

ABSOLUTE CAPITAL OPPORTUNITIES FUND

PORTFOLIO COMMENTARY - CAPOX

Q4 2020



ABSOLUTE FUNDS

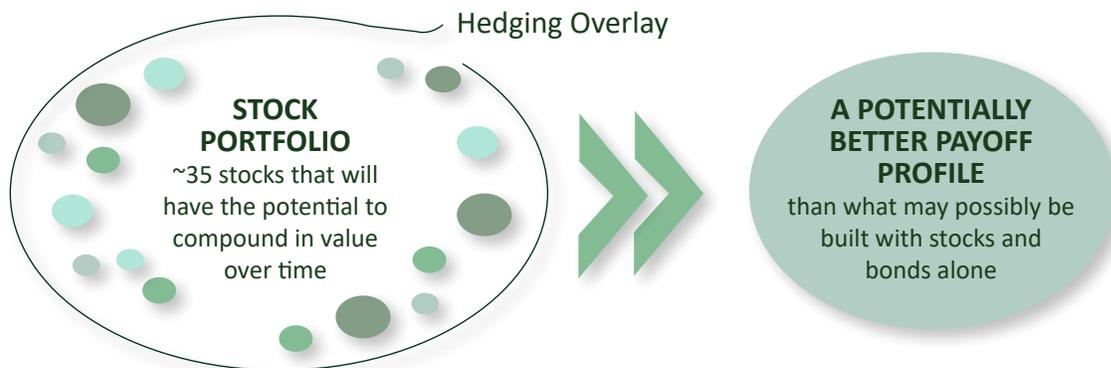
The Absolute Capital Opportunities Fund (CAPOX) had an excellent year, gaining 8.22% in 2020. By comparison, the HFRX Equity Hedge Index gained 4.15% over the same period.

The intention of the strategy is to produce a favorable return relative to the amount of risk assumed. With our assessment of risk elevated during the last several years, the Fund has sought to – at a minimum – produce a return greater than the yield available on held-to-maturity high-quality bonds while also providing the potential to both participate to a degree in broad market gains and protect on the downside during difficult equity market environments.

For 2020, the Fund unequivocally achieved its goal. The Fund produced an absolute return near the high end of our expectations and did so while generating a positive return even during the stock market selloff earlier in the year. Also as expected, the fund maintained near perfect liquidity during the heightened period of volatility.

This was no happy accident; rather, it was by design.

We believe the Fund has a distinct advantage in using deep, fundamental, stock-specific research that aims to create a portfolio of 35 or so high-quality companies and to exploit opportunities readily available in the options market. We believe this combination of a stock portfolio wrapped in a hedging overlay creates a superior payoff profile to what can be achieved with a typical 60/40 mix of stocks and bonds.



The term “payoff profile” is critical in understanding the Fund’s strategy. This term, frequently used in discussing options, is meant to communicate the profit and loss potential of an investment at each point across a range of prices.

While a portfolio comprised of long and short positions in individual stocks will have a linear payoff profile, gaining or losing in equal proportion to the change in price of each position, the Fund employs combinations of various option contracts to change the overall payoff profile of the Fund from linear to nonlinear. Under this method, we can emphasize protecting the Fund as much as we can against losses, while simultaneously maintaining as much upside as is possible.

Furthermore, once the option overlay is in place, we can estimate how the fund will perform in a myriad of scenarios. For example, we estimate how the fund will perform in sudden market drops, slow moves up, and declining volatility environments, just to name a few. By having an expectation of how the fund will perform across many potential futures, it makes it easier to dispassionately respond when the projected results become actual results. And then we reiterate the process once again.

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2020: A Successful Stress Test

When we entered the year, we did not expect to experience an extremely sharp 30% decline in stocks, yet it was one of the scenarios we had prepared for. As such, we were not surprised when the Fund generated a positive return despite the drop in stocks in February and March. Further, because it was a scenario we prepared for, it made it easier to iterate through the process, updating positions and the hedging overlay, as it was happening.

Just as importantly, we did not know when the market bottom had been made. On March 23rd, the day the market bottomed, we were equally concerned with the possibility of further declines and a recovery. We did not know which way the market would turn next and we certainly did not expect a sharp ~90% gain for our long stocks over the ensuing nine months. Nevertheless, the key is that we stuck to our process, adjusted the Fund's positions and hedges, and established a new payoff profile where the Fund was very well protected for continued declines, would make money in strong moves up, and would suffer only modest losses if markets were flat. Of course, at the time, we felt the odds of literally no change in stock prices was extremely low.

