

# Absolute Investment Advisers LLC

4 North Street, Suite 2

Hingham, MA 02043

781.740.1904

[www.absoluteadvisers.com](http://www.absoluteadvisers.com)

March 2019

This Brochure provides information about the qualifications and business practices of Absolute Investment Advisers LLC ("Absolute" or "Adviser"). Absolute is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provide you with information about which you determine to hire or retain an investment adviser.

This document is not an advertisement, an offer to sell or the solicitation of an offer to purchase interest in any investments managed by Absolute.

If you have any questions about the contents of this Brochure, please contact David Faherty at 781.740.1904. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Absolute is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

---

# Absolute Investment Advisers LLC

---

## Item 2: Material Changes

Absolute Investment Advisers LLC has updated Form ADV Part 2 (Brochure) as part of the annual amendment process. There have been no material changes to Absolute's business practices since the prior annual amendment in March of 2018. Therefore no material changes have been made to this brochure.

Absolute updated its Form ADV Part 2A (Brochure) in July 2018 to reflect an address change since our last annual update in March of 2018.

A copy of this Brochure may be requested by sending an email to [info@absoluteadvisers.com](mailto:info@absoluteadvisers.com) or via the SEC web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Brochure is available free of charge.

# Absolute Investment Advisers LLC

---

## Item 3: Table of Contents

Item 2:	Material Changes.....	ii
Item 3:	Table of Contents .....	iii
Item 4:	Advisory Business .....	4
Item 5:	Fees and Compensation .....	4
Item 6:	Performance-Based Fees and Side-By-Side Management.....	5
Item 7:	Types of Clients .....	5
Item 8:	Methods of Analysis, Investment Strategies and Risk of Loss .....	5
Item 9:	Disciplinary Information .....	20
Item 10:	Other Financial Industry Activities and Affiliations.....	20
Item 11:	Code of Ethics .....	20
Item 12:	Brokerage Practices.....	21
Item 13:	Review of Accounts.....	22
Item 14:	Client Referrals and Other Compensation .....	23
Item 15:	Custody .....	23
Item 16:	Investment Discretion .....	24
Item 17:	Voting Client Securities.....	24
Item 18:	Financial Information .....	24

# Absolute Investment Advisers LLC

---

## Item 4: Advisory Business

Absolute provides investment management services on a discretionary basis to three registered open end mutual funds. Not any one person owns 25% or more voting shares of Absolute.

Absolute is the investment adviser for the Absolute Strategies Fund, Absolute Capital Opportunities Fund and the Absolute Convertible Arbitrage Fund (together, the “Funds” or the “Absolute Funds”). The Absolute Strategies Fund utilizes Absolute and a concentrated group of independent subadvisers who run a variety of strategies. As of the date of this Brochure, Absolute Capital Opportunities Fund and the Absolute Convertible Arbitrage Fund utilize a single manager to achieve their respective investment objectives.

As of December 31, 2018, discretionary assets under management were approximately \$238,562,415 million.

## Item 5: Fees and Compensation

### **Absolute Strategies Fund**

### **Absolute Capital Opportunities Fund**

### **Absolute Convertible Arbitrage Fund**

#### **Management Fees**

Absolute charges management fees based upon the average daily net assets of each Absolute Fund. Absolute may agree to limit or reimburse management fees to the extent required to maintain the Absolute Funds’ general expenses at a specified percentage of average net assets. The fees are computed daily and payable monthly during which, or part of which, the services are rendered.

