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**ABSOLUTE**Strategies  
FUND

With Strategic Portfolio Analysis by Lipper



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**SEMI-ANNUAL REPORT  
(Unaudited)**

**SEPTEMBER 30, 2006**

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**ABSOLUTE**  
INVESTMENT ADVISERS

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**ABSOLUTE STRATEGIES FUND**

A MESSAGE TO OUR SHAREHOLDERS

SEPTEMBER 30, 2006

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Dear Shareholder,

The Absolute Strategies Fund (the “Fund”) continues to perform as intended given the Fund’s risk exposures and risk-adjusted performance. Fund performance has been achieved with low volatility and low beta relative to the S&P 500 Index, while being broadly hedged against equity market fluctuations. From inception (July 27, 2005) through September 30, 2006, the Fund’s daily returns have had a beta of 0.25 demonstrating that Fund returns were largely independent of this market index. The annualized standard deviation of daily returns, a measure of portfolio volatility and risk, has been 3.3%. The Fund also had a positive return in the second quarter of 2006, while many traditional market indices suffered significant losses. Please see the accompanying table and chart following this commentary for complete return information.

Much of the portfolio is currently hedged with low net exposure to any industry group or sector. The Fund’s performance will likely differ from the performance of market indices as our strategy is not designed to capture short-term market rallies, but instead emphasizes risk management and absolute returns over a full market cycle. On the other hand, many indices tend to have stretches of very strong gains that, though exciting, turn out to be only temporary or unsustainable. One example of this is the S&P 500 Index which has had some great runs over the past 8-9 years. This Index had a cumulative 60% run from December 1997 through March 2000, and then an 80% run from October 2002 through September of this year. However, due to large periodic losses during this time the cumulative return for the S&P 500 totaled 58% or a very unexciting annualized return of 5.3%. Moreover, the annualized NASDAQ return during this nearly nine year period amounts to 4.7%.

Many of our shareholders and their advisors view 5-10 years as the “long-term” since they may not have time to rebuild their wealth from large capital losses. As such, our strategy is to seek returns over a full market cycle by providing a risk/return profile that at times can be “unexciting” (low volatility) and that can be utilized to help diversify a traditional/directional portfolio or to be used as an alternative to hedge funds. A disciplined investor may find that it’s worth asking how much “directional” or beta risk they may be exposed to, especially if they are already “wealthy.”

A traditional portfolio of equities and fixed income is essentially 2 one-way bets on an upward direction in those asset classes. Is that enough diversification? Thinking of a hypothetical scenario, if one believes there is a 75% chance of the market being up 12% in the next year, but a much smaller 25% chance of the market being down 15%, what is your expected return?  $[0.75(12\%) + 0.25(-15\%)] = 5.25\%$ . That scenario would not be very exciting and potentially damaging to an investor’s wealth. Including non-correlating assets in a portfolio can enhance diversification and may improve an investor’s expected return while mitigating volatility.

The Fund’s investment approach differs from more traditional investments that achieve returns from general market or beta exposures, so its performance and exposures differ accordingly. Fund assets are actively managed by our sub-advisers within clearly specified mandates and allocations, and the sub-advisers act independently of each other. This helps provide access to a diverse set of investment opportunities and enables each sub-adviser’s performance to be monitored with respect to individual and to portfolio objectives.

We manage the overall portfolio strategy through a quantitative model that focuses on optimizing manager allocations based on performance, risk, correlation and diversification. The investment process monitors manager exposures and return attribution on an ongoing basis. Assets managed by the sub-advisers are based on their risk/return decisions and opportunities for capturing alpha. We seek to manage overall risk at the Fund level by optimizing manager allocations or by incorporating a modest portfolio hedge in order to sustain manager alpha. After carefully analyzing our daily data, we have recently implemented a small portfolio hedge using S&P 500 Index futures. The purpose of this hedge is to remove a small portion of the Fund’s market risk

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**ABSOLUTE STRATEGIES FUND**

A MESSAGE TO OUR SHAREHOLDERS

SEPTEMBER 30, 2006

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as measured by beta, correlation and volatility while also maintaining our current allocation mix of manager alpha opportunities. It is important to note that this hedge is not a decision based on the expected direction of the market, but an effort to manage the above mentioned factors as stated in the Fund's investment objective. The hedge may be utilized as a tool from time to time to manage systemic risk exposures and is not expected to have a large impact on the risk-adjusted performance of the overall Fund.

The portfolio allocations were re-optimized at the end of the quarter largely due to a portfolio manager change at one of our sub-advisers. This sub-adviser had less than a 3% allocation in our portfolio and we decided to re-allocate those assets to our other sub-advisors at this time. We are also actively researching a few potential new sub-advisers for inclusion in the near future.

We believe that the management of risks is an essential element of disciplined investment management. Looking forward, we will continue to seek and combine skill-based strategies and attempt to minimize market-risk exposures across the portfolio. As a reminder to shareholders, this strategy may not perform similarly with other funds whose performance is driven largely by market returns or beta. As such, measuring performance by tracking short-term returns vs. market-driven returns may not be useful. Instead, our approach is to evaluate risk-adjusted returns over complete market cycles (e.g., bull and bear markets).

Thank you for your investment in the Fund.

Sincerely,



Jay Compson  
Portfolio Manager  
Absolute Investment Advisers LLC

*Since the Fund utilizes a multi-manager strategy with multiple sub-advisers, it may be exposed to varying forms of risk. These risks include, but are not limited to, general market risk, multi-manager risk, non-diversification risk, small company risk, foreign risk, interest risk, credit risk, prepayment risk, IPO risk, liquidity risk, high turnover risk, leverage risk, pooled investment vehicle risk and derivatives risk. For a complete description of the Fund's principal investment risks please refer to the prospectus.*

*Alpha is an asset's average return in excess of the return expected due to its broad market exposures and market movements. The difference is expressed as an annualized percentage. Beta is the measure of an asset's sensitivity to broad market moves, as measured for instance by the S&P 500 Index. A fund with a realized beta of 0.5 with respect to the S&P 500 Index would have received, on average, about 50% of the index returns when the market was up and about 50% of its losses when the market was down. Standard deviation indicates the volatility of a fund's total returns and is useful because it identifies the spread of a fund's short-term fluctuations. 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 NASDAQ Index is an unmanaged index representing the market cap weighted performance of approximately 5,000 domestic common stocks traded on the NASDAQ exchange. The Lehman Brothers U.S. Aggregate Index covers the US dollar-denominated, investment grade, fixed-rate, taxable bond market. One cannot invest directly in an index.*

**ABSOLUTE STRATEGIES FUND**

PERFORMANCE CHART AND ANALYSIS  
 SEPTEMBER 30, 2006

The following chart reflects the change in value, since the Fund's commencement of investment operations, of a hypothetical \$10,000 investment in Institutional, A and C Shares, including (i) sales charges (if applicable) and (ii) the reinvestment of dividends and distributions compared with broad-based securities market indices. 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 Lehman Brothers U.S. Aggregate Index covers the US dollar-denominated, investment-grade, fixed-rate, taxable bond market. The total return of each share class includes the maximum 4.50% sales charge (A Shares only) and operating expenses that reduce returns, while the total return of each index does not include sales charges or expenses. During the period, Fund fees were waived or expenses reimbursed, otherwise returns would have been lower. The Fund is professionally managed while the indices are unmanaged and are not available for investment.

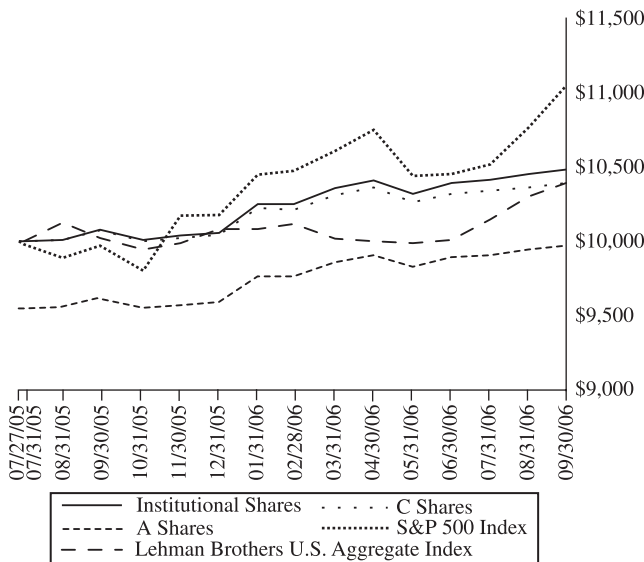
**Performance data represents past performance and is no guarantee of future results.** Results of an investment made today may differ substantially from the Fund's historical performance. Investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. The performance table and graph do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. For the most recent month end performance information, please call (888) 992-2765.

<u>Average Annual Total Return as of 09/30/06*</u>	<u>One Year</u>	<u>Commencement of Investment Operations 07/27/05</u>
Absolute Strategies Fund — Institutional Shares	4.02%	4.10%
Absolute Strategies Fund — A Shares (w/sales charge)	(0.99)%	(0.23)%
Absolute Strategies Fund — C Shares	3.17%	3.32%
S&P 500 Index	10.79%	8.82%
Lehman Brothers U.S. Aggregate Index (since 07/31/05)	3.67%	3.35%

**Investment Value as of 09/30/06**

Absolute Strategies Fund — Institutional Shares	\$10,484
Absolute Strategies Fund — A Shares (w/sales charge)	\$ 9,973
Absolute Strategies Fund — C Shares	\$10,392
S&P 500 Index	\$11,047
Lehman Brothers U.S. Aggregate Index (since 07/31/05)	\$10,392

\* C Shares commenced operations on January 13, 2006. The performance of C Shares prior to January 13, 2006 is that of the Institutional Shares as adjusted for the higher expenses applicable to C Shares.



