POSITIONING:

Prior commentaries and quarterly analysis pieces have articulated how we summarize the recent market environment. On the one hand, investors are faced with an unusual mix of historically high valuations, historically high debt, and low growth. On the other hand, upward momentum has been strong, central banks have been directly buying assets, corporations have bought back large amounts of stock, and investors have been taking on incrementally more risk by reducing exposure to alternatives and moving to index funds.

Anyone building a portfolio today has to decide how much to weigh the first set of factors vs. the second set. We choose to invest based on the fundamental side because ultimately fundamentals will determine a company's/security's value. Fundamentals can be analyzed and measured to judge risk and return potential. Betting on momentum, central banks, buybacks, and investor risk-taking simply requires more guesswork and finger crossing than we're comfortable within a fund based on risk management. It may seem easy and even logical sometimes, but how does one balance risk and reward when betting on those things?

What's unloved today? What's distressed? What's cheap on an absolute basis? The answer appears to be very little on the long side. This has led us to allocate away from long biased strategies towards relative value, convertible arbitrage, short equity, special situations, and some shorter-term opportunistic trades (long and short). We think these areas offer meaningful return potential that doesn't rely on artificial factors driving the broad markets up.

FUND ALLOCATION: (as of 3/31/17. Percentages are approximated)

Concentrated Long Biased Equity Strategies vs. Broad Market Indices (Short) - Allocation: 36% Boston Company Asset Mngmt, Long/Short Equity and Credit Kovitz Investment Group, Long/Short Equity St. James Investment Company, Opportunistic Equity Absolute Investment Advisers Positioning	This group combines several strategies that are long biased with different approaches to fundamental value investing. These strategies often utilize a limited number of positions. Aggregate positioning is focused on companies with strong balance sheets and the ability to withstand a variety of different economic environments, particularly margin pressure. Short exposure consists mainly of broad market indices but also certain sector funds or single name securities. Some short exposure is derived by the Sub-Advisers; some short exposure is derived by Absolute.
Global Short Biased Equity Strategy - Allocation: 20% Longhorn Capital Partners, Global Long/Short Equity	This group consists of one strategy based on shorting a number of individual equity securities and using long broad market equity securities to moderate exposure levels. Positioning has been focused on companies with sensitivity to slowing global growth – financials (US, Europe, Asia), consumer cyclicals, industrials.
Market Neutral / Hedged Credit Strategies - Allocation: 23% LakeWater Capital, Long/Short Credit Mohican Financial Management, Convertible Arbitrage	Sub-adviser credit exposure is solely in strategies that either have a natural hedge component (Mohican's convert arb) or currently have a balance of longs and shorts (Lakewater's L/S corporate credit). The idea is to isolate security selection while mitigating sensitivity to the seemingly large risks facing the bond markets. This group does contain certain short positions that may benefit from weakness in the bond market in addition to company specific events.
Special Situation / Sector Strategies - Allocation 14% Harvest Capital Strategies, Long/Short Equity, Agriculture Focus Sabal Capital Management, Special Situations	This group contains two long-short equity strategies with low to moderate net exposure. Each strategy is highly unique and tends to exhibit little correlation with each other or the broader equity markets. One common trait across the two managers is a focus on changing dynamics - either within a company or across a sector, and how those changes may be misinterpreted by the market.
Opportunistic Trades & Fund Cash - Allocation 7% Absolute Investment Advisers Positioning	This group includes certain trades that are managed in-house rather than through a Sub-Adviser. Often this is because the time horizon may be short-term in nature and/or expressed through index related securities. The mix can change frequently but examples have included short equity indices, long precious metals, long treasury bonds, and out-of-the-money tail hedges both long and short.

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FUND PERFORMANCE:

For For the first quarter of 2017, the Absolute Strategies Fund returned negative 2.99%. By comparison, the HFRX Global Hedge Fund Index returned positive 1.66%% and the S&P 500 Index returned positive 6.07%. Across strategies, long positions generally under-performed broader markets while short positions performed around the inverse of equity market indices.

