ABSOLUTE strategies FUND

Quarterly Analysis - Q2 2014

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FUND POSITIONING:

Throughout the first half of 2014, the Fund maintained an overall defensive posture based on concerns about high valuations and low growth (both economic and earnings). Data released in the first quarter only served to heighten those concerns. Fund beta to equity indices, bond indices, and hedge fund indices has remained purposely low.

The Fund continues to have the significant long and significant short exposures it had at the end of the second quarter. This current positioning is designed to allow the Fund to generate performance from company-specific or asset-specific fundamentals, long and short. It is not making a one-way directional bet on the markets. The Fund is waiting patiently for an environment which rewards individual security selection versus passive exposure to market beta.

It is worth noting that the Fund is not a static vehicle. It is designed to have a high degree of flexibility. **It should be expected that long and short exposures will vary over time**. There will be times, such as early 2009, when the Fund sees more opportunity to take on long exposure and higher beta.

As of the end of the quarter, the portfolio could be grouped in to the three general categories described below. Please keep in mind Fund allocations may aggregate into different types of categories over time.

EQUITY STRATEGIES - Current Portfolio Allocation: 65% Kovitz Investment Group, Long/Short Longhorn Capital Partners, Global Long/Short Madden Asset Management, Long/Short Growth Sabal Capital Management, Special Situations St. James Investment Company, Opportunistic Equity Yacktman Asset Management, Opportunistic Equity Absolute Investment Advisers, Overlay Hedge	This group has a balance of longs and shorts when rolling up Sub-Adviser positions across opportunistic equity, long/short, and special situations managers and it includes a portfolio hedge. The long side of the equity portfolio is dominated by large-cap companies within consumer staples, health care, and "legacy" technology with strong brand names and competitive advantages. The short side of the equity portfolio is dominated by small-caps, industrial cyclicals, and financials (particularly those in Europe & Asia). These are companies trading at high valuations and/or are dependent on a high level of economic growth (which has been absent). Taken in aggregate, this positioning may be viewed as quality vs. non-quality.
CREDIT STRATEGIES - Current Portfolio Allocation: 14% Horizon Asset Management, Distressed Fixed Income LakeWater Capital, Long/Short Credit Metropolitan West, Distressed Debt & Discretionary Fixed Income Absolute Investment Advisers, Overlay Hedge	Given a general lack of distressed securities in corporate debt markets, this allocation is focused mainly in asset backed securities and non-agency residential mortgage backed securities. The recent addition of LakeWater adds a component that is long a concentrated group of high yield securities, and short a concentrated group of investment grade securities at risk of widening spreads.
ARBITRAGE STRATEGIES - Current Portfolio Allocation: 18% Mohican Financial Management, Convertible Arbitrage SSI Investment Management, Convertible Arbitrage	A mix of hedged income, credit and volatility trading designed to generate moderate but consistent returns in the current environment with low beta to both equities and credit.

FUND PERFORMANCE:

In the second quarter of 2014, the Fund returned 0.73% net of fees. Performance over the course of the quarter provided yet another example of how current Fund positioning, and returns, are different than most other mutual funds and hedge funds. As of May 15th, the Fund was up over 2.5% for the quarter while the S&P 500 Index was about flat, the HFRX Global Hedge Fund Index was down over 1%, and the Russell 2000 Index was down about 6.5%. In a familiar pattern, equities rallied into the end of the quarter, dragging hedge fund performance up as well. In this period, the Fund gave back some gains.

As with the first quarter, returns across Sub-Advisers were somewhat evenly distributed with eleven of twelve manager strategies posting small to medium gains on a gross basis. Convertible arbitrage managers returned about 0.50%, distressed/credit managers returned about 2%, and equity managers, including the portfolio hedge, combined to be up more than 0.50% (all net of fees).

Quarter-End Performance for ASFIX: As of 6/30/14, the 1 year, 5 year and since inception annualized performance for the I- Share was –1.86%, 3.13% and 2.45% 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 for Institutional Shares is 2.47%. 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 was 1.74% for Institutional Shares.

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.

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SELECT MANAGER HIGHLIGHTS:

Each quarter, we will share information about certain managers or their comments to better explain the Fund and our thinking behind the portfolio. Please contact us for additional manager information.

SABAL CAPITAL

It appears to us that the Fed is stuck on autopilot and will probably overshoot its easy money policy, prompting a significant policy change over the next twelve to eighteen months. We believe that the market is not properly discounting the strength of wage pressures on future inflation. In addition, potential exogenous shocks to the system seem to be inflationary in nature. In particular, potential energy supply shocks due to Russian / Middle East conflicts.

