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PORTFOLIO COMMENTARY

The 3rd quarter was another strong quarter for the Absolute Strategies Fund. Year-to-date through September 30, the Fund was up 16.51% vs. 19.26% for the S&P 500 and 11.00% for the HFRX Global Hedge Fund Index. More importantly, the Fund ended the quarter at an all-time high, since inception, on a total return basis. To put this in perspective, even after rallying more than 50%, most equity indices, including the S&P 500, are still down roughly 30% or more since their peaks. While it's been a very favorable market environment for investors, the reality is the S&P 500 has "rallied" from being down 40% from its peak at the end of 2008, to being down 30% at the end of September.

As of 9/30/09, the 1- year and since inception annualized performance for I- Share was 5.34% 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. 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 2.37%. Excluding the effect of expenses attributable to dividends on short sales, the Fund's total annual operating expense ratio (net) was 1.81% for Institutional Shares for the fiscal year ended March 31, 2009.

As stated at the end of the 2nd quarter, much of the Fund's recent performance was made possible by defensive positioning and limited exposure heading into 2008. The Fund attempts to pursue reality by having an understanding of price, risk, time and expected payoff. We attempted to avoid taking large risks when risk was dramatically mis-priced vs. reality to the upside and then added exposure when risk was mis-priced to the downside. The past nine months (especially with the advantage of hindsight) evolved into one of the most opportune and profitable times in history for investors to add exposures to a number of areas. The key was having meaningful cash on hand and the courage to act at the right time and deploy it. This requires an investment philosophy that focuses on pricing risk and identifying conflicting signals and prices between equity and debt securities; long-only, passive asset allocation would have been extremely limiting. For our Fund in particular, adding exposures to opportunities within convertible arbitrage, distressed debt, global macro and opportunistic equity managers resulted in performance that reached our expectations in a shorter period of time than expected.

On that note, it's very important for investors in all types of assets and strategies to begin reining in their expectations. The

last 9 months is unlikely to be repeated for a long, long time. We do not expect our fund to have periods of 20% annualized returns in the future. This has been a very special time, but much like 2008, it's best to try to forget about it and control emotions as quickly as possible as most of the mis-pricings have moved either to or beyond reality. Going forward, we are likely entering a highly complex and unpredictable period with numerous possible outcomes; some good, some downright awful. It's the awful ones with which we concern ourselves. What makes this environment incredibly complex is that the most obvious (and popular) concern may not be the one to watch out for. As such, the remainder of this discussion is going to be largely our risk management concerns (this is not a forecast) regarding the environment in which we find ourselves and potential outcomes (highly simplified) from it. We do not have strong opinions regarding any one outcome; therefore, the Fund overall remains somewhat agnostic at this time.

As noted earlier, it's important for investors to keep things in perspective. Many investors get things wrong at the worst possible times because they invest emotionally by extrapolating past/current situations. Doing this near a peak or trough in a market cycle is disastrous. Such investors buy when things look great (remember Goldilocks?) and sell when things look bad (Great Depression II). One argument common today is we have experienced a cyclical recovery and reflation trade. This becomes further reinforced as the market rises and then is extrapolated into the future as the equity bandwagon gathers steam. Yes, this could be true, but we believe this is likely to become a highly vulnerable and volatile expectation. We simply believe investors had vastly mis-priced corporate cash flow streams based on their Great Depression II fears and now these cash flows have been repriced. No economic "reflation" was necessary nor likely. Many investors, however, are confusing "better than" expectations with misplaced expectations and want more. This certainly could maintain momentum and animal spirits until rising expectations become out of reach.

The mess this country finds itself in was not caused by bankers, or greed, or a collapse of the capitalist system. It's been caused by not allowing the free market system to work. A 10-12 year wave of misplaced government policies and Fed interventions are the root cause of the problems we face today. These policies and interventions created a massive mis-allocation of capital and resources for more than a decade in an effort to cater to large public corporations and other political factions through fiscal and monetary policy and banking disintermediation. The small, entrepreneurial businesses essential for creating jobs were disregarded and forced to swim upstream relative to the flow of capital and incentives geared to create larger and larger public companies.