**ABSOLUTE STRATEGIES FUND**

## SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2006

<u>Shares</u>	<u>Security Description</u>	<u>Value</u>	<u>Shares</u>	<u>Security Description</u>	<u>Value</u>
<b>Long Positions - 101.7%</b>					
<b>Equity Securities - 55.1%</b>					
<b>Common Stock - 54.1%</b>					
<b>Consumer Discretionary - 10.2%</b>					
1,300	Abercrombie & Fitch Co. (h)	\$ 90,324	2,200	Hibbett Sporting Goods, Inc. (d) (h)	\$ 57,596
5,400	Aeropostale, Inc. (d) (h)	157,842	8,150	Hilton Hotels Corp. (h)	226,978
6,600	American Eagle Outfitters, Inc. (h)	289,278	4,500	Home Depot, Inc.	163,215
1,800	American Woodmark Corp. (h)	60,642	2,500	Hovnanian Enterprises, Inc., Class A (d) (h)	73,350
8,300	AMR Corp. (d) (h)	192,062	1,300	IHOP Corp. (h)	60,255
2,800	AnnTaylor Stores Corp. (d) (h)	117,208	12,430	International Game Technology (h)	515,845
3,320	Autoliv, Inc. (h)	182,965	4,500	ITT Educational Services, Inc. (d) (h)	298,350
4,430	Bed Bath & Beyond, Inc. (d) (h)	169,492	2,425	Jack in the Box, Inc. (d) (h)	126,537
2,000	BJ's Wholesale Club, Inc. (d) (h)	58,360	5,425	JC Penney Co., Inc. (h)	371,016
1,370	BorgWarner, Inc. (h)	78,323	1,700	John Wiley & Sons, Inc. (h)	61,217
4,400	Brinker International, Inc. (h)	176,396	5,255	Jones Apparel Group, Inc. (h)	170,472
800	Buckle, Inc. (h)	30,352	2,100	Kellwood Co. (h)	60,543
2,400	Catalina Marketing Corp. (h)	66,000	5,300	Kohl's Corp. (d) (h)	344,076
2,900	Cato Corp., Class A (h)	63,539	1,500	K-Swiss, Inc., Class A (h)	45,090
1,400	CEC Entertainment, Inc. (d) (h)	44,114	3,550	Las Vegas Sands Corp. (d) (h)	242,643
3,540	Centex Corp. (h)	186,275	1,200	Lennar Corp., Class A (h)	54,300
5,500	Charlotte Russe Holding, Inc. (d) (h)	151,470	5,000	Liberty Media Corp. - Capital, Class A (d)	417,850
4,250	Choice Hotels International, Inc. (h)	173,825	8,050	Limited Brands, Inc. (h)	213,244
2,000	Circuit City Stores, Inc. (h)	50,220	5,400	Lowe's Cos., Inc. (h)	151,524
1,500	Claire's Stores, Inc. (h)	43,740	5,900	Maidenform Brands, Inc. (d) (h)	113,870
2,200	Coach, Inc. (d) (h)	75,680	6,000	Manor Care, Inc. (h)	313,680
1,100	Columbia Sportswear Co. (d) (h)	61,413	3,000	Marvel Entertainment, Inc. (d) (h)	72,420
2,000	Comcast Corp., Class A (d) (h)	73,700	3,215	Matsushita Electric Industrial Co., Ltd.	
4,770	Darden Restaurants, Inc. (h)	202,582		ADR (h)	67,933
2,100	Deckers Outdoor Corp. (d) (h)	99,372	3,600	Mattel, Inc. (h)	70,920
4,950	Dillard's, Inc. (h)	162,014	2,950	McDonald's Corp. (h)	115,404
3,900	DIRECTV Group, Inc. (d) (h)	76,752	6,780	McGraw-Hill Cos., Inc. (h)	393,443
7,905	Dollar Tree Stores, Inc. (d) (h)	244,739	2,000	Men's Wearhouse, Inc.	74,420
3,100	Domino's Pizza, Inc. (h)	79,515	1,090	Meredith Corp.	53,770
200	Dow Jones & Co., Inc.	6,708	1,050	Meritage Homes Corp. (d) (h)	43,690
1,200	DR Horton, Inc. (h)	28,740	1,800	Methanex Corp. (h)	43,812
4,000	DreamWorks Animation SKG, Inc. (d)	99,640	1,800	MGM Mirage (d)	71,082
2,895	Dress Barn, Inc. (d) (h)	63,169	1,400	Michaels Stores, Inc. (h)	60,956
2,885	Ethan Allen Interiors, Inc. (h)	99,994	4,250	Monster Worldwide, Inc. (d) (h)	153,807
4,600	ExpressJet Holdings, Inc. (d) (h)	30,406	3,270	Newell Rubbermaid, Inc. (h)	92,606
1,900	Ezcorp., Inc. (d) (h)	73,492	1,000	Nike, Inc., Class B (h)	87,620
18,000	Family Dollar Stores, Inc.	526,320	6,615	Nordstrom, Inc. (h)	279,814
5,600	Fastenal Co. (h)	215,992	200	NVR, Inc. (d) (h)	107,000
2,800	First Cash Financial Services, Inc. (d) (h)	57,652	8,520	Office Depot, Inc. (d) (h)	338,244
2,600	Foot Locker, Inc.	65,650	4,400	OfficeMax, Inc. (h)	179,256
3,600	Furniture Brands International, Inc. (h)	68,544	700	Oshkosh Truck Corp.	35,329
200	Getty Images, Inc. (d)	9,936	2,000	Owens & Minor, Inc. (h)	65,780
2,560	Group 1 Automotive, Inc. (h)	127,744	3,850	Paccar, Inc. (h)	219,527
1,525	Gymboree Corp. (d) (h)	64,325	2,200	Papa John's International, Inc. (d) (h)	79,442
2,295	Harley-Davidson, Inc. (h)	144,011	75	Phillips-Van Heusen Corp.	3,133
970	Harman International Industries, Inc. (h)	80,937	1,200	Polaris Industries, Inc. (h)	49,380
200	Harrahs's Entertainment, Inc.	13,286	1,010	Polo Ralph Lauren Corp. (h)	65,337
3,900	Harte-Hanks, Inc. (h)	102,765	3,200	Pulte Homes, Inc. (h)	101,952
8,105	Hasbro, Inc. (h)	184,389	1,700	Rare Hospitality International, Inc. (d) (h)	51,952
			7,660	Retail Ventures, Inc. (d) (h)	118,041
			1,966	RH Donnelley Corp.	104,001
			2,700	Ross Stores, Inc. (h)	68,607
			1,900	Ruby Tuesday, Inc. (h)	53,561
			3,400	Ryland Group, Inc. (h)	146,914

**ABSOLUTE STRATEGIES FUND**
**SCHEDULE OF INVESTMENTS**
**SEPTEMBER 30, 2006**

<b>Shares</b>	<b>Security Description</b>	<b>Value</b>	<b>Shares</b>	<b>Security Description</b>	<b>Value</b>
1,600	Sears Holdings Corp. (d)	\$ 252,944	1,900	Pepsi Bottling Group, Inc. (h)	\$ 67,450
3,300	Select Comfort Corp. (d) (h)	72,204	900	PepsiCo., Inc. (h)	58,734
5,500	Shaw Communications, Inc. (h)	165,110	1,200	Procter & Gamble Co. (h)	74,376
2,400	Sonic Corp. (d) (h)	54,264	1,400	Ralcorp Holdings, Inc. (d) (h)	67,522
10,050	Sotheby's Holdings, Inc., Class A (h)	324,012	4,575	Rent-A-Center, Inc. (d) (h)	134,002
1,700	Starbucks Corp. (d) (h)	57,885	4,400	Rollins, Inc. (h)	92,884
600	Strayer Education, Inc. (h)	64,926	2,200	Ryanair Holding ADR (d)	139,238
1,200	Target Corp. (h)	66,300	4,200	Safeway, Inc. (h)	127,470
1,300	Tech Data Corp. (d) (h)	47,489	1,400	Steiner Leisure, Ltd. (d) (h)	58,870
1,780	TJX Cos., Inc.	49,893	1,300	UST, Inc. (h)	71,279
2,000	Toll Brothers, Inc. (d) (h)	56,160	2,700	Weight Watchers International (h)	119,718
4,525	Toro Co. (h)	190,819			
6,000	Triarc Cos, Inc.	99,540			7,338,415
10,000	Viacom, Inc. (d)	371,800			
8,500	Wal-Mart Stores, Inc.	419,220			
9,500	Warner Music Group Corp. (h)	246,525			
80	Washington Post Co., Class B	58,960			
950	Whirlpool Corp. (h)	79,904			
1,600	Winnebago Industries, Inc. (h)	50,208			
6,500	WM Wrigley Jr. Co.	299,390			
2,700	Wolverine World Wide, Inc. (h)	76,437			
3,150	Wynn Resorts, Ltd. (d) (h)	214,231			
1,400	Yum! Brands, Inc. (h)	72,870			
2,000	Zale Corp. (d) (h)	55,480			
		16,519,269			
	<b>Consumer Staples - 4.5%</b>			<b>Energy - 4.0%</b>	
3,160	Accenture, Ltd., Class A (h)	100,204	3,975	Anadarko Petroleum Corp. (h)	174,224
3,950	Alliance Data Systems Corp. (d) (h)	218,001	1,200	Apache Corp. (h)	75,840
4,000	Anheuser-Busch Cos., Inc.	190,040	900	BJ Services Co.	27,117
2,100	Apollo Group, Inc. (d) (h)	103,404	3,000	Canadian Oil Sands Trust	80,040
4,100	Arbitron, Inc. (h)	151,741	3,075	Carrizo Oil & Gas, Inc. (d) (h)	79,304
400	Archer-Daniels-Midland Co.	15,152	3,300	Chesapeake Energy Corp. (h)	95,634
4,500	Brown-Forman Corp., Class B (h)	344,925	900	Chevron Corp. (h)	58,374
2,900	C.R. Bard, Inc. (h)	217,500	1,100	ConocoPhillips (h)	65,483
4,485	Campbell Soup Co. (h)	163,703	5,750	Consol Energy, Inc. (h)	182,447
3,350	Clorox Co. (h)	211,050	1,800	Core Laboratories NV (d) (h)	114,840
44,500	Coca-Cola Co. (h)	1,988,260	7,500	Denbury Resources, Inc. (d) (h)	216,750
2,800	Comdisco Holding Co.	51,520	3,800	Devon Energy Corp. (h)	239,970
1,000	Consolidated Graphics, Inc. (d) (h)	60,170	3,885	Diamond Offshore Drilling, Inc. (h)	281,157
800	Corporate Executive Board Co. (h)	71,928	10,200	El Paso Corp. (h)	139,128
7,400	Ennis, Inc. (h)	160,210	2,900	EnCana Corp. (h)	135,401
4,600	Estee Lauder Cos., Inc. (h)	185,518	1,580	ENSCO International, Inc. (h)	69,251
980	Fomento Economico Mexicano, SA (h)	95,001	775	EOG Resources, Inc. (h)	50,414
6,700	HJ Heinz Co. (h)	280,931	3,500	FMC Technologies, Inc. (d) (h)	187,950
875	Hormel Foods Corp. (h)	31,482	2,075	Forest Oil Corp. (d) (h)	65,549
200	Iron Mountain, Inc. (d)	8,588	1,200	Foundation Coal Holdings, Inc. (h)	38,844
1,400	JM Smucker Co. (h)	67,130	5,750	Frontier Oil Corp. (h)	152,835
1,800	Kellogg Co. (h)	89,136	800	Giant Industries, Inc. (d) (h)	64,960
23,500	Kraft Foods, Inc. (h)	838,010	610	Global Santa Fe Corp.	30,494
10,360	Kroger Co. (h)	239,730	4,375	Halliburton Co. (h)	124,469
4,550	Loews Corp. - Carolina Group (h)	252,024	2,120	Hercules Offshore, Inc. (d) (h)	65,826
3,300	McCormick & Co, Inc. (h)	125,334	1,200	Hess Corp. (h)	49,704
2,000	Parexel International Corp. (d) (h)	66,180	8,650	Holly Corp. (h)	374,804
			2,100	Imperial Oil, Ltd. (h)	70,455
			1,500	John H. Harland Co. (h)	54,675
			3,000	Marathon Oil Corp. (h)	230,700
			900	Maverick Tube Corp. (d) (h)	58,347
			1,645	National Fuel Gas Co. (h)	59,796
			880	National Oilwell Varco, Inc. (d)	51,524
			1,800	Noble Energy, Inc. (h)	82,062
			4,650	Oceaneering International, Inc. (d) (h)	143,220
			6,700	Parker Drilling Co. (d) (h)	47,436
			4,450	Peabody Energy Corp. (h)	163,671
			3,400	Petro-Canada (h)	137,122
			900	Petroleo Brasileiro SA (h)	75,447
			2,100	Pogo Producing Co. (h)	85,995