The investment advisory fee for the Absolute Strategies Fund is 1.60%. Absolute has contractually agreed to waive its fee and/or reimburse the Absolute Strategies Fund to limit Total Annual Fund Operating Expenses s (excluding all taxes, interest, portfolio transaction expenses, dividend and interest expenses on short sales, acquired fund fees and expenses, proxy expenses and extraordinary expenses) to 1.99% through August 1, 2020. The investment advisory fee for the Absolute Capital Opportunities Fund is 1.40%. Absolute has contractually agreed to waive its fee and/or reimburse the Absolute Capital Opportunities Fund to limit Total Annual Fund Operating Expenses s (excluding all taxes, interest, portfolio transaction expenses, dividend and interest expenses on short sales, acquired fund fees and expenses, proxy expenses and extraordinary expenses) to 1.75% through August 1, 2020. The investment advisory fee for the Absolute Convertible Arbitrage Fund is 1.40%. Absolute has contractually agreed to waive its fee and/or reimburse the Absolute Convertible Arbitrage Fund expenses to limit Total Annual Fund Operating Expenses (excluding all taxes, interest, portfolio transaction expenses, dividend and interest expenses on short sales, acquired fund fees and expenses, proxy expenses and extraordinary expenses) to 1.60% through August 1, 2020.

The Absolute Funds are manager of managers’ mutual funds. Therefore, certain investment management responsibilities for the Absolute Funds have been delegated to the respective subadvisers. The fees set forth above include fees paid to those subadvisers by Absolute and may vary by Absolute Fund and by subadviser.

# Absolute Investment Advisers LLC

---

Certain subadviser fees include breakpoints at which the subadvisory fee percentage charged is reduced if the subadviser's allocated assets exceed a specified amount. In addition, Absolute may negotiate additional fee breaks from the subadvisers. This may reduce the fees Absolute pays to the subadvisers.

## **Other Operating Expenses**

The Absolute Funds may incur other operating expenses including, but not limited to, distribution and service fees, dividend and interest expenses, acquired fund fees and expenses, transaction costs, proxy expenses and extraordinary expenses. In addition, the Absolute Funds are responsible for administrative expenses, including but not limited to accounting, custody, transfer agency, compliance and legal. Investors should refer to the prospectus for more specific details regarding fees and expenses. Item 12 of this brochure also includes further information with respect to the broker-dealers used for Absolute Fund transactions and determining reasonableness of their compensation (e.g. commissions).

## **Termination**

Each of the Board of Trustees of the Absolute Funds and Absolute may terminate management services upon sixty (60) days' advance written notice. In the event of termination, fees would be charged pro-rata based on the number of calendar days of the month during which services were provided.

Item 12 further describes the factors that the Adviser considers in selecting or recommending broker-dealers for transactions and determining the reasonableness of their compensation (e.g., commissions).

## **Item 6: Performance-Based Fees and Side-By-Side Management**

Absolute does not charge performance-based fees.

## **Item 7: Types of Clients**

Absolute provides investment management services to the Absolute Funds, three registered open-end mutual funds.

## **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

### **Absolute Strategies Fund**

#### ***Principal Investment Strategies***

Absolute Strategies Fund is an absolute return fund that seeks to achieve long-term capital appreciation with an emphasis on absolute (positive) returns and low sensitivity to traditional financial market indices such as the S&P 500 Index.

# Absolute Investment Advisers LLC

---

Absolute believes that there are important benefits that come from investing through skilled asset managers whose strategies, when combined, seek to provide attractive long-term risk-adjusted returns, lower volatility and lower sensitivity to traditional market measures. To this end, Absolute selects for the Fund asset managers whose investment strategies, relative to their peers, seek to preserve capital and tend to perform differently over a complete market cycle. An investment strategy employing multiple subadvisers is commonly referred to as a “multi-manager” strategy.

The Fund will pursue absolute (positive) returns by allocating assets among such a carefully chosen group of subadvisers who employ a wide range of specialized investment strategies, which are expected to blend within the Fund’s portfolio so that the Fund may demonstrate low sensitivity and low volatility relative to the broader stock and bond markets over a complete market cycle.