On the long side of our portfolio, we are finding a number of liquid equities that are currently undergoing significant changes to improve earnings power with compelling absolute and relative valuations. In addition, market volatility during the first half has created opportunities to add new ideas, including good companies where temporary hiccups in Q1 earnings performance have created attractive entry points.

After a prolonged melt up in lower quality names over the last year, the market has begun to discern quality and fundamentally flawed short names have begun to work. This trend is encouraging and we expect market gyrations to continue to shake investor confidence and create even more compelling short opportunities.

Overall, we expect a continued rotation out of crowded names, considering the market's above average valuation with generally low growth prospects, and overall see a challenging market for equities for the second half of 2014.

ST. JAMES INVESTMENT COMPANY

A core tenant of our investment process is that, over the long-term, stocks should track their underlying intrinsic value. When a stock is dramatically above its intrinsic value, it will usually drop or move sideways until it eventually converges with its underlying intrinsic value. Likewise, when a stock is dramatically below its intrinsic value, it will usually rise towards its underlying intrinsic value. Think of intrinsic value as "gravity" on the underlying price of the market—over time the price should gravitate towards intrinsic value. The tendency for valuations to revert to the mean is what allows us to estimate long-term future returns.

We remain cautious with the portfolio because most stocks in our universe have reached a point where they now trade well above their intrinsic value. This has necessitated patience and the building of cash balances. We believe that the Federal Reserve is largely responsible for this level of overvaluation due to the fact that we have now entered the sixth year of short-term interest rates near zero.

During periods of very low rates, capital is often misallocated. While things appear better in the short-term (new home and auto sales, higher stock market, etc.), businesses and investors lose confidence in the system and exhibit an unwillingness to take risk. Capital allocators do not trust an economy boosted by unsustainable monetary and fiscal policy, and therefore do not want to make longer term growth oriented and employment creating investments (as demonstrated by cash sitting idly on corporate balance sheets). The actions of the Federal Reserve are akin to parents that reward their children for bad behavior as opposed to trying to do what is right for their children over the long term.

Although valuations prove critically important when making longer-term capital allocation decisions, they can prove quite frustrating if one is attempting to time the market's short-term price movements. Fortunately, we have experienced this before and know that our patience will eventually be rewarded.

(St. James commentary continued on next page)

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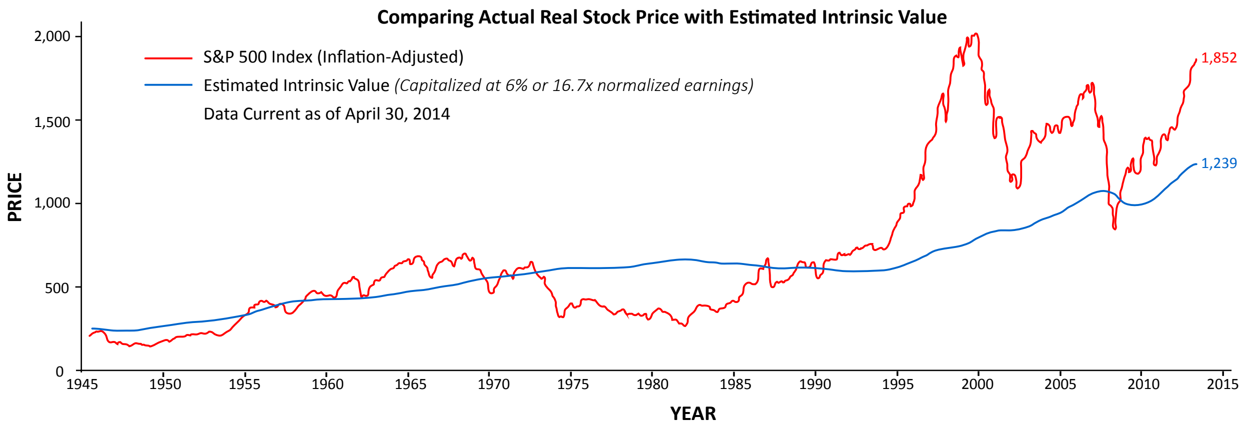
ST. JAMES INVESTMENT COMPANY (Continued)

The following chart compares the level of the stock market, as measured by the S&P 500 Index, against its underlying intrinsic value of 16.7 times cyclically adjusted earnings—its average valuation level since the end of World War II. The S&P 500 Index currently trades at roughly 50% above its intrinsic value. On each previous occasion when the index traded this far above its intrinsic value the stock market eventually gravitated back towards, if not below, the intrinsic value line. Therefore, investors should not be surprised if, over the next few years, the underlying index and its intrinsic value converge. However, we do not know if this will occur suddenly via a 20% or greater correction in the stock market, or a period of grinding out low single digit returns over the next decade.



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.

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