**ABSOLUTE STRATEGIES FUND**
**SCHEDULE OF INVESTMENTS**
**SEPTEMBER 30, 2006**

<b>Shares</b>	<b>Security Description</b>	<b>Value</b>	<b>Shares</b>	<b>Security Description</b>	<b>Value</b>
3,200	Schlumberger, Ltd. (h)	\$ 198,496	950	Chicago Mercantile Exchange Holdings, Inc. (h)	\$454,338
5,600	Smith International, Inc. (h)	217,280			
2,625	Southwestern Energy Co. (d) (h)	78,409	1,525	Chubb Corp. (h)	79,239
1,800	St. Mary Land & Exploration Co. (h)	66,078	1,430	Cincinnati Financial Corp.	68,726
4,000	Suncor Energy, Inc.	288,200	2,200	CIT Group, Inc. (h)	106,986
1,950	Sunoco, Inc. (h)	121,271	2,000	Cohen & Steers, Inc.	64,720
8,100	Talisman Energy, Inc. (h)	132,678	3,100	Comerica, Inc. (h)	176,452
7,050	Tetra Technologies, Inc. (d) (h)	170,328	2,200	Commerce Bancshares, Inc. (h)	111,254
1,000	Tidewater, Inc. (h)	44,190	3,600	Commerce Group, Inc. (h)	108,180
1,600	Unit Corp. (d) (h)	73,552	6,600	Corus Bankshares, Inc. (h)	147,576
1,000	Universal Compression Holdings, Inc. (d) (h)	53,450	4,000	Countrywide Financial Corp. (h)	140,160
9,200	Vaalco Energy, Inc. (d) (h)	66,056	1,320	Cullen Frost Bankers, Inc. (h)	76,322
2,200	Veritas DGC, Inc. (d) (h)	144,804	800	Downey Financial Corp. (h)	53,232
1,450	Weatherford International, Ltd. (d) (h)	60,494	5,100	E*Trade Financial Corp. (d) (h)	121,992
100	Western Oil Sands, Inc., Class A (d)	2,559	2,400	East West Bancorp, Inc.	95,064
4,710	Williams Cos., Inc. (h)	112,428	9,000	Eaton Vance Corp. (h)	259,740
2,150	XTO Energy, Inc. (h)	90,580	10,000	Entertainment Properties Trust, REIT	493,200
		<u>6,422,112</u>	2,700	Erie Indemnity Co. (h)	141,399
			1,950	Essex Property Trust, Inc., REIT (h)	236,730
<b>Financials - 13.6%</b>			3,300	Federated Investors, Inc., Class B (h)	111,573
1,300	Accredited Home Lenders Holding (d) (h)	46,722	1,400	First American Corp. (h)	59,276
2,200	AFLAC, Inc. (h)	100,672	5,750	First Marblehead Corp. (h)	398,245
800	AG Edwards, Inc. (h)	42,624	2,300	FirstFed Financial Corp. (d) (h)	130,456
200	Alexander's, Inc., REIT (d)	62,050	8,150	Forest City Enterprises, Inc., Class A (h)	442,545
17,000	Allied Capital Corp.	513,570	550	Franklin Resources, Inc. (h)	58,163
2,200	Allstate Corp. (h)	138,006	2,200	Fremont General Corp. (h)	30,778
1,700	AMBAC Financial Group, Inc. (h)	140,675	2,450	Goldman Sachs Group, Inc. (h)	414,467
200	American Express Co.	11,216	2,700	Greenhill & Co., Inc. (h)	180,954
1,200	American Financial Group, Inc. (h)	56,316	1,800	Groupe Bruxelles Lambert SA	192,062
2,400	American Real Estate Partners, LP	126,960	3,600	Hanmi Financial Corp.	70,560
27,000	AmeriCredit Corp. (d) (h)	674,730	1,300	Hanover Insurance Group, Inc. (h)	58,019
40	Ameriprise Financial, Inc.	1,876	875	Hartford Financial Services (h)	75,906
2,400	Apartment Investment & Management Co., Class A, REIT (h)	130,584	3,600	HCC Insurance Holdings, Inc. (h)	118,368
100	Arthur J. Gallagher & Co.	2,667	11,000	Health Care REIT, Inc.	440,110
300	Assurant, Inc. (h)	16,023	14,000	Hong Kong Exchanges and Clearing, Ltd.	102,160
1,200	Bank of America Corp. (h)	64,284	30,000	HRPT Properties Trust, REIT	358,500
1,800	Bank of Hawaii Corp. (h)	86,688	1,300	IndyMac Bancorp, Inc. (h)	53,508
3,600	Bank of New York Co., Inc.	126,936	6,150	International Securities Exchange, Inc. (h)	288,373
3,000	BankUnited Financial Corp. (h)	78,210	4,200	Investment Technology Group, Inc. (d) (h)	187,950
1,600	Bear Stearns Cos, Inc. (h)	224,160	3,140	Investors Financial Services Corp.	135,271
60	Berkshire Hathaway, Inc., Class B (d)	190,440	13,000	iStar Financial, Inc., REIT	542,100
2,350	Black Rock, Inc., Class A (h)	350,150	3,700	Jackson Hewitt Tax Service, Inc. (h)	111,037
600	Boston Properties, Inc., REIT (h)	62,004	4,000	Jefferies Group, Inc.	114,000
1,900	BRE Properties, Inc., REIT	113,487	3,200	Jones Lang LaSalle, Inc. (h)	273,536
7,000	Brookfield Asset Management, Inc., Class A (h)	310,380	1,800	JPMorgan Chase & Co. (h)	84,528
1,250	Capital One Financial Corp. (h)	98,325	1,500	Keycorp (h)	56,160
2,250	Capital Source, Inc., REIT	58,095	12,000	LaBranche & Co., Inc. (d)	124,440
1,800	Cathay General Bancorp, Inc.	64,980	1,000	Lazard, Ltd.	39,980
14,550	CB Richard Ellis Group, Inc., Class A (d) (h)	357,930	600	Legg Mason, Inc.	60,516
1,400	Cbot Holdings, Inc., Class A (d)	169,106	1,250	Lehman Brothers Holdings, Inc. (h)	92,325
3,600	Center Financial Corp.	85,608	12,000	Leucadia National Corp.	314,040
			1,075	Lincoln National Corp. (h)	66,736
			5,350	Loews Corp. (h)	202,765
			1,400	M&T Bank Corp.	167,944

See Notes to Financial Statements.



**ABSOLUTE STRATEGIES FUND**

## SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2006

Shares	Security Description	Value	Shares	Security Description	Value
3,050	WellCare Health Plans, Inc. (d) (h)	\$ 172,722	980	Manpower, Inc.	\$ 60,045
1,600	Zoll Medical Corp. (d) (h)	57,424	7,000	Masco Corp. (h)	191,940
		<u>6,578,274</u>	1,900	Molecular Devices Corp. (d) (h)	35,131
			3,400	Mueller Industries, Inc. (h)	119,578
<b>Industrials - 7.1%</b>			2,100	Nordson Corp. (h)	83,706
1,825	Acuity Brands, Inc. (h)	82,855	800	Northrop Grumman Corp. (h)	54,456
3,300	Agilent Technologies, Inc. (d) (h)	107,877	6,600	OMI Corp. (h)	143,286
2,100	Albany International Corp. (h)	66,822	3,400	Pacer International, Inc.	94,384
3,950	Amphenol Corp., Class A (h)	244,624	6,780	Pactiv Corp. (d) (h)	192,688
2,775	Applera Corp. (h)	91,880	18,000	Pentair, Inc.	471,420
1,450	Arkansas Best Corp. (h)	62,394	1,950	Precision Castparts Corp.	123,162
3,500	AVX Corp. (h)	61,915	2,500	Quanta Services, Inc. (d)	42,150
3,595	Belden CDT, Inc. (h)	137,437	1,400	Raytheon Co. (h)	67,214
1,700	Bemis Co. (h)	55,862	2,420	Regal-Beloit Corp. (h)	105,270
3,370	Black & Decker Corp. (h)	267,410	1,400	Republic Services, Inc. (h)	56,294
1,500	Boeing Co. (h)	118,275	3,300	Rockwell Automation, Inc. (h)	191,730
1,000	Burlington Northern Santa Fe Corp., Class A (h)	73,440	1,100	Rockwell Collins, Inc. (h)	60,324
2,800	Canadian National Railway Co. (h)	117,432	2,300	Ryder System, Inc. (h)	118,864
2,600	Canadian Pacific Railway, Ltd. (h)	129,324	13,000	Sonoco Products Co.	437,320
2,400	Carlisle Cos, Inc. (h)	201,840	5,250	Stericycle, Inc. (d) (h)	366,397
3,000	Caterpillar, Inc. (h)	197,400	1,900	Tektronix, Inc. (h)	54,967
6,250	CH Robinson Worldwide, Inc. (h)	278,625	1,700	Teledyne Technologies, Inc. (d) (h)	67,320
3,875	Con-way, Inc. (h)	173,677	2,000	Teleflex, Inc. (h)	111,280
800	Cooper Industries, Ltd. (h)	68,176	1,200	Tennant Co. (h)	29,208
2,795	Crane Co. (h)	116,831	980	Terex Corp. (d)	44,316
890	Cummins, Inc. (h)	106,115	1,850	Thermo Electron Corp. (d) (h)	72,760
1,650	Diageo plc ADR (h)	117,216	2,700	Timken Co. (h)	80,406
2,700	Dover Corp. (h)	128,088	5,100	Trimble Navigation, Ltd. (d) (h)	240,108
1,900	Energizer Holdings, Inc. (d) (h)	136,781	1,800	Tsakos Energy Navigation, Ltd. (h)	80,280
1,500	Equifax, Inc. (h)	55,065	11,000	Tyco International, Ltd.	307,890
4,550	Expeditors International, Inc. (h)	202,839	1,200	United Technologies Corp. (h)	76,020
1,225	Fisher Scientific International, Inc. (d) (h)	95,844	2,275	URS Corp. (d) (h)	88,475
2,550	Fluor Corp. (h)	196,069	600	UTI Worldwide, Inc.	16,782
1,400	Forward Air Corp. (h)	46,326	1,000	Valmont Industries, Inc. (h)	52,250
14,000	GATX Corp.	579,180	1,000	Varian, Inc. (d) (h)	45,870
2,000	General Electric Co. (h)	70,600	7,580	Vishay Intertechnology, Inc. (d) (h)	106,423
2,000	General Maritime Corp. (h)	73,160	2,200	Volvo AB ADR (h)	131,340
2,500	Graco, Inc. (h)	97,650	2,100	Vulcan Materials Co. (h)	164,325
1,785	Granite Construction, Inc. (h)	95,230	1,500	Waters Corp. (d) (h)	67,920
2,600	Heidrick & Struggles International, Inc. (d) (h)	93,600			<u>11,501,388</u>
1,400	Illinois Tool Works, Inc. (h)	62,860	<b>Information Technology - 5.8%</b>		
2,800	Ingersoll-Rand Co., Ltd. (h)	106,344	2,000	Advanced Micro Devices, Inc. (d) (h)	49,700
2,700	JB Hunt Transport Services, Inc. (h)	56,079	3,700	Agilysys, Inc. (h)	51,948
4,550	Joy Global, Inc. (h)	171,125	7,100	Akamai Technologies, Inc. (d) (h)	354,929
4,650	Kansas City Southern (d)	126,991	2,000	Amazon.com, Inc. (d) (h)	64,240
1,900	Kaydon Corp. (h)	70,338	1,000	Apple Computer, Inc. (d) (h)	77,030
2,400	Kemet Corp. (d) (h)	19,368	4,000	Applied Materials, Inc. (h)	70,920
4,600	Laidlaw International, Inc. (h)	125,718	2,800	Blackbaud, Inc. (h)	61,572
17,800	Lancaster Colony Corp. (h)	796,728	3,200	Blue Nile, Inc. (d) (h)	116,320
2,400	Landstar System, Inc. (h)	102,480	9,490	BMC Software, Inc. (d) (h)	258,318
1,400	Lennox International, Inc. (h)	32,060	1,800	CACI International, Inc., Class A (d)	99,018
1,300	Littelfuse, Inc. (d) (h)	45,110	6,255	Ceridian Corp. (d) (h)	139,862
2,150	Lockheed Martin Corp. (h)	185,029	4,200	Check Point Software Technology (d) (h)	80,010

See Notes to Financial Statements.