The subadvisers utilize strategies and investment techniques that, in the aggregate, seek to produce long-term risk-adjusted returns over a complete market cycle while managing risk exposure. Absolute considers long-term risk-adjusted investment returns to be those that do not incur a permanent loss of capital over a full market cycle. Although the Fund is not a hedge fund, such strategies are more commonly associated with hedge funds. These strategies may attempt to exploit disparities or inefficiencies in markets, geographical areas, or companies; take advantage of security mispricings or anticipated price movements; and/or benefit from cyclical themes and relationships or special situations and events (such as spin-offs or reorganizations). Such strategies may have low sensitivity to traditional markets because they seek investment opportunities and risks that do not correlate with traditional markets.

Absolute has responsibility for allocating Fund assets across strategies and investment styles that Absolute believes are complementary and, when combined, will produce long-term risk-adjusted returns. To this end, Absolute will be responsible for selecting the Fund’s subadvisers and determining the portion of the Fund’s assets to be allocated to each subadviser. The Fund may obtain exposure to a subadviser’s strategy by investing in a registered investment company whose portfolio is managed by the subadviser pursuant to the strategy. Absolute reviews a range of factors (e.g., investment process) when evaluating each subadviser and its appropriate asset allocation. Absolute may direct a subadviser to reduce or limit its investment in certain assets or asset classes in order to achieve the desired composition of the Fund’s portfolio. Absolute retains the discretion to invest the Fund’s assets in securities and other instruments directly.

Absolute has the discretion to remove subadvisers or, subject to board approval, add subadvisers at any time. The subadvisers may use a combination of the following investment strategies:

Opportunistic and Long-Biased Equity Strategies seek to capitalize on undervalued equity securities (common stock, preferred stock, convertible securities, warrants, rights and sponsored or unsponsored American Depositary Receipts (“ADRs”)) or on positive market trends and typically invest in certain securities markets, industries, company sizes, or geographical areas. Strategies may be managed for absolute return and typically utilize short sales, options and futures and forward contracts to implement selective hedging and manage risk exposure. Strategies may also focus on special situations or events, including distressed equities.

# Absolute Investment Advisers LLC

---

Long/Short Equity or Market Neutral Strategies attempt to neutralize exposure to general domestic market risk by primarily investing in common stocks that are undervalued and short selling stocks that are considered to be overvalued. Strategies may attempt to realize a valuation discrepancy in the relationship between multiple securities (relative value or value arbitrage), or may utilize quantitative factors to measure investment attractiveness among securities. Long/Short Equity includes the broad ability to invest in stocks both long and short. Longs and shorts may be directly related to one another or independent from each other. Equity Market Neutral is a strategy that commits to maintaining a certain balance of long and shorts. This could mean equal parts long and short to keep the net exposure at or near zero, or it could mean a slightly variable amount long and shorts to keep the strategy beta at zero.

Convertible Arbitrage Strategies seek to take advantage of the pricing inefficiencies of the embedded option in a convertible bond. Convertible arbitrage involves purchasing a portfolio of convertible securities, generally convertible bonds, and hedging a portion of the equity risk by selling short the underlying common stock. subadvisers typically utilize futures, options and credit default swaps in order to seek to manage interest rate exposures and employ leverage to increase returns. Leverage means obtaining investment exposure in excess of the Fund's net assets, which creates the potential for magnified gains or losses. See "Leverage Risk," below, for more information about the risks of leverage.

Long/Short Hedged Equity Strategies invest in securities a subadviser believes to be undervalued or offer high growth opportunities while also attempting to minimize overall market risk or take advantage of an anticipated decline in the price of an overvalued company or index by using short sales, futures or options. Strategies may use futures or options to hedge risk, increase or reduce the Fund's investment exposure or obtain leverage. These strategies may be specialized in technology, agriculture, and/or financial services, among others. Hedged Equity refers to a strategy that generally contains a number of long investments but also certain other securities (cash, shorts, derivatives) designed to mitigate a certain risk(s) impeded in those longs.

