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PORTFOLIO COMMENTARY : Second Quarter, 2010

The 2nd quarter of 2010 was quite volatile for many of the reasons we discussed in our 1st quarter commentary. The Absolute Strategies Fund performed well this quarter with a return of -1.36% vs. -11.43% for the S&P 500 and -2.79% for the HFRX Global Hedge Fund Index. Year-to-date through June 30, the Fund returned 0.62% vs. -6.65% for the S&P 500 and -1.20% for the HFRX Global Hedge Fund Index. We have made no meaningful change to the Fund's exposures over the past couple of months. We still believe the markets will continue to mimic a pendulum, swinging wildly up and down. The deterioration of macroeconomic data along with aggressive growth forecasts suggests that there is significant risk to asset prices. As such, patience should be rewarded and excessive exposure to risk assets should be avoided.

[Quarter-End Performance: As of 6/30/10, the 1- year and since inception annualized performance for I- Share was 9.43% and 3.14, 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. The recent opportunities in the capital markets have helped to produce short-term returns that are not typical and may not continue in the future. 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 2.32%. Excluding the effect of expenses attributable to dividends on short sales, the Fund's total annual operating expense ratio (net), as stated in the Annual Report, was 1.78% for Institutional Shares for the fiscal year ended March 31, 2010.

The Fund was well hedged to mitigate the potential for systemic risks and market participants' willingness to only price in optimistic scenarios. During the 2nd quarter, many optimistic forecasts ground to a halt by a litany of reality. Those realities included continued deleveraging, sovereign debt concerns, overvalued assets, and the fading stimulus "bounce." The herd-like behavior of investors can cause risk to be re-priced very quickly. To paraphrase one of our managers, many investors continue to engage in a brutal game called "momentum musical chairs." They ADD risk when market sentiment and momentum are positive and REDUCE risk when market sentiment and momentum are negative. This is generally opposite what a prudent risk manager should be doing. It also can create wild swings in the overall markets as there are very few real "buyers" left. This is a serious market structure issue that, combined with high-frequency trading, has the potential to cause liquidity to evaporate.

If deleveraging trends persist and embed themselves into the economy, markets will need to adjust to the reality that the potential for deflation is a real risk. Labor, real estate, and state and local governments are structurally challenged as a result of weak consumer activity and limited credit availability. We expect heightened volatility in the credit markets given the repricing of troubled sovereign debt and the potential for those concerns to catch up with the "Amend, Extend & Pretend" refinancing of corporate debt. While many companies do have solid balance sheets, there is a wall of debt coming due over the next few years. This, combined with default expectations of just 2.7%, which is already below the 40-year Moody's average, may set up investors for surprises and disappointment. In fact, "distressed debt" could be referred to as a "mini-bubble" as a flood of money into the space has resulted in surprising complacency. This could create an incredible opportunity for strategies that have true valuation discipline and are able to take advantage of distressed prices in both equities and credit.

Particularly concerning presently is the varied banter from policy makers who on the one hand believe we have a sustainable recovery, but on the other hand, want to introduce new stimulus to "create demand." There has been a continuous misallocation of capital through all the Fed and government's simulative adventures and policies over the past decade-plus. It is worrisome to imagine how badly a new flood of money could create unintended consequences for an economy already buried in too much debt. Our economy needs to correct at least a decade worth of artificial demand, overconsumption, risk taking and greed. Yet, many academics believe they can create sustainable jobs and growth through more artificial demand and more risk taking. This debate is unlikely to be resolved smoothly.

Consider how nonsensical things are today: Much of the mess we find ourselves in was enabled by the government's desire to relax lending standards so everyone could get a loan. Banks lent money to those who should not have been lent to resulting in banks not having enough of a capital buffer. These same banks then had to be bailed out in order to save the financial system from collapse. Since then, banks have reined in their abusive lending practices and now hold more capital. However, the Fed and the government are not happy that money isn't flowing (especially with elections approaching), so there is discussion to change the rules regarding interest payments banks receive from the Fed. This could again force banks to lend to those who want loans (but aren't credit worthy of those loans), while at the same time depleting their capital buffer. (As a side note, a primary reason small businesses owners cannot get loans is because their largest form of collateral has generally been their home or building, which have dropped in value substantially.)

Against the obvious risks and ignoring common sense, one must consider the likelihood of more government interventions

[Continued on Reverse]

See Reverse For Definitions & Risks

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that attempt to reinforce excessive risk-taking. Clearly these opposing forces will create a highly uncertain and volatile environment with continued difficulty for most investors. If continued stimulus measures do not create real sustainable growth (the last such measure was almost $1 trillion with questionable results), these political figures could bankrupt the country. This is not to say certain things shouldn't be done to combat deflation; but given the chances that capital will not be allocated productively, it is hard to envision how new stimulus measures will be successful long term. To quote Ken Rogoff in a recent Financial Times article, "a panicked government fiscal surge is far more likely to destabilize the nascent recovery than to nurture it." While austerity, taxes, and slow growth may be unappealing and painful politically, isn't it less painful than default?

We strive for our thinking to focus on realities, not hopes. We tend to highlight the potential difficult outcomes, not the rosy ones. That being said, the Fund is not in a bearish or net short position. Regardless of additional stimulative measures that could potentially drive assets prices higher short term, we are comfortable maintaining a conservative, hedged position, especially given the market's liquidity illusion. Our largest allocations continue to be with managers who do not rely solely on directional moves in asset prices and who identify attractive arbitrage opportunities. We will continue to remain patient, looking for better opportunities (prices vs. expectations) to take on risk, which may or may not be in the near future. Investors who continue to be heavily exposed to risk assets or chase short-term performance are likely to experience uncomfortable volatility and the potential for permanent losses to their wealth.

***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. 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. Standard Deviation indicates the volatility of a fund's total returns. In general, the higher the standard deviation, the greater the volatility of return.*

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 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 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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