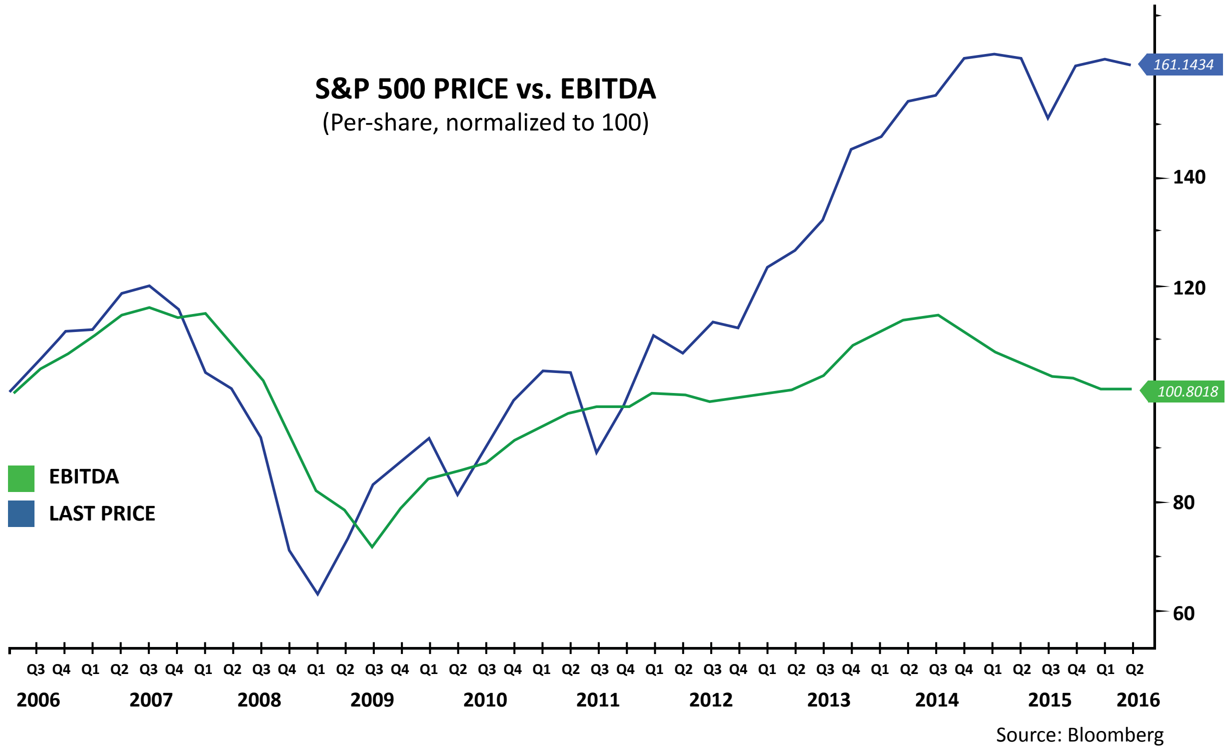
Jay Compson is the portfolio manager for the Absolute Strategies Fund and Principal and Co-Founder of Absolute Investment Advisers LLC

PORTFOLIO COMMENTARY : First Quarter 2016

As we expected, 2016 began with tremendous volatility in a wide range of asset classes. Initially markets fell quite dramatically as concerns over corporate earnings and the price of oil trumped any hope for the long-awaited economic recovery. Just as dramatically, markets recovered due to a rebound in the price of oil, China stimulus, and, of course, central banker jawboning.

What's clear to us is that the 'no risk' straight up equity buying frenzy from 2012-2014 is history. We have entered an entirely new period that, at a minimum, has proven to be quite volatile from month to month and quarter to quarter. At worst, markets may be entering a lengthy bear market. Regardless of whether markets are volatile and range bound or headed much lower, we believe this environment is well suited for our strategy. This was proven quite well by the last 6-12 months as our strategies continue to gather performance even as markets recently retraced back near all-time highs. In fact, 2 of our best months this year came during flat months for the S&P 500. This market environment may actually be one of the best we've seen since we started our business nearly 12 years ago. There are ample opportunities both long and short and we expect the Fund to take advantage of volatility as much as possible while managing risk.

As for the macro environment, we may be witnessing the largest divergence between market prices and fundamentals in history. Markets have recovered back near their highs at the same that fundamentals continue to deteriorate. The S&P 500 has risen dramatically since 2011, almost entirely on the back of multiple expansion. Revenue and cash flow levels are actually well BELOW 2007 levels. This is quite remarkable and we believe due largely to financial engineering, but also to investors' willingness to speculate on hope at the expense of any fundamental analysis. As can be seen in the chart below, the growth in cash flow or EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization - see definitions) per share for the S&P 500 has actually been negative, while price has gone nearly parabolic. To put this into perspective, the ratio of price to EBITDA is at year 2000 bubble levels.



Source: Bloomberg

This is a picture of central banking in the mania phase, and, in our view, probably the single greatest misallocation of capital in history: massive, unproductive leveraging of corporate America for the sole purpose of inflating per share earnings through stock buybacks. This would make sense if stocks were undervalued. Not so much given the most expensive Price/EBITDA in history. If the return on investment (ROI) for buying back stock is negative, it does not matter how low the interest rate was on the newly issued debt. We believe most corporate stock buybacks at recent levels will incur ROIs of -20% or more.

[Continued on next page]

[Continued]

In our opinion, the above analysis is old fashioned, unemotional common sense. We are simply attempting to point out what is likely to be obvious in hindsight. Central banks are trying to borrow growth from the future. Yet we now have debt levels rising with no growth in operating cash flow. There's little funding for R&D or Capex, just stock buybacks. Markets are very fragile and they also sense that there is no end game. Some markets are beginning to move contrary to central bank actions as witnessed by recent stimulus attempts by both the Bank of Japan and the European Central Bank. As we've discussed for the past year, we believe markets are signaling that central bank credibility is breaking down and volatility lies ahead.

As for our current positioning, we took advantage of volatility in the first quarter by removing some of our hedges and allocating new capital to certain commodity-related opportunities. These opportunities include equity exposure in energy and mining, as well as to precious metals. Some of these exposures may only be short-term positions, or may be exposures that will change with market volatility. However, we intend to hold some longer-term exposures that seek to benefit from further central bank actions.

Looking forward, we believe this market environment may be highly advantageous for nimble, liquid strategies like ours. We expect the Fund to be very active when opportunities arise to either take or hedge risk. More detailed information regarding our positioning, attribution and outlook can be found in our *Quarterly Portfolio Analysis* and will also be provided in our annual letter to shareholders toward the end of May.

***Definitions:** *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. EBITDA, Earnings Before Interest, Taxes, Depreciation and Amortization can be used analyze and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.*

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.

ABSOLUTEstrategies FUND

SKU: ASF-COMM-Q116

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