When stocks proceeded to recover their losses, we continued to repeat our process as described above. At no point did we predict the market's short-term direction, but we were always prepared for whatever the case may have been, knowing the Fund had the potential to earn a profit from strong individual stock selection, large market movements in either direction, or increases in volatility. While 2020 was hardly an ordinary year, the Fund's performance was not some outlier, but the result of our process working.

The Fund remains positioned much as it has been in the recent past. We do not know if the market will move up, down, or sideways in the near future, but – under any scenario – we believe repeating our process leaves the Fund well-positioned to pursue its goal of generating superior risk-adjusted returns, while providing ample protection against broad market declines and exhibiting low correlation to both. Since nearly all investors build portfolios with a mix of stocks and bonds, we believe it is clear the Absolute Capital Opportunities Fund can help play a valuable role in improving any investor's total portfolio payoff profile.

- Kovitz Investment Group

KOVITZ INVESTMENT GROUP is based in Chicago, IL
and is the Portfolio Manager of the
Absolute Capital Opportunities Fund

Quarter-End Performance for CAPOX: As of 12/31/20, the 1 year, 5 year and annualized since inception (12/30/15) performance for the Absolute Capital Opportunities Fund was 8.22%, 6.25% and 6.24% respectively. *Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. To obtain performance information current to the most recent month-end, call the Fund at 888-99-ABSOLUTE. Returns include the reinvestment of dividends and capital gains. Some of the Fund's fees were waived or expenses reimbursed; otherwise, returns would have been lower.*

The Fund's total annual operating expense ratio (gross) is 1.91% and the net expense ratio is 1.82% through August 1, 2021. However, the Fund's Adviser has contractually agreed to waive its fee and/or reimburse Fund expenses to limit Total Annual Fund Operating Expenses to 1.75% through August 1, 2021 (the "Expense Cap") and to 1.49% when the Fund reaches \$125 million in assets under management. This Expense Cap, which excludes all taxes, interest, portfolio transaction expenses, dividend and interest expenses on short sales, acquired fund fees and expenses, broker fees, proxy expenses and extraordinary expenses, may only be raised or eliminated with the consent of the Board of Trustees.

Risks & Definitions on last page

DEFINITIONS: *HFRX Equity Hedge Index: Equity Hedge strategies maintain positions both long and short in primarily equity and equity derivative securities. Equity Hedge managers would typically maintain at least 50%, and may in some cases be substantially / entirely invested in equities, both long and short. It is not possible to invest directly in an index. The options market is a derivative market that is traded in contracts. It is a contract between a buyer and seller, that gives the purchaser of the option the right, but not the obligation, to buy / Sell a specific stock at a specific price on or before a specific date.*

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 be exposed to varying forms of risk. The Fund is non-diversified and may focus its investments in the securities of a comparatively small number of issuers. Concentration in securities of a limited number of issuers exposes a fund to greater market risk and potential monetary losses than if its assets were diversified among the securities of a greater number of issuers. The Fund may invest in small- and medium-sized companies which involve greater risk than investing in larger, more established companies, such as increased volatility of earnings and prospects, higher failure rates, and limited markets, product lines or financial resources.

The Fund may invest in foreign or emerging markets securities which involve special risks, including the volatility of currency exchange rates and, in some cases, limited geographic focus, political and economic instability, and relatively illiquid markets.

The Fund may invest in debt securities which are subject to interest rate risk. An increase in interest rates typically causes a fall in the value of the debt securities in which the Fund may invest. The Fund may also invest in high yield, lower rated (junk) bonds which involve a greater degree of risk and price fluctuation than investment grade bonds in return

for higher yield potential. The Fund's distressed debt strategy may involve a substantial degree of risk, including investments in sub-prime mortgage securities.

The Fund may purchase securities of companies in initial public offerings. Special risks associated with these securities may include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the company and limited operating history. The Fund may leverage transactions which include selling securities short as well as borrowing for other than temporary or emergency purposes. Leverage creates the risk of magnified capital losses.

The Fund may also invest in derivatives which can be volatile and involve various types and degrees of risks, depending upon the characteristics of a particular derivative. The Fund may invest in options and futures which are subject to special risks and may not fully protect the Fund against declines in the value of its stocks. In addition, an option writing strategy limits the upside profit potential normally associated with stocks. Futures trading is very speculative, largely due to the traditional volatility of futures prices.

Investors should carefully consider the Fund's investment objectives, risks, charges and expenses before investing. This and other information is in the prospectus, a copy of which may be obtained by calling (888) 992-2765 or visiting the Fund's web site: www.absoluteadvisers.com. Please read the prospectus carefully before you invest.