**ABSOLUTE STRATEGIES FUND**

## SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2006

<u>Principal</u>	<u>Security Description</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Value</u>	<u>Principal</u>	<u>Security Description</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Value</u>
\$ 68,000	Valeant Pharmaceuticals (h)	4.00%	11/15/13	\$ 64,175	\$108,000	Qwest Communications International, Inc. (h)	3.50%	11/15/25	\$ 176,310
115,000	Watson Pharmaceutical, Inc. (h)	1.75	03/15/23	105,800	74,000	Time Warner Telecom, Inc. (h)	2.38	4/1/2026	91,945
				<u>2,237,801</u>					<u>797,599</u>
<b>Industrials - 0.5%</b>					<b>Utilities - 0.3%</b>				
136,000	Allied Waste Industries (h)	4.25	04/15/34	125,800	730,000	Calpine Corp. (f)	4.75	11/15/23	354,050
106,000	EDO Corp. (h)	4.00	11/15/25	102,423	65,000	Public Service Enterprise Group (e)	5.77	09/21/08	65,035
69,000	FEI Company (h)	2.88	06/01/13	70,121					<u>419,085</u>
117,000	Itron, Inc. (h)	2.50	08/01/26	132,649	Total Convertible Bonds (Cost \$7,164,446)				
196,000	Trinity Industries, Inc. (h)	3.88	06/01/36	189,140	<b>7,276,446</b>				
218,000	Wilson Greatbatch Technologies, Inc. (h)	2.25	06/15/13	195,927	<b>Corporate Non-Convertible Bonds - 3.1%</b>				
				<u>816,060</u>	<b>Consumer Discretionary - 0.4%</b>				
<b>Information Technology - 0.6%</b>					12,736	Continental Airlines, Inc.	6.41	04/15/07	12,704
121,000	CIBER, Inc. (h)	2.88	12/15/23	111,925	137,862	Continental Airlines, Inc.	7.46	04/01/15	137,948
154,000	Conexant Systems, Inc. (h)	4.00	03/01/26	134,173	110,766	Continental Airlines, Inc.	6.90	01/02/18	114,090
179,000	Hutchinson Technology, Inc. (h)	3.25	1/15/26	161,100	100,000	Dana Corp. (f)	9.00	08/15/11	66,000
141,000	Mentor Graphics Corp. (h)	6.25	03/01/26	163,207	200,000	Dana Corp. (f)	5.85	01/15/15	132,000
94,000	ON Semiconductor Corp. (a) (h)	1.09	04/15/24	83,425	120,000	General Motors	8.38	07/15/33	104,400
68,000	Quantum Corp. (h)	4.38	08/01/10	59,670					<u>567,142</u>
118,000	Sandisk Corp. (h)	1.00	05/15/13	112,985	<b>Financials - 2.2%</b>				
235,000	WebMD Corp. (h)	3.13	09/01/25	235,881	155,000	Allied World Insurance	7.50	08/01/16	164,440
				<u>1,062,366</u>	32,000	Arch Capital Group, Ltd.	7.35	05/01/34	35,505
<b>Telecommunication Services - 0.5%</b>					60,000	BankBoston Capital Trust II, Series B	7.75	12/15/26	62,492
74,000	ADC Telecommunications (e) (h)	5.80	06/15/13	71,780	275,000	Capital One Financial Co.	5.70	09/15/11	277,233
68,000	Broadwing Corp. (h)	3.13	05/15/26	71,315	200,000	Chase Capital I	7.67	12/01/26	208,145
101,000	Dobson Communications Corp. (h)	1.50	10/01/25	98,980	200,000	Citigroup, Inc.	6.13	08/25/36	206,414
51,000	Global Crossing, Ltd. (h)	5.00	05/15/11	54,825	87,000	Colonial Bank NA Developers	6.38	12/01/15	89,745
100,000	Level 3 Communications (g) (h)	12.88	03/15/10	104,250	75,000	Diversified Realty Corp.	4.63	08/01/10	72,756
55,000	Level 3 Communications (h)	3.50	06/15/12	64,900	204,000	Finova Group, Inc.	7.50	11/15/09	58,140
65,000	Powerwave Technologies (h)	1.88	11/15/24	63,294	170,000	Ford Motor Credit Co.	7.00	10/01/13	157,944
					100,000	Ford Motor Credit Co. (e)	9.96	04/15/12	104,774
					100,000	General Motors Accept Corp. (e)	7.60	12/01/14	100,433
					120,000	Goldman Sachs Group, Inc.	5.35	01/15/16	117,997
					232,000	Health Care Property Investors, Inc. MTN	5.63	05/01/17	221,778
					50,000	Highwoods Realty, LP	7.00	12/01/06	50,091
					135,000	Highwoods Realty, LP	7.50	04/15/18	149,223

See Notes to Financial Statements.



**ABSOLUTE STRATEGIES FUND**
**SCHEDULE OF INVESTMENTS**

SEPTEMBER 30, 2006

<u>Shares</u>	<u>Security Description</u>	<u>Value</u>	<u>Number of Contracts</u>	<u>Security Description</u>	<u>Strike Price</u>	<u>Expiration Date</u>	<u>Value</u>
<b>Mutual Fund - 2.0%</b>							
253,723	Loomis Sayles Investment Grade Fixed Income Fund (Cost \$3,291,809) (c)	<b>\$ 3,204,518</b>	24	Dell, Inc.	20.00	01/23/08	\$ 3,600
			36	Dell, Inc.	30.00	01/23/08	26,280
			16	DR Horton, Inc.	30.00	01/23/08	11,840
			28	eBay, Inc.	35.00	01/23/08	22,680
			28	General Electric Co.	30.00	01/23/08	1,960
			6	Google, Inc., Class A	240.00	01/23/08	3,780
			30	Halliburton Co.	30.00	01/21/09	16,200
			30	Hovnanian Enterprises, Inc., Class A	35.00	01/23/08	23,400
			7	Hovnanian Enterprises, Inc., Class A	50.00	01/23/08	14,420
			18	Kohl's Corp.	50.00	01/21/09	5,490
			16	Lennar Corp., Class A	50.00	01/23/08	13,280
			45	Lowe's Cos, Inc.	25.00	01/21/09	9,787
			36	Lowe's Cos, Inc.	60.00	01/21/09	15,300
			18	Merrill Lynch & Co.	55.00	01/21/09	3,690
			30	Microsoft Corp.	20.00	01/21/09	1,950
			18	Morgan Stanley	50.00	01/21/09	3,735
			15	Nike, Inc.	80.00	01/21/09	8,475
			18	Proctor & Gamble, Co.	50.00	01/21/09	3,195
			47	Pulte Homes, Inc.	25.00	01/21/09	15,980
			16	Ryland Group, Inc.	60.00	01/23/08	28,640
			14	Ryland Group, Inc.	30.00	01/21/09	5,110
			18	Ryland Group, Inc.	40.00	01/21/09	13,410
			15	Schlumberger, Inc.	60.00	01/21/09	13,125
			18	Target Corp.	40.00	01/21/09	3,150
			28	Toll Brothers, Inc.	30.00	01/23/08	14,840
			18	United Technologies Corp.	50.00	01/21/09	4,230
			30	Yahoo!, Inc.	30.00	01/23/08	18,300
				Total Put Options Purchased (Premiums Paid \$494,526)			<b>495,400</b>
				<b>Total Long Positions - 101.7%</b>			
				<b>(Cost \$158,517,601)*</b>			<b>\$164,287,235</b>
				<b>Total Short Positions - (36.1%)</b>			
				<b>(Cost \$(58,342,700))</b>			<b>(58,315,787)</b>
				<b>Total Call Options Written - (0.6%) (Premiums Received \$(90,246))</b>			<b>(922,458)</b>
				Other Assets & Liabilities, Net - 35.0%			56,507,830
				<b>Net Assets - 100.0%</b>			<b>\$161,556,820</b>

<u>Principal</u>	<u>Security Description</u>	<u>Value</u>
<b>Short-Term Investments - 26.1%</b>		
<b>Money Market Deposit Account - 25.4%</b>		
\$41,022,840	Citibank Money Market Deposit Account, 4.80% (Cost \$41,022,840)	41,022,840
<b>Commercial Paper - 0.7%</b>		
385,000	Alcoa, Inc.	383,532
455,000	General Electric Capital Corp.	454,274
230,000	National Rural Utilities	229,128
Total Commercial Paper (Cost \$1,066,934)		1,066,934
<b>Rights - 0.0%</b>		
150,000	Comdisco Holding Co. (Cost \$51,260)	37,500
Total Short-Term Investments (Cost \$42,141,034)		<b>42,127,274</b>

<u>Number of Contracts</u>	<u>Security Description</u>	<u>Strike Price</u>	<u>Expiration Date</u>	<u>Value</u>
<b>Put Options Purchased - 0.3%</b>				
30	Advanced Micro Devices	30.00	01/21/09	9,600
30	Amazon.com	30.00	01/21/09	14,700
18	Amgen, Inc.	60.00	01/21/09	5,940
18	Amgen, Inc.	70.00	01/21/09	11,700
30	Anadarko Petroleum Corp.	40.00	01/21/09	14,700
18	Apache Corp.	60.00	01/21/09	12,420
15	Apple Computer, Inc.	50.00	01/21/09	6,000
60	Applied Materials, Inc.	15.00	01/21/09	8,700
18	Bank of America Corp.	40.00	01/21/09	2,160
15	Bear Stearns Cos, Inc.	130.00	01/21/09	19,500
45	Bed Bath & Beyond, Inc.	30.00	01/21/09	7,763
18	Caterpillar, Inc.	60.00	01/21/09	11,520
14	Centex Corp.	50.00	01/23/08	8,960
18	Centex Corp.	40.00	01/23/09	8,190
30	Circuit City Stores, Inc.	30.00	01/21/09	22,050
60	Cisco Systems, Inc.	15.00	01/21/09	3,300
30	Comcast Corp.	30.00	01/21/09	4,650
30	Countrywide Financial Corp.	30.00	01/21/06	10,950
30	Countrywide Financial Corp.	25.00	01/21/09	6,750