Fixed Income, Long/Short Credit and Distressed Debt Strategies invest primarily in debt securities of domestic and foreign governments, agencies, and companies of all maturities and qualities, including high yield "junk bonds", bank loans and other defaulted debt securities, convertible bonds, preferred stock, Treasury Inflation Protected Securities ("TIPS"), exchange traded funds ("ETFs") and emerging market debt. The Fund may invest in mortgage-backed securities, collateralized mortgage obligations, asset-backed securities and other mortgage related securities ("Mortgage Related Securities"). Certain Mortgage Related Securities in which the Fund invests may be rated below investment grade (i.e., junk bonds) or unrated, under-performing securities.

The Fund invests in both short-term and long-term debt, and is not limited as to the maturities or quality of the corporate debt securities in which it invests. In executing certain strategies, the Fund may short bonds of any credit quality or maturity. Strategies may also utilize credit default swaps to create short positions when a subadviser anticipates a decline in the price of an overvalued security. The Fund may also purchase credit default swaps to enhance total return and lower volatility and may utilize treasury

---

## Absolute Investment Advisers LLC

---

futures to manage interest rate risk.

Strategies typically involve leverage and hedging through the use of ETFs, futures, credit default swaps, options on swaps, equities (and related equity options), total return swaps, short sales, or committed term reverse repurchase facilities, among other instrument types that the subadviser believes may enhance total return. In connection with these strategies, the Fund may act as a buyer or seller of credit default swaps.

*There is no assurance that the Absolute Strategies Fund will achieve its investment objective, and an investment in the Absolute Strategies Fund is not by itself a complete or balanced investment program.*



# Absolute Investment Advisers LLC

---

## **Absolute Capital Opportunities Fund**

### ***Principal Investment Strategies***

Absolute Capital Opportunities Fund seeks to achieve long-term capital appreciation with a lower sensitivity to traditional financial market indices such as the Standard & Poor's 500 Index.

Absolute, the Fund's investment adviser, believes the Fund can obtain significant benefits by allocating Fund assets among a carefully chosen group of skilled asset managers whose equity-based investment strategies, when combined, seek to provide attractive returns by focusing on equity investments with lower volatility and lower sensitivity to traditional market measures over a complete market cycle. An investment strategy employing multiple subadvisers is commonly referred to as a "multi-manager" strategy.

Absolute has primary responsibility for allocating Fund assets across strategies and investment styles that Absolute believes are complementary and, when combined, will produce long-term risk-adjusted returns. In seeking long-term risk-adjusted returns, Absolute equates risk with a permanent loss of capital and not simply volatility. To this end, Absolute will be responsible for selecting the Fund's subadvisers. Absolute reviews a range of factors (e.g., investment process) when evaluating each subadviser. Absolute retains the discretion to invest the Fund's assets in securities and other instruments directly.

Absolute has the discretion to remove subadvisers or, subject to board approval, add subadvisers at any time. Absolute may also reallocate Fund assets among subadvisers. The subadvisers may use a combination of the following investment strategies:

Opportunistic and Long-Biased Equity Strategies seek to capitalize on undervalued equity securities (common stock, preferred stock, convertible securities, warrants, rights and sponsored or unsponsored American Depositary Receipts ("ADRs")) or on positive market trends and typically invest in certain securities markets, industries, company sizes, or geographical areas. Strategies may utilize short sales, options and futures and forward contracts to implement selective hedging and manage risk exposure.

Long/Short Equity or Market Neutral Strategies attempt to neutralize exposure to general domestic market risk by primarily investing in common stocks that are undervalued and short selling stocks that are considered to be overvalued. Strategies may attempt to realize a valuation discrepancy in the relationship between multiple securities (relative value or value arbitrage), or may utilize quantitative factors to measure investment attractiveness among securities. Long/Short Equity includes the broad ability to invest in stocks both long and short. Longs and shorts may be directly related to one another or independent from each other. Equity Market Neutral is a strategy that commits to maintaining a certain balance of long and shorts. This could mean equal parts long and short to keep the net exposure at or near zero, or it could mean a slightly variable amount long and shorts to keep the strategy beta at zero.

