

ABSOLUTE CAPITAL OPPORTUNITIES FUND

PORTFOLIO COMMENTARY - CAPOX

Q1 2018

KOVITZ INVESTMENT GROUP
is based in Chicago, IL and
is the Portfolio Manager of the
Absolute Capital Opportunities Fund

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The Absolute Capital Opportunities Fund had a very strong first quarter of 2018, gaining 10.11%. Interestingly, this positive outcome was due to a pickup in general stock market volatility. In our opinion, the prolonged period of low volatility over the past few years resulted in the mispricing of many equity options. Part of the Fund’s approach is to look for tail hedges, upside and downside, to complement a core equity long-short portfolio.

The Fund entered the year very defensively positioned but also owning significant options that would benefit from general stock market movement irrespective as to whether the movement was upwards or downwards. As the quarter progressed, the hoped for pickup in volatility materialized and the Fund benefited from movement both positively and negatively throughout the quarter.

There have been a number of factors pointed too as causing the pickup in volatility:

1. Rising geopolitical risks – especially the threat of a trade war.
2. Increased regulatory risk towards market leading technology stocks.
3. An increasingly hawkish Federal Reserve
4. The end of Quantitative Easing

It is possible any or none of the above could be the root cause of the volatility. More importantly, it is impossible to predict ahead of time the timing of any increases in volatility. It is very possible to pay attention to underlying price and valuations and to position the Fund’s risk/reward profile appropriately. The Fund benefited from surprisingly cheap options as a result of our typical core process.

As we enter the second quarter, the Fund continues to be positioned much as it was in the first quarter. We continue to be well hedged towards the downside. We feel this level of hedging is prudent given the heightened starting valuations for many equities, low but potentially rising interest rates, and the potential (not probable) for geopolitical missteps.

At the same time, the valuation disparity between stocks in favor vs. those deemed out of favor has widened substantially. We are happy to report that we are actively adding to our long portfolio. At present, we own a portfolio of competitively advantaged businesses generally trading at 12-16x our estimation of normalized earnings, a valuation that is below the market as a whole. As such, we have maintained upside via our long holdings, as well as call options designed to benefit from possible continued upside volatility or a generally rising stock market.

See Reverse for Risks

Quarter-End Performance for CAPOX: As of 3/31/18, the 1 year and inception-to-date (12/30/15) annualized performance was 14.13% and 10.49% 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. To obtain performance information current to the most recent month-end, call the Fund at 888-99-ABSOLUTE. 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.*

As stated in the prospectus, the Absolute Capital Opportunities Fund's Total Annual Operating Expense ratio (gross) for Institutional Shares is 3.51%. By prospectus, the net expense ratio is 2.45%, as Absolute Investment Advisers LLC has contractually agreed to waive its fee and/or reimburse Fund expenses to limit Total Annual Fund Operating Expenses. 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.

Additionally, the Fund's Adviser has contractually agreed to waive its fee and/or reimburse Fund expenses to limit Total Annual Fund Operating Expenses (excluding all taxes, interest, portfolio transaction expenses, dividend and interest expenses on short sales, acquired fund fees and expenses, proxy expenses and extraordinary expenses) to 1.75% through August 1, 2019 (the "Expense Cap"). This Expense Cap may only be raised or eliminated with the consent of the Board of Trustees.

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 be exposed to varying forms of risk. 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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