**ABSOLUTE STRATEGIES FUND****SCHEDULE OF SECURITIES SOLD SHORT**

SEPTEMBER 30, 2006

<b>Shares</b>	<b>Security Description</b>	<b>Value</b>	<b>Shares</b>	<b>Security Description</b>	<b>Value</b>
	<b>Securities Sold Short - (36.1)%</b>		(3,790)	Hilton Hotels Corp.	\$(105,552)
	<b>Common Stock - (36.1)%</b>		(4,650)	HNI Corp.	(193,347)
	<b>Consumer Discretionary - (8.5)%</b>		(2,300)	Home Depot, Inc.	(83,421)
(3,400)	A.C. Moore Arts & Crafts, Inc.	\$ (64,702)	(4,195)	HOT Topic, Inc.	(46,732)
(6,950)	Advance Auto Parts, Inc.	(228,933)	(200)	Hovnanian Enterprises, Inc., Class A	(5,868)
(1,000)	Advisory Board Co.	(50,520)	(15,760)	Interpublic Group of Cos., Inc.	(156,024)
(4,300)	Airtran Holdings, Inc.	(42,656)	(3,200)	Iron Mountain, Inc.	(137,408)
(5,190)	American Axle & Manufacturing Holdings, Inc.	(86,621)	(4,200)	Jakks Pacific, Inc.	(74,886)
(4,150)	Apollo Group, Inc., Class A	(204,346)	(8,405)	JetBlue Airways Corp.	(77,914)
(10,650)	Applebees International, Inc.	(229,082)	(1,500)	Jo-Ann Stores, Inc.	(25,080)
(4,355)	ArvinMeritor, Inc.	(62,015)	(3,000)	JOS A. Bank Clothiers, Inc.	(89,880)
(3,200)	Autonation, Inc.	(66,880)	(100)	KB Home	(4,380)
(100)	Beazer Homes USA, Inc.	(3,904)	(2,331)	Kellwood Co.	(67,203)
(10,000)	Bed Bath & Beyond, Inc.	(382,600)	(3,100)	Kelly Services, Inc., Class A	(84,971)
(9,100)	Bluegreen Corp.	(104,377)	(3,100)	Landry's Restaurants, Inc.	(93,465)
(2,840)	Borders Group, Inc.	(57,936)	(1,900)	Laureate Education, Inc.	(90,934)
(800)	BorgWarner, Inc.	(45,736)	(1,300)	Lennar Corp., Class A	(58,825)
(1,800)	Boyd Gaming Corp.	(69,192)	(3,100)	LKQ Corp.	(68,107)
(3,500)	Building Material Holding Corp.	(91,070)	(1,600)	Lowe's Cos., Inc.	(44,896)
(11,600)	Cablevision Systems Corp.	(263,436)	(1,600)	Manpower, Inc.	(98,032)
(4,000)	Carmike Cinemas, Inc.	(68,720)	(5,700)	MarineMax, Inc.	(145,065)
(3,000)	Carnival Corp.	(141,090)	(2,115)	Marriott International, Inc., Class A	(81,724)
(3,330)	Carter's, Inc.	(87,879)	(900)	MDC Holdings, Inc.	(41,805)
(5,700)	CBRL Group, Inc.	(230,451)	(3,600)	Meredith Corp.	(177,588)
(6,000)	CDI Corp.	(124,260)	(3,672)	Mesa Air Group, Inc.	(28,495)
(100)	Centex Corp.	(5,262)	(800)	Mohawk Industries, Inc.	(59,560)
(5,400)	Central European Distribution	(126,414)	(10,575)	New York Times Co., Class A	(243,013)
(2,900)	Cheesecake Factory	(78,851)	(5,200)	O'Reilly Automotive, Inc.	(172,692)
(11,425)	Chico's FAS, Inc.	(245,980)	(3,100)	Orient-Express Hotels, Ltd.	(115,878)
(1,500)	Cintas Corp.	(61,245)	(7,055)	OSI Restaurant Partners, Inc.	(223,714)
(661)	Citadel Broadcasting Corp.	(6,213)	(1,300)	Oxford Industries, Inc.	(55,783)
(6,400)	Coach, Inc.	(220,160)	(1,960)	Panera Bread Co., Class A	(114,170)
(3,875)	Coldwater Creek, Inc.	(111,445)	(4,800)	PEP Boys-Manny Moe & Jack	(61,680)
(1,600)	Comcast Corp., Class A	(58,960)	(2,095)	PF Chang's China Bistro, Inc.	(72,717)
(4,500)	Cost Plus, Inc.	(53,865)	(1,600)	Phillips-Van Heusen	(66,832)
(900)	Costco Wholesale Corp.	(44,712)	(12,200)	Pier 1 Imports, Inc.	(90,524)
(6,450)	CVS Corp.	(207,174)	(4,302)	Playboy Enterprises, Inc., Class B	(40,482)
(2,500)	DeVry, Inc.	(53,175)	(1,845)	Polaris Industries, Inc.	(75,922)
(5,500)	Dollar General Corp.	(74,965)	(1,400)	Pool Corp.	(53,900)
(8,800)	Dow Jones & Co., Inc.	(295,152)	(20,000)	Progressive Gaming International Corp.	(164,000)
(1,900)	DR Horton, Inc.	(45,505)	(4,200)	Pulte Homes, Inc.	(133,812)
(3,170)	DSW, Inc., Class A	(99,855)	(11,665)	Quiksilver, Inc.	(141,730)
(2,500)	EchoStar Communications Corp., Class A	(81,850)	(14,355)	RadioShack Corp.	(277,051)
(4,805)	Fastenal Co.	(185,329)	(16,800)	Readers Digest Association, Inc.	(217,728)
(12,181)	Ford Motor Co.	(98,544)	(1,125)	Red Robin Gourmet Burgers, Inc.	(51,874)
(1,200)	Four Seasons Hotels, Inc.	(76,620)	(1,800)	Regis Corp.	(64,530)
(2,325)	GameStop Corp., Class A	(107,601)	(8,600)	Ross Stores, Inc.	(218,526)
(2,320)	Gannett Co., Inc.	(131,846)	(1,700)	Royal Caribbean Cruises, Ltd.	(65,977)
(6,090)	Gaylord Entertainment Co.	(267,047)	(600)	Ryland Group, Inc.	(25,926)
(1,632)	General Motors Corp.	(54,280)	(1,700)	Scholastic Corp.	(52,955)
(2,200)	Genuine Parts Co.	(94,886)	(3,200)	School Specialty, Inc.	(112,928)
(2,800)	Goodyear Tire & Rubber Co.	(40,600)	(2,500)	Scientific Games Corp.	(79,500)
(3,880)	Guitar Center, Inc.	(173,358)	(1,596)	Six Flags, Inc.	(8,347)
			(3,700)	Sonic Automotive, Inc.	(85,433)

See Notes to Financial Statements.





**ABSOLUTE STRATEGIES FUND****SCHEDULE OF SECURITIES SOLD SHORT**

SEPTEMBER 30, 2006

<b>Shares</b>	<b>Security Description</b>	<b>Value</b>	<b>Shares</b>	<b>Security Description</b>	<b>Value</b>
(800)	Eli Lilly & Co.	\$ (45,600)	(2,300)	Cogent, Inc.	\$ (31,579)
(1,200)	Genentech, Inc.	(99,240)	(3,200)	Commercial Metals Co.	(65,056)
(3,895)	Health Management Associates, Class A	(81,406)	(14,850)	Crown Holdings, Inc.	(276,210)
(900)	Healthways, Inc.	(40,140)	(1,400)	Danaher Corp.	(96,138)
(2,600)	Hologic, Inc.	(113,152)	(7,450)	Donaldson Co., Inc.	(274,905)
(6,989)	Human Genome Sciences, Inc.	(80,653)	(1,975)	DRS Technologies, Inc.	(86,248)
(975)	ICOS Corp.	(24,434)	(4,600)	Eastman Kodak, Co.	(103,041)
(5,800)	ImClone Systems, Inc.	(164,256)	(2,014)	EDO Corp.	(46,080)
(916)	Invitrogen Corp.	(58,084)	(3,900)	Energy Conversion Devices, Inc.	(144,456)
(4,166)	LifePoint Hospitals, Inc.	(147,143)	(8,000)	ENGlobal Corp.	(49,520)
(1,200)	Medco Health Solutions, Inc.	(72,132)	(2,375)	ESCO Technologies, Inc.	(109,345)
(7,750)	Medicis Pharmaceutical Corp., Class A	(250,712)	(1,649)	FEI Co.	(34,810)
(8,200)	Medimmune, Inc.	(239,522)	(2,100)	Flir Systems, Inc.	(57,036)
(5,251)	Medtronic, Inc.	(243,856)	(1,600)	Florida East Coast Industries, Inc.	(91,328)
(2,895)	Millipore Corp.	(177,463)	(5,100)	Florida Rock Industries, Inc.	(197,421)
(2,700)	Nektar Therapeutics	(38,907)	(800)	Fluor Corp.	(61,512)
(2,410)	Omnicare, Inc.	(103,847)	(3,900)	GATX Corp.	(161,343)
(4,400)	Option Care, Inc.	(58,916)	(1,200)	General Dynamics Corp.	(86,004)
(6,900)	OraSure Technologies, Inc.	(55,476)	(4,700)	General Electric Co.	(165,910)
(5,481)	Par Pharmaceutical Cos., Inc.	(99,973)	(1,950)	Genesee & Wyoming, Inc.	(45,279)
(5,325)	Patterson Cos., Inc.	(178,973)	(2,439)	Greatbatch, Inc.	(55,170)
(12,450)	PDL BioPharma, Inc.	(239,040)	(7,775)	Hexcel Corp.	(110,016)
(4,000)	PharmaNet Development Group, Inc.	(77,720)	(3,500)	IDEX Corp.	(150,675)
(1,665)	PolyMedica Corp.	(71,279)	(3,500)	Innovative Solutions & Support	(50,855)
(4,800)	Qiagen NV	(76,032)	(4,600)	Insituform Technologies, Inc.	(111,688)
(1,300)	Resmed, Inc.	(52,325)	(1,256)	Itron, Inc.	(70,085)
(4,750)	Sepracor, Inc.	(230,090)	(700)	Jacobs Engineering Group, Inc.	(52,311)
(1,370)	Smith & Nephew plc ADR	(62,787)	(9,100)	JB Hunt Transport Services, Inc.	(189,007)
(6,950)	St. Jude Medical, Inc.	(245,265)	(8,327)	Kansas City Southern	(227,410)
(1,300)	Sunrise Senior Living, Inc.	(38,831)	(1,700)	L-3 Communications Holdings, Inc.	(133,161)
(4,000)	Taro Pharmaceuticals Industries, Ltd.	(53,200)	(3,140)	LG Phillips LCD Co., Ltd. ADR	(52,093)
(3,600)	Telik, Inc.	(64,044)	(2,600)	Maritrans, Inc.	(95,160)
(1,900)	Triad Hospitals, Inc.	(83,657)	(1,200)	Mine Safety Appliances Co.	(42,768)
(1,900)	United Surgical Partners International	(47,177)	(13,850)	Nalco Holding Co.	(256,502)
(1,400)	UnitedHealth Group, Inc.	(68,880)	(550)	NCI Building Systems, Inc.	(31,994)
(14,168)	Valeant Pharmaceuticals International	(280,243)	(19,735)	Owens-Illinois, Inc.	(304,314)
(1,001)	Watson Pharmaceuticals, Inc.	(26,196)	(4,200)	Pall Corp.	(129,402)
(800)	WellPoint, Inc.	(61,640)	(2,300)	Royal Philips	(80,523)
(3,350)	Zimmer Holdings, Inc.	(226,125)	(4,040)	Shaw Group, Inc.	(95,506)
		<u>(6,772,705)</u>	(1,800)	Snap-On, Inc.	(80,190)
			(1,300)	Stanley Works	(64,805)
			(1,900)	Stericycle, Inc.	(132,601)
			(6,512)	Trinity Industries, Inc.	(209,491)
			(3,700)	Tyco International, Ltd.	(103,563)
			(9,995)	UTI Worldwide, Inc.	(279,560)
			(2,685)	Waste Connections, Inc.	(101,788)
			(2,100)	Watts Water Technologies, Inc.	(66,696)
					<u>(6,884,672)</u>
<b>Industrials - (4.3)%</b>				<b>Information Technology - (4.2)%</b>	
(2,000)	AAR Corp.	(47,680)	(8,400)	Activision, Inc.	(126,840)
(2,000)	Alexander & Baldwin, Inc.	(88,740)	(1,700)	Akamai Technologies, Inc.	(84,983)
(9,264)	Allied Waste Industries, Inc.	(104,405)	(11,100)	Altera Corp.	(204,018)
(5,225)	American Power Conversion Corp.	(114,741)	(11,705)	Amazon.com, Inc.	(375,965)
(1,300)	Ametek, Inc.	(56,615)			
(1,000)	Amphenol Corp., Class A	(61,930)			
(2,100)	Argon ST, Inc.	(50,337)			
(9,825)	Ball Corp.	(397,421)			
(600)	Boeing Co.	(47,310)			
(4,800)	Brady Corp., Class A	(168,768)			
(1,400)	CH Robinson Worldwide, Inc.	(62,412)			
(9,300)	Chicago Bridge & Iron Co. NV	(223,758)			

See Notes to Financial Statements.