What's worse is many of the individuals in power today were key players in this process going back to the days of the LTCM rescue, tearing down Glass Steagall (Citigroup conglomerate was the catalyst) and creating an artificial environment of

(Commentary Continued)

cheap credit and money creation. This was the kick-off party for both “moral hazard” and creating “too-big-to-fail.” Politicians also mandated lending to sub-prime individuals and used Fannie and Freddie as their main tools. A few of these individuals also had direct roles overseeing our banks and allowed our entire system to borrow short and lend long with 30x leverage or more. Many of these individuals are now the ones trying to correct everything with another quick-fix. I guess it should serve as no surprise that we are now supplying additional incentives for car and home purchases, bailing out large, mis-managed companies, and combining our largest financial institutions together in order to “save” the system.

Essentially, the past twelve years have been nothing more than a series of asset bubbles, busts and cheaper and cheaper money to reflate asset prices. Everything else has been noise with a rotation of over-financed or short-lived growth stories and a whole bunch of highly leveraged mergers, acquisitions and buy-outs. There have been few innovations and no secular job creating industries. Yet we now find ourselves with a mountain of debt, the cheapest money ever “created,” and further moves to expand money and credit. Once again the government and Fed are trying to ignite saturated logs with huge sums of paper that is likely (again) to give an illusion of the wood burning. Eventually the kindling burns out, and the logs need to burn on their own. This type of support mechanism has yet to prove any sustainability and we’re guessing it eventually burns out this time (though not sure when) as “borrow and spend” has reached its limits.

Intensifying the complexity, the Fed and the government are now using gasoline, which certainly can burn hotter than paper, but could also risk burning the house down. Much like previous cycles, momentum can continue to prop up asset prices (we’ve seen plenty of bubbles), especially when very large financial institutions are involved in a government financed and mandated carry trade. This could enable even higher asset prices. The opposite view is they lose their battle and we end up in a deflationary spiral, which is still a risk that few believe is still possible. Because politicians fear re-election, this could create the mother of all stimulus programs and may create the final bullet for the hyper-inflation and dollar collapse that many fear.

Another possibility that may seem counter-intuitive is the problem of getting strong growth in the economy and the markets

over the next few quarters. This could initially be viewed as very exciting for investors (extrapolation), but would eventually put tremendous pressure on the enablers to withdraw the stimulus (and the ability to monetize debt) and increase interest rates. Among other problems, this could then cause a massive shift in sentiment toward the US Dollar. Since negativity toward the US Dollar is a very crowded trade (for good reason) and is highly correlated to global assets, any number of large, systemic global market risks could result. What’s more troubling is this would likely occur before the economy sustains itself, thus leading to a double dip scenario or worse. (As an aside, any dramatic reversal in the US Dollar is likely to cause tremendous volatility).

The benign view is the Fed gets it exactly right and we can simply inflate our way out of this mess and monetize our debts with no objection from our global trading partners. This seems highly unlikely to us based on past history, the tremendous arrogance on the part of the government enablers and, most importantly, the failure to apply the principles of basic finance. There is no anesthesia in finance; you need to feel the pain. It’s called saving.

Regardless of which outcome(s) could turn out to be “reality,” we will attempt to mitigate the Fund’s overall market beta and guard against undue losses until things become clearer. What seems obvious to many (ex: inflation) is usually not the biggest risk since the timing and path are highly uncertain. We’re not sure what “reality” is going to look like or how to price it, especially in the short term as Fed and government interventions have never been greater. Therefore, reining in exposures seems to be the most prudent at this time. If the equity markets rise straight up another 15-20% from here, we will very likely lag. Nonetheless, the more complex the environment, the more confidence we have in our Fund over many other forms of investment. We are very comfortable with our manager allocations and our exposures. High volatility creates poor decision making and timing by many investors, which sets up opportunities for nimble, active risk managers like ours. In fact, many of our strategies are still attractive or could take advantage of a number of outcomes; global market volatility is welcome. While we certainly make mistakes and get things wrong, we think the way to control losses is to utilize one of Peter Bernstein’s questions for rational investment decisions: “What are the consequences if I’m wrong?” Right now, we do not want to be wrong.

● ***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. Alpha is the difference between a fund’s actual returns and its expected performance, given its level of risk as measured by Beta. 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. The MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. 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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