ABSOLUTE STRATEGIES FUND

Jay Compson is the portfolio manager for the Absolute Funds and Principal and Co-Founder of Absolute Investment Advisers LLC

PORTFOLIO COMMENTARY : October 18, 2018

The following is an update to our commentary from June, which can be found on our web site. This, and additional information will be provided in the Fund's semi-annual report for the period ending Sept 30, 2018

Global markets have begun to show their hand. Many equity markets and sectors are down 8-30% from recent highs *(see table below)* as higher interest rates and threats of inflation prick the global bond market bubble. We believe this is the start of what could be a long drawn out bear market, similar to the 2000-2003 period. The 2000 top had big swings in volatility and numerous advances back toward market highs that eventually gave way to a recession and a significant bear market. The current environment is similar -- global indices and sectors are diverging following an extended market and economic cycle; their all-time high or recovery high is occurring months apart from other major indices. This behavior took place in the months leading up to the 2000 and 2007 market tops. If other global markets continue to pull the US market significantly lower from here, we can likely conclude that a bear market, which may lead to a correction of 40-50% over the next few years, has begun.

Given the similarities to the 2000 period and its many volatile swings, we clearly cannot rule out another rally back toward recent highs. On the other hand, given the record level of valuations and the massive amount of quantitative driven investing strategies, we cannot rule out a major flash-crash style event either. Additionally, global central banks are unwinding their balance sheets and significant increases in interest rates are adding very meaningful risk to the overall environment. Investor portfolios have near-record allocations to beta risk of all kinds and have almost no way to escape a selloff in both stocks and bonds.

In terms of our own positioning, we are now in a near-record defensive posture. We have used recent market volatility to monetize some of our short exposure to growth and small cap because those areas have been hit the hardest to date. We have added to our overall short positioning in market indices and option exposure to hedge against a significant correction. We sold some of our long call option exposure near recent highs, but have added some back during the latest selloff should markets decide to make another trip back toward all-time highs.

GLOBAL INDICES & SECTORS	LOSS FROM HIGH
Shanghai Composite Index	**-30%**
S&P Homebuilders Index	**-26%**
Hong Kong Hang Seng Index	**-24%**
NYSE FANG Index	**-19%**
German DAX Index	**-15%**
MVIS US Listed Semiconductor Index	**-14%**
Nifty 50 Index	**-13%**
Russell 2000 Index	**-11%**
UK FTSE 100 Index	**-11%**
S&P Midcap 400 Index	**-9%**
Consumer Discretionary Select Sector Index	**-8%**

Loss is from the highest value for each index during the year ending 10/18/18
Source: Bloomberg. See reverse for definitions.
Past performance is not indicative of future results.

While our process remains unchanged, we recognize that market mechanisms have been altered due to the high concentration of capital allocated to passive, quantitative and momentum strategies. These strategies are generally insensitive to valuation and fundamental concerns which can cause large deviations from traditional market averages and drive broad speculation to reach unforeseen levels. We have amplified our technical research and analysis in order to better assess the overall market cycle as it relates to our positioning.

See Reverse for Definitions & Risks

ABSOLUTE
INVESTMENT ADVISERS

***Definitions:**

Beta is the measure of a fund's relative volatility as compared to the S&P 500 Index which by definition is 1.00. Accordingly, a fund with a 1.10 beta is expected to perform 10% better than the Index in up markets and 10% worse in down markets.

The Shanghai Stock Exchange Composite Index is a market composite made up of all the A-shares and B-shares that trade on the Shanghai Stock Exchange.

The S&P Select Industry Indices measure the performance of stocks comprising specific Global Industry Classification Standard (GICS) sub-industries or groups of sub-industries.

The Hang Seng Index or HSI is a market capitalization-weighted index of the largest companies that trade on the Hong Kong Exchange.

The NYSE FANG index consists of Facebook (FB), Apple (AAPL), Netflix (NFLX), and Google (GOOGL, standing for Alphabet, Google's parent company).

MVIS US Listed Semiconductor Index tracks the performance of the largest and most liquid US-listed companies that derive at least 50% of their revenues from semiconductors.

The German Stock Index (DAX) is a total return index of 30 selected German blue chip stocks traded on the Frankfurt Stock Exchange.

The NIFTY 50 index is National Stock Exchange of India's benchmark broad based stock market index for the Indian equity market. It represents the weighted average of 50 Indian company stocks in 12 sectors and is one of the two main stock indices used in India

The Russell 2000 index is an index measuring the performance of approximately 2,000 small-cap companies in the Russell 3000 Index, which is made up of 3,000 of the biggest U.S. stocks.

The UK FTSE 100 Index (The Financial Times Stock Exchange) is a share index of the 100 companies listed on the London Stock Exchange with the highest market capitalisation.

The S&P MidCap 400 Index (the S&P 400) is a stock market index from S&P Dow Jones Indices that serves as a barometer for the U.S. mid-cap equities sector and is the most widely followed mid-cap index in existence

The Consumer Discretionary Select Sector Index seeks to provide an effective representation of the consumer discretionary sector of the S&P 500 Index. It is not possible to invest directly in an index.

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 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 the Fund may invest in.

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.

Three Canal Plaza, Suite 600, Portland, Maine 04101
(888) 99-ABSOLUTE or (888) 992-2765 www.absoluteadvisers.com
Distributor: Foreside Fund Services, LLC