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**ABSOLUTE STRATEGIES FUND**

## SCHEDULE OF SECURITIES SOLD SHORT

SEPTEMBER 30, 2006

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<b>Shares</b>	<b>Security Description</b>	<b>Value</b>
(1,075)	Entergy Corp.	\$ (84,097)
(2,375)	FPL Group, Inc.	(106,875)
(6,200)	Hawaiian Electric Industries, Inc.	(167,772)
(1,225)	Pinnacle West Capital Corp.	(55,186)
(3,800)	Reliant Energy, Inc.	(46,778)
(3,300)	Sierra Pacific Resources	(47,322)
(4,750)	Southern Co.	(163,685)
(900)	WPS Resources Corp.	(44,667)
(2,850)	Xcel Energy, Inc.	(58,853)
		<u>(1,946,995)</u>
	Total Common Stock (Cost \$(58,342,700))	<b><u>(58,315,787)</u></b>
	<b>Total Securities Sold Short - (36.1)%</b>	
	<b>(Cost \$(58,342,700))</b>	<b><u><u>\$(58,315,787)</u></u></b>



**ABSOLUTE STRATEGIES FUND**

PORTFOLIO HOLDINGS SUMMARY

SEPTEMBER 30, 2006

Portfolio Breakdown (% of Net Assets)	
Long Positions	
Equity Securities	55.1%
Fixed Income Securities	18.2%
Options	0.3%
Mutual Fund	2.0%
Short-Term Investments	26.1%
Short Positions	
Equity Securities	-36.1%
Options	-0.6%
Other Assets less Liabilities	35.0%*
	100.0%

\* Consists of deposits with the custodian for securities sold short, foreign currency, prepaid expenses, receivables, payables, and accrued liabilities. Deposits with the custodian for securities sold short represents 36.0% of net assets. See Note 2.

Sector Breakdown (% of Equity Holdings)	Long	Short
Consumer Discretionary	19.1%	23.7%
Consumer Staples	8.2%	6.6%
Energy	7.6%	10.1%
Financials	25.2%	16.1%
Health Care	7.4%	11.6%
Industrials	13.2%	11.8%
Information Technology	10.6%	11.6%
Materials	3.1%	2.9%
Telecommunications	1.3%	2.3%
Utilities	4.3%	3.3%
	100.0%	100.0%

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**ABSOLUTE STRATEGIES FUND**

## STATEMENT OF ASSETS AND LIABILITIES

SEPTEMBER 30, 2006

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**ASSETS**

Total investments, at value (Cost \$155,225,792)	\$161,082,717
Total investments in affiliates, at value (Cost \$3,291,809)	3,204,518
Deposits with custodian for securities sold short	58,097,673
Foreign currency (Cost \$1,976)	1,975
Receivables:	
Fund shares sold	406,261
Investment securities sold	3,372,793
Interest and dividends	560,070
From investment adviser	1,604
Variation margin	21,875
Prepaid expenses	28,745
	<hr/>
Total Assets	226,778,231

**LIABILITIES**

Payables:	
Securities sold short, at value (Cost \$58,342,700)	58,315,787
Call options written, at value (Premiums received \$990,246)	922,458
Investment securities purchased	4,252,250
Fund shares redeemed	544,663
Due to custodian	857,657
Accrued liabilities:	
Investment adviser fees	202,933
Trustees' fees and expenses	2,074
Compliance services fees	2,348
Other expenses	121,241
	<hr/>
Total Liabilities	65,221,411

**NET ASSETS**\$161,556,820**COMPONENTS OF NET ASSETS**

Paid-in capital	\$158,191,462
Accumulated undistributed (distributions in excess of) net investment income	827,539
Net realized gain (loss)	(3,049,757)
Net unrealized appreciation (depreciation)	5,587,576
	<hr/>

**NET ASSETS**\$161,556,820**SHARES OF BENEFICIAL INTEREST (UNLIMITED SHARES AUTHORIZED)**

Institutional Shares	10,976,985
A Shares	3,826,018
C Shares	847,294

**NET ASSET VALUE, OFFERING AND REDEMPTION PRICE PER SHARE**

Institutional Shares (based on net assets of \$113,323,238)	\$ 10.32
A Shares (based on net assets of \$39,516,846)	\$ 10.33
A Shares Maximum Public Offering Price Per Share (net asset value per share / 95.50%)	\$ 10.82
C Shares (based on net assets of \$8,716,736)	\$ 10.29

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**ABSOLUTE STRATEGIES FUND**

## STATEMENT OF OPERATIONS

PERIOD ENDED SEPTEMBER 30, 2006

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**INVESTMENT INCOME**

Interest income	\$ 2,511,095
Dividend income (net foreign withholding taxes of \$3,852)	563,158
Dividend income from affiliated investment	85,910
Total Investment Income	<u>3,160,163</u>

**EXPENSES**

Investment adviser fees	1,108,048
Administrator fees	83,104
Distribution fees:	
A Shares	52,940
C Shares	32,530
Transfer agency fees:	
Institutional Shares	20,963
A Shares	16,885
C Shares	2,723
Custodian fees	33,416
Registration fees	14,312
Professional fees	26,882
Trustees' fees and expenses	4,264
Compliance services fees	16,179
Offering costs	28,929
Dividend expenses on securities sold short	272,248
Miscellaneous expenses	47,218
Total Expenses	<u>1,760,641</u>
Fees waived and expenses reimbursed	(40,276)
Net Expenses	<u>1,720,365</u>

**NET INVESTMENT INCOME (LOSS)**1,439,798**NET REALIZED AND UNREALIZED GAIN (LOSS)**

Net realized gain (loss) on:	
Investments	(502,489)
Foreign currency transactions	914
Futures	(17,313)
Securities sold short	(1,292,777)
Net realized gain (loss)	<u>(1,811,665)</u>
Net unrealized gain (loss) on:	
Investments	2,294,437
Foreign currency translations	(6)
Futures	(276,750)
Securities sold short	26,910
Written options	67,788
Net change in unrealized appreciation (depreciation)	<u>2,112,379</u>

**NET REALIZED AND UNREALIZED GAIN (LOSS)**300,714**INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS**\$ 1,740,512

**ABSOLUTE STRATEGIES FUND**

## STATEMENTS OF CHANGES IN NET ASSETS

	<b>Period Ended September 30, 2006</b>	<b>Period from July 11, 2005 (a) through March 31, 2006</b>
<b>OPERATIONS</b>		
Net investment income (loss)	\$ 1,439,798	\$ 838,004
Net realized gain (loss)	(1,811,665)	(1,209,745)
Net change in unrealized appreciation (depreciation)	2,112,379	3,475,197
Increase (Decrease) in Net Assets from Operations	<u>1,740,512</u>	<u>3,103,456</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM</b>		
Net investment income:		
Institutional Shares	(812,477)	(232,526)
A Shares	(281,027)	(158,963)
C Shares	(38,360)	
Net realized gain on investments sold:		
Institutional Shares	-	(17,471)
A Shares	-	(15,917)
Total Distributions to Shareholders	<u>(1,131,864)</u>	<u>(424,877)</u>
<b>CAPITAL SHARE TRANSACTIONS</b>		
Sale of shares:		
Institutional Shares	51,800,814	68,382,326
A Shares	4,775,821	46,435,196
C Shares	5,702,954	3,016,613
Reinvestment of distributions:		
Institutional Shares	757,340	234,280
A Shares	222,084	153,848
C Shares	37,696	-
Redemption of shares:		
Institutional Shares	(6,574,064)	(3,197,326)
A Shares	(8,380,733)	(5,023,827)
C Shares	(91,667)	(1,139)
Redemption fees	7,356	12,021
Increase (Decrease) from Capital Share Transactions	<u>48,257,601</u>	<u>110,011,992</u>
Increase (Decrease) in Net Assets	<u>48,866,249</u>	<u>112,690,571</u>
<b>NET ASSETS</b>		
Beginning of period	112,690,571	-
End of period (b)	<u>\$161,556,820</u>	<u>\$112,690,571</u>
<b>SHARE TRANSACTIONS</b>		
Sale of shares:		
Institutional Shares	5,041,257	6,795,910
A Shares	464,205	4,638,041
C Shares	555,724	296,912
Reinvestment of distributions:		
Institutional Shares	74,031	23,430
A Shares	21,667	15,351
C Shares	3,688	-
Redemption of shares:		
Institutional Shares	(640,957)	(316,686)
A Shares	(817,792)	(495,454)
C Shares	(8,918)	(112)
Increase (Decrease) in Shares	<u>4,692,905</u>	<u>10,957,392</u>
(a) Commencement of operations.		
(b) Accumulated undistributed (distributions in excess of) net investment income.	<u>\$ 827,539</u>	<u>\$ 519,605</u>

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**ABSOLUTE STRATEGIES FUND**FINANCIAL HIGHLIGHTS

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These financial highlights reflect selected data for a share outstanding throughout each period.