One risk in having a fundamentally oriented portfolio is that it takes time to work. In the short-term all sorts of other things can dominate market movements. That appeared to be the case in the first quarter. Many of our longs are under-performing because they are unique, don't have a big story attached to them, or may not be a major part of an index. And shorting has simply been difficult no matter how poorly an underlying company may be performing. Market action has been maddening but we're excited about the set-up for a reversal.

Quarter-End Performance for ASFIX: As of 3/31/17, the 1 year, 5 year and 10 year annualized performance for the I- Share was -3.40%, -0.34%% and 1.10% 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. Annualized returns current to the most recent month-end can be obtained by calling the Fund at 888-99-ABSOLUTE. As stated in the current prospectus, the Absolute Strategies Fund's total annual operating expense ratio for Institutional Shares is 2.68%. Excluding the effect of expenses attributable to dividends and interest on short sales and acquired fund fees and expenses, the Fund's annual operating expense ratio was 1.85% for Institutional Shares.

SELECT MANAGER HIGHLIGHTS & COMMENTARY:

The flow of assets in recent years from active to passive investment strategies has been well documented in the financial media. It's clear many of these investors are willing to give up an analytical component of a fund in return for cheaper fees. Any time investors blindly buy or sell securities without analysis it piques our interest.

Forced selling in 2008 created certain opportunities on the long side for those willing to swim against the tide and selectively buy. The opposite situation appears to be occurring today – investors buying index funds are pushing up prices of everything in that index, even companies that may be performing poorly and/or over-valued. This may be creating opportunities on the short side for those willing to swim against the tide and selectively short.

A brief discussion from Longhorn Capital is below. Longhorn's strategy is best described as global long-short with a typical net short bias.

Just as a herd mentality to avoid relative underperformance has led many investors to abandon active management, a related psychology is preventing investors from embracing the historic opportunity currently offered by short selling.

Hedge fund net exposures are historically high, short interest is historically low, and the ranks of willing short sellers continue to evaporate. To be sure, the three months ending March were challenging, but we are encouraged by signs of short selling capitulation. Importantly, with fewer shorts and greater fund-flow-driven price dislocations, our effective opportunity set has increased, as stocks meeting our key investment criteria – including low short interest, low borrow cost and high trading liquidity – are more prevalent.

Our focus on these structural investment risks, in addition to a strong fundamental business case, has improved our risk profile historically while defining the universe of actionable ideas. The evolution of the bubble in passive indexing has only increased this potential universe, with the prospect for short alpha in large cap stocks as great as the bubble in the late 1990s. Quantifying this observation, "the enterprise value of cash burning firms in the large cap space has hit levels last seen at the peak of the internet bubble. These firms are much more economically fragile than at the peak of the internet bubble with net-debt levels relative to equity currently 100% higher than they were in March 2000…..[with] cash burn per firm….. now two times higher than it was at the peak of the internet bubble" (Baird Kailash Research).

This illustrative stratification exemplifies the extremes that have inescapably set the conditions for future short alpha generation. Of note, many domestic short investments now generate positive short rebate in the current rate environment, incrementally improving the economics of short selling relative to recent history. Across the current investing landscape, we believe fundamental short-selling strategies continue to offer an abundant opportunity to create short alpha as market participants accelerate their pursuit of index returns.

We remain enthusiastic about the return potential of the portfolio as we move forward.

LONGHORN CAPITAL PARTNERS - Global Long/Short Equity

See Reverse for Definitions & Risks

Definitions: *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 multipl Sub-Advisers, 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 in which the Fund may invest. 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 investments 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.

Three Canal Plaza, Suite 600, Portland, Maine 04101
(888) 99-ABSOLUTE or (888) 992-2765
www.absoluteadvisers.com

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