# Absolute Investment Advisers LLC

---

Long/Short Hedged Equity Strategies invest in securities a subadviser believes to be undervalued or offer high growth opportunities while also attempting to minimize overall market risk or take advantage of an anticipated decline in the price of an overvalued company or index by using short sales, futures or options. Strategies may use futures or options to hedge risk, increase or reduce the Fund's investment exposure or obtain leverage. Leverage is an economic effect resulting from additional investment exposure, which creates the potential for magnified gains or losses. See "Leverage Risk," below, for more information about the risks of leverage. Hedged Equity refers to a strategy that generally contains a number of long investments but also certain other securities (cash, shorts, derivatives) designed to mitigate a certain risk(s) impeded in those longs.

*There is no assurance that the Absolute Capital Opportunities Fund will achieve its investment objective, and an investment in the Absolute Capital Opportunities is not by itself a complete or balanced investment program.*

## **Absolute Convertible Arbitrage Fund**

The Absolute Convertible Arbitrage Fund seeks to achieve positive absolute returns over the long-term with low volatility when compared to traditional market indices.

The Fund invests primarily in a diversified portfolio of convertible securities issued by both U.S. and foreign companies. These convertible securities are typically debt securities or preferred stocks that can be exchanged for, or convert automatically to, common stock. Although the Fund may invest in securities of issuers of any market capitalization, the Fund expects to invest primarily in small- and mid-capitalization companies. For these purposes, the Fund considers small capitalization companies to be those with a market capitalization of less than \$2 billion at the time of investment and mid-capitalization companies to be those with a market capitalization between \$2 billion and \$10 billion at the time of investment.

Convertible arbitrage involves purchasing a portfolio of convertible securities and hedging a portion of the equity and default risk inherent in such securities by selling short the common stock into which the securities may be converted. In so doing, the Fund is designed to provide investors with a source of alternative income and non-correlated returns from investments in interest and dividend-paying convertible securities and trading based on the pricing inefficiencies of the options embedded in the convertible securities. Non-correlated returns fluctuate in value independent of the core financial markets, such as stocks and bonds, and are intended to neutralize or counterbalance the risk that one or more of the investments in a traditional portfolio of stocks and bonds declines in value.

The Adviser works with a Subadviser to implement the Fund's investment strategy. The Adviser has primary responsibility for allocating Fund assets to the Subadviser and retains the discretion to invest the Fund's assets in securities and other instruments directly. The Adviser also has the discretion to remove the Subadviser or, subject to board approval, add a subadviser at any time.

# Absolute Investment Advisers LLC

---

The Subadviser analyzes the appreciation potential of the common stock underlying the convertible securities and the default risk of the convertible securities when investing the Fund's portfolio. In this regard, the Subadviser generally considers an issuer's financial soundness, ability to make interest and dividend payments, earnings and cash flow forecast, and quality of management.

The Fund's convertible arbitrage strategy is intended to offer investors the potential for yield and capital appreciation with less risk than traditional stocks and bonds due to a portion of the default risk of the convertible securities being hedged by shorting the underlying common stock. The Fund may invest in below investment grade securities with individual ratings ranging from AA to CCC. The average grade of bonds in the Fund's portfolio is typically below investment grade. Such "junk bonds" typically are rated below Baa3 by Moody's, BBB- by S&P or BBB- by Fitch. The Fund may purchase unrated securities if, at the time of purchase, the Adviser or Subadviser believes that they are of comparable quality to rated securities that the Fund may purchase.

*There is no assurance that the Absolute Convertible Arbitrage Fund will achieve its investment objective, and an investment in the Absolute Convertible Arbitrage Fund is not by itself a complete or balanced investment program.*

## **Absolute Strategies Fund**

## **Absolute Capital Opportunities Fund**

## **Absolute Convertible Arbitrage Fund**

### ***Principal Investment Risks***

An investment in either Absolute Fund is subject to a variety of risks which may be associated with the overall market condition or the specific types of investments within the Absolute Funds. Those risks include, but are not limited to, general market risk, recent market events risk, bank loans risk, convertible securities risk, credit risk, derivatives risk, distressed investments risk, emerging markets risk, equity risk, event-driven strategies risk, foreign risk, high turnover risk, interest rate risk, IPO risk, leverage risk, liquidity risk and management risk.