	<b>April 1, 2006 through September 30, 2006</b>	<b>July 11, 2005 (a) through March 31, 2006</b>
<b>INSTITUTIONAL SHARES</b>		
<b>NET ASSET VALUE, Beginning of Period</b>	\$ 10.29	\$ 10.00
<b>INVESTMENT OPERATIONS</b>		
Net investment income (loss) (b)	0.11	0.14
Net realized and unrealized gain (loss)	<u>0.01</u>	<u>0.22</u>
Total from Investment Operations	<u>0.12</u>	<u>0.36</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM</b>		
Net investment income	(0.09)	(0.07)
Net realized investment gains	<u>-</u>	<u>- (c)</u>
Total Distributions to Shareholders	<u>(0.09)</u>	<u>(0.07)</u>
<b>REDEMPTION FEES (b)</b>	<u>- (c)</u>	<u>- (c)</u>
<b>NET ASSET VALUE, End of Period</b>	<u>\$ 10.32</u>	<u>\$ 10.29</u>
<b>TOTAL RETURN (d)</b>	1.19%	3.60%
<b>RATIOS/SUPPLEMENTARY DATA</b>		
Net Assets at End of Period (000's omitted)	\$113,323	\$66,888
Ratios to Average Net Assets (f):		
Net investment income (loss)	2.23%	1.91%
Net expense	1.95%	1.95%
Dividend expense	<u>0.39%</u>	<u>0.38%</u>
Total Net Expense	<u>2.34%</u>	<u>2.33%</u>
Gross expense	1.98%	2.21%
Dividend expense	<u>0.39%</u>	<u>0.38%</u>
Total Gross Expense (g)	<u>2.37%</u>	<u>2.59%</u>
<b>PORTFOLIO TURNOVER RATE (d)</b>	221%	405%(h)

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**ABSOLUTE STRATEGIES FUND**FINANCIAL HIGHLIGHTS

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	<b>April 1, 2006 through September 30, 2006</b>	<b>July 11, 2005 (a) through March 31, 2006</b>
<b>A SHARES</b>		
<b>NET ASSET VALUE, Beginning of Period</b>	<u>\$ 10.28</u>	<u>\$ 10.00</u>
<b>INVESTMENT OPERATIONS</b>		
Net investment income (loss) (b)	0.10	0.10
Net realized and unrealized gain (loss)	<u>0.02</u>	<u>0.22</u>
Total from Investment Operations	<u>0.12</u>	<u>0.32</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM</b>		
Net investment income	(0.07)	(0.04)
Net realized investment gains	<u>-</u>	<u>- (c)</u>
Total Distributions to Shareholders	<u>(0.07)</u>	<u>(0.04)</u>
<b>REDEMPTION FEES (b)</b>	<u>- (c)</u>	<u>- (c)</u>
<b>NET ASSET VALUE, End of Period</b>	<u>\$ 10.33</u>	<u>\$ 10.28</u>
<b>TOTAL RETURN (d) (e)</b>	1.15%	3.24%
<b>RATIOS/SUPPLEMENTARY DATA</b>		
Net Assets at End of Period (000's omitted)	\$39,517	\$42,755
Ratios to Average Net Assets (f):		
Net investment income (loss)	1.89%	1.42%
Net expense	2.25%	2.24%
Dividend expense	<u>0.39%</u>	<u>0.35%</u>
Total Net Expense	<u>2.64%</u>	<u>2.59%</u>
Gross expense	2.36%	2.72%
Dividend expense	<u>0.39%</u>	<u>0.35%</u>
Total Gross Expense (g)	<u>2.75%</u>	<u>3.07%</u>
<b>PORTFOLIO TURNOVER RATE (d)</b>	221%	405%(h)

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**ABSOLUTE STRATEGIES FUND**FINANCIAL HIGHLIGHTS

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	<b>April 1, 2006 through September 30, 2006</b>	<b>January 13, 2006 (a) through March 31, 2006</b>
<b>C SHARES</b>		
<b>NET ASSET VALUE, Beginning of Period</b>	<u>\$10.27</u>	<u>\$10.08</u>
<b>INVESTMENT OPERATIONS</b>		
Net investment income (loss) (b)	0.06	0.02
Net realized and unrealized gain (loss)	<u>0.02</u>	<u>0.17</u>
Total from Investment Operations	<u>0.08</u>	<u>0.19</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM</b>		
Net investment income	<u>(0.06)</u>	<u>-</u>
Total Distributions to Shareholders	<u>(0.06)</u>	<u>-</u>
<b>REDEMPTION FEES (b)</b>	<u>- (c)</u>	<u>- (c)</u>
<b>NET ASSET VALUE, End of Period</b>	<u>\$10.29</u>	<u>\$10.27</u>
<b>TOTAL RETURN (d)</b>	0.76%	1.88%
<b>RATIOS/SUPPLEMENTARY DATA</b>		
Net Assets at End of Period (000's omitted)	\$8,717	\$3,048
Ratios to Average Net Assets (f):		
Net investment income (loss)	1.20%	0.90%
Net expense	3.00%	3.00%
Dividend expense	<u>0.40%</u>	<u>0.46%</u>
Total Net Expense	<u>3.40%</u>	<u>3.46%</u>
Gross expense	3.10%	5.40%
Dividend expense	<u>0.40%</u>	<u>0.46%</u>
Total Gross Expense (g)	<u>3.50%</u>	<u>5.86%</u>
<b>PORTFOLIO TURNOVER RATE (d)</b>	221%	405%(h)

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(a) Commencement of operations.

(b) Calculated based on average shares outstanding during the period.

(c) Less than \$0.01 per share.

(d) Not annualized for periods less than one year.

(e) Total return excludes the effect of the applicable sales load.

(f) Annualized for period less than one year.

(g) Reflects the expense ratio excluding any waivers and/or reimbursements.

(h) As revised, to reflect a computational error. Such amount was previously reported as 95%.

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**ABSOLUTE STRATEGIES FUND**

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

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**Note 1. Organization**

This report relates to the Absolute Strategies Fund (the “Fund”), a non-diversified series of Forum Funds (the “Trust”). The Trust is a Delaware statutory trust that is registered as an open-end, management investment company under the Investment Company Act of 1940, as amended. The Trust currently has twenty-six investment portfolios. Under its Trust Instrument, the Trust is authorized to issue an unlimited number of the Fund’s shares of beneficial interest without par value. The Fund currently offers three classes of shares: Institutional Shares, A Shares and C Shares. Institutional and A Shares commenced operations on July 11, 2005. C Shares commenced operations on January 13, 2006. The Fund seeks to achieve long-term capital appreciation with an emphasis on absolute (positive) returns and low correlation to traditional financial market indices such as the S&P 500 Index. As a non-diversified fund, the Fund may focus its investments in the securities of a limited number of issuers.

**Note 2. Summary of Significant Accounting Policies**

These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”), which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of increase and decrease in net assets from operations during the fiscal period. Actual amounts could differ from those estimates. The following summarizes the significant accounting policies of the Fund:

**Security Valuation** – Exchange traded securities and over-the-counter securities are valued using the last sale or official closing price, provided by independent pricing services as of the close of trading on the market or exchange for which they are primarily traded, on each Fund business day. In the absence of a sale, such securities are valued at the mean of the last bid and asked price. Non-exchange traded securities for which quotations are available are generally valued at the mean of the current bid and asked prices provided by independent pricing services. Debt securities may be valued at prices supplied by a Fund’s pricing agent based on broker or dealer supplied valuations or matrix pricing, a method of valuing securities by reference to the value of other securities with similar characteristics, such as rating, interest rate and maturity. Option contracts listed for trading on a securities exchange or board of trade are valued at the last quoted sales price as, in the absence of a sale, at the mean of the last bid and asked prices. Shares of open end mutual funds are valued at net asset value. Money market instruments that mature in sixty days or less may be valued at amortized cost.

The Fund values its investments at fair value pursuant to procedures adopted by the Trust’s Board of Trustees if (1) market quotations are insufficient or not readily available or (2) the Adviser believes that the values available are unreliable. Fair valuation is based on subjective factors and as a result, the fair value price of an asset may differ from the asset’s market price and may not be the price at which the asset may be sold. Fair valuation could result in a different net asset value (“NAV”) than a NAV determined by using market quotes.

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**ABSOLUTE STRATEGIES FUND**

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**Security Transactions, Investment Income and Realized Gain and Loss** – Investment transactions are accounted for on trade date. Dividend income is recorded on the ex-dividend date. Foreign dividend income is recorded on the ex-dividend date or as soon as practical after the Fund determines the existence of a dividend declaration after exercising reasonable due diligence. Foreign income and foreign capital gains on some foreign securities may be subject to foreign withholding taxes, which are accrued as applicable. Interest income is recorded on an accrual basis. All premium and discount is amortized and accreted in accordance with generally accepted accounting principles. Identified cost of investments sold is used to determine the gain and loss for both financial statement and federal income tax purposes.

**Foreign Currency Translations** – The books and records of the Fund are maintained in U.S. dollars. Foreign currencies, investments and other assets and liabilities are translated into U.S. dollars on a daily basis using prevailing exchange rates. Purchases and sales of investment securities, income and expenses are translated on the respective dates of such transactions.

Unrealized gains and losses, not relating to securities, which result from changes in foreign currency exchange rates have been included in unrealized appreciation/(depreciation) of investments. Unrealized gains and losses of securities, which result from changes in foreign currency exchange rates as well as changes in market prices of securities, have been included in unrealized appreciation/(depreciation) of investments. Net realized foreign currency gains and losses, which result from changes in exchange rates between trade date and settlement date on investment transactions as well as the difference between the amounts of interest and dividends recorded on the books of the Funds and the amount actually received, have been included in realized gains/(losses) on investment transactions. Foreign currency gains and losses, which result from fluctuations in exchange rates between the initial purchase trade date and subsequent sale trade date, have been included in realized gains/(losses) on investment transactions.

**Foreign Currency Transactions** – The Fund may enter into transactions to purchase or sell foreign currency contracts and options on foreign currency. Forward foreign currency contracts are agreements to exchange one currency for another at a future date and at a specified price. These Funds may use forward foreign currency contracts to facilitate transactions in foreign securities and to manage the Funds' foreign currency exposure. These contracts are valued daily, and the Fund's net equity therein, representing unrealized gain or loss on the contracts as measured by the difference between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date, is recorded as a component of net asset value. Due to the risks associated with these transactions, the Fund could incur losses up to the entire contract amount, which may exceed the net unrealized value included in its net asset value.

**Futures Contracts** – The Fund may purchase future contracts to gain exposure to market changes, which may be more efficient or cost effective than actually buying the securities. A futures contract is an agreement between parties to buy or sell a security at a set price on a future date. Upon entering into such a contract, the Fund is required to pledge to the broker an amount of cash, U.S. Government obligations or other high-quality debt securities equal to the minimum "initial margin" requirements of the exchange on which the futures contract is traded. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of

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**ABSOLUTE STRATEGIES FUND**

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

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cash equal to the daily fluctuation in the value of the contract. Such receipts or payments are known as “variation margin” and are recorded by the Fund as unrealized gains or losses. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and value at the time it was closed. Risks of entering into futures contracts include the possibility that there may be an illiquid market and that a change in the value of the contract may not correlate with changes in the value of the underlying securities.

**Securities Sold Short** – The Fund may sell a security short to increase investment returns. The Fund may also sell a security short in anticipation of a decline in the market value of a security. A short sale is a transaction in which the Fund sells a security that it does not own. To complete the transaction, the Fund must borrow the security in order to deliver it to the buyer. The Fund must replace the borrowed security by purchasing it at market price at the time of replacement, which price may be higher or lower than the price at which the Fund sold the security. The Fund incurs a loss from a short sale if the price of the security increases between the date of the short sale and the date on which the Fund replaces the borrowed security. The Fund realizes a profit if the price of the security declines between those dates.

Until the Fund replaces the borrowed security, the Fund will maintain a segregated account with the custodian, in cash and long securities to sufficiently cover its short position on a daily basis. The collateral for the securities sold short includes the Deposits with custodian for securities sold short as shown on the Statement of Assets and Liabilities and the securities held long as shown on the Schedule of Investments. Dividends paid on securities sold short are recorded as an expense on the Fund’s records.

**Options** – When the Fund writes an option; an amount equal to the premium received by the Fund is recorded as a liability and is subsequently adjusted to the current value of the option written. Premiums received from writing options that expire unexercised are treated by the Fund on the expiration date as realized gain from investments. The difference between the premium and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or if the premium is less than the amount paid for the closing purchase transaction, as a realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security or currency in determining whether the Fund has realized a gain or loss. If a put option is exercised, the premium reduces the cost basis of the securities purchased by the Fund. The Fund, as writer of an option, bears the market risk of an unfavorable change in the price of the security underlying the written option.

When the Fund purchases an option, an amount equal to the premium paid by the Fund is recorded as an investment and is subsequently adjusted to the current value of the option purchased. If an option expires on the stipulated expiration date or if the Fund enters into a closing sale transaction, a gain or loss is realized. If a call option is exercised, the cost of the security acquired is increased by the premium paid for the call. If a put option is exercised, a gain or loss is realized from the sale of the underlying security, and the proceeds from such sale are decreased by the premium originally paid. Written and purchased options are non-income producing securities.

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**ABSOLUTE STRATEGIES FUND**

NOTES TO FINANCIAL STATEMENTS

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**When-Issued Transactions** – The Fund may purchase securities on a forward commitment or ‘when-issued’ basis. The Fund records a when-issued transaction on the trade date and will segregate with the custodian qualifying assets that have a value sufficient to make payment for the securities purchased. Securities purchased on a when-issued basis are marked-to-market daily and the Fund begins earning interest on the settlement date. Losses may arise due to changes in the market value of the underlying securities or if the counterparty does not perform under the contract.

**Distributions to Shareholders** – Distributions to shareholders of net investment income, if any, are declared and paid at least semi-annually. Distributions to shareholders of net capital gains, if any, are declared and paid at least annually. Distributions are based on amounts calculated in accordance with applicable Federal income tax regulations, which may differ from generally accepted accounting principles. These differences are due primarily to differing treatments of income and gain on various investment securities held by the Fund, timing differences and differing characterizations of distributions made by the Fund.

**Federal Taxes** – The Fund intends to qualify each year as a regulated investment company under Subchapter M of the Internal Revenue Code and distribute all its taxable income. In addition, by distributing in each calendar year substantially all its net investment income, capital gains and certain other amounts, if any, the Fund will not be subject to a Federal excise tax. Therefore, no Federal income or excise tax provision is required.

**Expense Allocation** – The Trust accounts separately for the assets, liabilities and operations of each of its series. Expenses that are directly attributable to more than one series are allocated among the respective series in proportion to each series’ average daily net assets.

Each share of each class of the Fund represents an undivided, proportionate interest in the Fund. The Fund’s class specific expenses include distribution fees, transfer agent fees, registration fees and certain expenses as determined by the Board.

Income and expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments are allocated to each class of shares based on the class’ respective net assets to the total net assets of the Fund.

**Offering Costs** – Offering costs for the Fund of \$28,929 consist of fees related to the mailing and printing of the initial prospectus, certain startup legal costs, and initial registration filings. Such costs are amortized over a twelve-month period beginning with the commencement of operations of the Fund.

**Redemption Fees** – A shareholder who redeems or exchanges shares within 60 days of purchase will incur a redemption fee of 1.50% of the current net asset value of shares redeemed or exchanged, subject to certain limitations. The fee is charged for the benefit of the remaining shareholders and will be paid to the Fund to help offset transaction costs. To calculate redemption fees, the Fund uses the first-in, first-out method to determine the holding period. Under this method, the date of redemption is compared with the earliest

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**ABSOLUTE STRATEGIES FUND**

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

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purchase date of shares held in the account. The fee is accounted for as an addition to paid-in capital. The Fund reserves the right to modify the terms of or terminate the fee at any time. There are limited exceptions to the imposition of the redemption fee.

**New Accounting Pronouncements** – In June 2006, the Financial Accounting Standards Board (“FASB”) issued Financial Interpretation No. 48, “Accounting for Uncertainty in Income Taxes” (the “Interpretation”) which is effective for fiscal years beginning after December 15, 2006, and is to be applied to all open tax years as of the effective date. This Interpretation prescribes a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return, and requires certain expanded disclosures. Management has recently begun to evaluate the application of the Interpretation, and has not at this time determined the impact, if any, resulting from the adoption of these on the Fund’s financial statements.

In September 2006, the SEC issued Staff Accounting Bulletin 108, *Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements* (‘SAB 108’). SAB 108 provides interpretive guidance on how the effects of the carryover or reversal of prior year financial statement misstatements should be considered in quantifying a current year misstatement. SAB 108 is effective for financial statements covering the first fiscal year ending after November 15, 2006. Management does not anticipate any material impact to its financial condition or results of operations as a result of the adoption of SAB 108.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 “Fair Value Measurements” (the “Statement”) which is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. Management has recently begun to evaluate the application of the Statement, and has not at this time determined the impact, if any, resulting from the adoption of these on the Fund’s financial statements.

**Note 3. Advisory Fees, Servicing Fees and Other Transactions**

**Investment Adviser** – Absolute Investment Advisers LLC, (the “Adviser”) is the investment adviser to the Fund. Pursuant to an investment advisory agreement, the Adviser receives an advisory fee from the Fund at an annual rate of 1.60% of the Fund’s average daily net assets.

Subject to the general control of the Board and the Adviser, the sub-advisers (each a “Sub-Adviser” and collectively the “Sub-Advisers”) make the investment decisions for the Fund. The sub-advisory fee, calculated as a percentage of the Fund’s average daily net assets, is paid by the Adviser.

**Administration and Other Services** – Citigroup Fund Services, LLC (“Citigroup”), provides administration, portfolio accounting, and transfer agency services to the Fund.

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**ABSOLUTE STRATEGIES FUND**

NOTES TO FINANCIAL STATEMENTS

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**Distribution** – Foreside Fund Services, LLC is the Fund’s distributor (“Distributor”). The Distributor is not affiliated with the Adviser, Citigroup or its affiliated companies. Under a Distribution Plan adopted pursuant to Rule 12b-1 under the Act, with respect to A Shares and C Shares (“Distribution Plan”), the Fund will pay the Distributor a fee at an annual rate of 0.25% and 1.00% of the average daily net assets of A Shares and C Shares, respectively.

Foreside Compliance Services, LLC, an affiliate of the Distributor, provides a Principal Executive Officer, Principal Financial Officer, Chief Compliance Officer and Anti-Money Laundering Officer as well as certain additional compliance support functions to the Fund. The Principal Executive Officer of the Trust is also a principal of the Distributor. The Distributor has no role in determining the investment policies or which securities are to be purchased or sold by the Trust or its Funds.

For the period ended September 30, 2006, the Distributor did not employ any of the front-end sales charges assessed on the sale of A Shares.

**Officers** – Certain officers of the Trust are directors, officers or employees of Citigroup or the Distributor.

**Note 4. Expense Reimbursements and Fees Waived**

The Adviser has contractually agreed to waive its fees and reimburse Fund expenses to limit total annual operating expenses (excluding all interest, taxes, portfolio transaction expenses, dividends on short sales and extraordinary expenses) of Institutional Shares, A Shares and C Shares to 1.95%, 2.25% and 3.00%, respectively, of each class’ average daily net assets through July 31, 2007 (“Waiver Agreement:”). During the period, the Distributor and other fund service providers have agreed to waive a portion of their fees. These voluntary waivers may be reduced or eliminated at any time. For the period ended September 30, 2006, fees waived and reimbursed were as follows:

<u>Investment Adviser Waived</u>	<u>Investment Adviser Reimbursed</u>	<u>Other Waived</u>	<u>Total Fees Waived and Expenses Reimbursed</u>
\$11,212	\$21,245	\$7,819	\$40,276

**Note 5. Security Transactions**

The cost of purchases and the proceeds from sales of investment securities (including maturities), other than short-term investments, for the period ended September 30, 2006 were as follows:

<u>Non-US Government Obligations</u>		<u>US Government Obligations</u>	
<u>Purchases</u>	<u>Sales</u>	<u>Purchases</u>	<u>Sales</u>
\$119,354,229	\$106,883,453	\$19,400,316	\$19,950,017

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**ABSOLUTE STRATEGIES FUND**

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**Note 6. Federal Income Tax and Investment Transactions**

As of March 31, 2006, distributable earnings on a tax basis were as follows:

Undistributed Ordinary Income	\$ 542,082
Undistributed Long-Term Gain	2,655
Capital and Other Losses	(460,792)
Unrealized Appreciation (Depreciation)	<u>2,672,765</u>
Total	<u><u>\$2,756,710</u></u>

The difference between components of distributable earnings on a tax basis and the amounts reflected in the Statement of Assets and Liabilities are primarily due to wash sales reallocations.

**Note 7. Written Option Transactions**

Transactions in options written during period ended September 30, 2006 were as follows:

	<u>Calls</u>	
	<u>Number of Contracts</u>	<u>Premiums</u>
<i>Options Outstanding, April 1, 2006</i>	195	\$303,425
Options written	582	686,821
Options terminated in closing transactions	-	-
Options exercised	-	-
Options expired	-	-
<i>Options Outstanding, September 30, 2006</i>	<u>777</u>	<u>\$990,246</u>

**Note 8. Other Information**

On September 30, 2006 two shareholders held approximately 41% of the outstanding shares of the Fund. Both of these shareholders are omnibus accounts, which are held on behalf of several individual shareholders.

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**ABSOLUTE STRATEGIES FUND**

ADDITIONAL INFORMATION

SEPTEMBER 30, 2006

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**Proxy Voting Information**

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to securities held in the Fund's portfolio is available, without charge and upon request, by calling (888) 992-2765 and on the SEC's website at [www.sec.gov](http://www.sec.gov). The Fund's proxy voting record for the period of July 11, 2005 through June 30, 2006 will be available, without charge and upon request, by calling (888) 992-2765 and on the SEC's website at [www.sec.gov](http://www.sec.gov).

**Availability of Quarterly Portfolio Schedules**

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available, without charge and upon request on the SEC's website at [www.sec.gov](http://www.sec.gov) or may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330.

**Shareholder Expense Example**

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase payments on certain classes; redemption fees; and exchange fees; and (2) ongoing costs, including management fees; distribution (12b-1) fees; and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The following example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period from April 1, 2006 through September 30, 2006.

**Actual Expenses** – The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during the period.

**Hypothetical Example for Comparison Purposes** – The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing cost of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

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**ABSOLUTE STRATEGIES FUND**

ADDITIONAL INFORMATION

SEPTEMBER 30, 2006

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Expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads) for certain share classes, redemption fees or exchange fees. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs had been included, your costs would have been higher.

	<b>Beginning Account Value April 1, 2006*</b>	<b>Ending Account Value September 30, 2006</b>	<b>Expenses Paid During Period *</b>	<b>Annualized Expense Ratio *</b>
<b>Institutional Shares</b>				
Actual Return	\$1,000.00	\$1,011.95	\$11.80	2.34%
Hypothetical Return	\$1,000.00	\$1,013.34	\$11.81	2.34%
<b>A Shares</b>				
Actual Return	\$1,000.00	\$1,011.50	\$13.31	2.64%
Hypothetical Return	\$1,000.00	\$1,011.83	\$13.31	2.64%
<b>C Shares</b>				
Actual Return	\$1,000.00	\$1,007.58	\$17.11	3.40%
Hypothetical Return	\$1,000.00	\$1,008.02	\$17.11	3.40%

\* Expenses are equal to the Fund's annualized expense ratio as indicated above multiplied by the average account value over the period, multiplied by the number of days in most recent fiscal half-year/365 to reflect the half-year period.

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# **ABSOLUTE**Strategies FUND

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This report is submitted for the general information of the shareholders of the Fund. It is not authorized for distribution to prospective investors unless preceded or accompanied by an effective prospectus, which includes information regarding the Fund's risks, objectives, fees and expenses, experience of its management and other information.

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