### ***ADR Risk (Absolute Strategies Fund and Absolute Capital Opportunities Fund only)***

The Funds may invest in ADRs. ADR risks include, but are not limited to, fluctuations in foreign currencies and foreign investment risks, such as political and financial instability, less liquidity, lack of uniform accounting, auditing and financial reporting standards and increased price volatility. In addition, ADRs may not track the price of the underlying foreign securities, and their value may change materially at times when U.S. markets are not open for trading. Unsponsored ADRs may involve additional risks, and their prices may be more volatile than the prices of sponsored ADRs.

# Absolute Investment Advisers LLC

---

## ***Cash and Cash Equivalents Holdings Risk (Absolute Strategies Fund and Absolute Capital Opportunities Fund only)***

To the extent the Funds hold cash and cash equivalents positions, the Funds risk achieving lower returns and potential lost opportunities to participate in market appreciation which could negatively impact the Funds' performance and ability to achieve its investment objective. This is particularly true when the market for other investments in which the Funds may invest is rapidly rising.

## ***Commodities Risk (Absolute Strategies Fund only)***

Exposure to the commodities markets may subject the Funds to greater volatility than investments in traditional securities. Commodities-related instruments are subject to substantial price fluctuations over short periods of time and may be affected by unpredictable economic, political and environmental events. Factors that may significantly affect the prices of commodities include, but are not limited to: global supply and demand; domestic and international interest rates and investors' expectations of interest rates; inflation rates and investors' expectations of inflation rates; the investment and trading activities of commodity futures contracts; political, economic, or financial events, both globally and regionally.

## ***Convertible Arbitrage Risk (Absolute Convertible Arbitrage Fund only)***

Convertible arbitrage involves purchasing a portfolio of convertible securities, generally convertible bonds, and hedging a portion of the equity risk by selling short the underlying common stock. Employing arbitrage and alternative strategies involves the risk that anticipated opportunities may not play out as planned, resulting in potentially reduced returns or losses to the Fund as it unwinds failed trades. Convertible arbitrage is further subject to special risks, including the risk of default in interest or principal payments, which could result in a loss of income to the Fund, or a decline in the market value of the securities.

## ***Convertible Securities and Arbitrage Risk (Absolute Strategies Fund and Absolute Convertible Arbitrage Fund only)***

Convertible securities entail interest rate and credit risks. While fixed-income securities generally have a priority claim on a corporation's assets over that of common stock, convertible securities held by the Funds that are rated below investment grade (i.e., "junk bonds") are subject to special risks, including the risk of default in interest or principal payments, which could result in a loss of income to the Funds or a decline in the market value of the securities.

## ***Contingent Convertible Securities Risk (Absolute Strategies Fund and Absolute Convertible Arbitrage Fund only)***

In addition to the general risks associated with fixed-income securities and convertible securities, the risks of investing in contingent convertible securities ("CoCos") include the risk that a CoCo may be written down, written off or converted into an equity security when the issuer's capital ratio falls below a specified trigger level, or in a regulator's discretion depending on the regulator's judgment about the issuer's solvency

# Absolute Investment Advisers LLC

---

prospects. Due to these features, CoCos may have substantially greater risk than other securities in times of financial stress. If the trigger level is breached, the issuer's decision to write down, write off or convert a CoCo may be outside its control, and the fund may suffer a complete loss on an investment in CoCos with no chance of recovery even if the issuer remains in existence.

## ***Counterparty Risk***

The Funds may enter into financial instruments or transactions with a counterparty. A counterparty may become bankrupt or otherwise fail to perform its obligations due to financial difficulties, jeopardizing the value of the Funds' investment.

## ***Currency Risk (Absolute Convertible Arbitrage Fund only)***

The Funds may invest directly in foreign currencies or in securities that trade in and/or receive revenues in foreign currencies or in derivatives that provide exposure to foreign currencies. These investments are subject to the risk that the foreign currencies will decline in value relative to the U.S. dollar or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged. The value of foreign currencies can change rapidly and unexpectedly.

## ***Derivatives Risk***

Derivatives, such as options, futures, forwards and swaps, can be volatile, and a small investment in a derivative can have a large impact on the performance of the Funds as derivatives can result in losses in excess of the amount invested. Other risks of investments in derivatives include risks of default by the other party to the derivative transactions; risks that the transactions may result in losses that partially or completely offset gains in portfolio positions; and risks that the derivative transaction may not be liquid. The Funds' use of derivatives may also expose the Funds to greater or different risks, including the following:

Correlation Risk is the risk of imperfect correlation between the value of these instruments and the underlying assets.

Credit Derivative Risk is the risk that a credit derivative position, such as a credit default swap, may correlate imperfectly with the price of the asset or liability being hedged. The Funds' risk of loss in a credit derivative transaction varies with the form of the transaction and may be significant.

Hedging Risk is the risk that derivative instruments used to hedge against an opposite position may offset losses, but they also may offset gains. Hedges may not be perfect and typically involve expenses.

Segregation Risk is the risk associated with any requirements, which may be imposed on the Funds, to segregate assets or enter into offsetting positions in connection with investments in derivatives. Such segregation will not limit the Funds' exposure to loss, and the Funds may incur investment risk with respect to the segregated assets to the extent that, but for the applicable segregation requirement, the Funds would sell the segregated assets.

Volatility Risk is the risk that, because the Funds may use some derivatives that involve economic leverage, this economic leverage will increase the volatility of a derivative instrument, as they may increase or decrease in value more quickly than the reference asset.

# Absolute Investment Advisers LLC

---

## ***Emerging Markets Risk (Absolute Strategies Fund only)***

Emerging markets investments are subject to the same risks as foreign investments and to additional risks due to greater political and economic uncertainties as well as a relative lack of information about companies in such markets. Securities traded on emerging markets are potentially illiquid and may be subject to volatility and high transaction costs.

## ***Energy Sector Risk (Absolute Strategies Fund only)***

Fund assets could be concentrated in the energy sector, which means the Fund could be more affected by the performance of the energy sector than a fund that is more diversified. Issuers in energy related industries can be significantly affected by fluctuations in energy prices and supply and demand of energy fuels. Markets for various energy-related commodities can have significant volatility, and are subject to control or manipulation by large producers or purchasers. Companies in the energy sector may need to make substantial expenditures, and to incur significant amounts of debt, in order to maintain or expand their reserves. Oil and gas exploration and production can be significantly affected by natural disasters as well as changes in exchange rates, interest rates, government regulation, world events and economic conditions. These companies may be at risk for environmental damage claims.

## ***Equity Risk***

The Funds' equity holdings, which include common stocks, may decline in value because of changes in price of a particular holding or a broad stock market decline. Common stock ranks below preferred stock and debt securities in claims for dividends and for assets of the company in a liquidation or bankruptcy. The value of a security may decline for a number of reasons which may relate directly to the issuer of a security or broader economic or market events including changes in interest rates.

## ***Fixed-Income Securities Risk (Absolute Strategies Fund and Absolute Convertible Arbitrage Fund only)***

The Funds may invest in fixed-income (debt) securities, which are generally subject to the following risks:

***Credit Risk.*** The financial condition of an issuer of a fixed-income security may cause the issuer to default. A decline in an issuer's credit rating may cause a decrease in the value of the security and an increase in investment risk and price volatility.

***Extension Risk.*** If interest rates rise, repayments of principal on certain fixed-income securities may occur at a slower-than-expected rate and, as a result, the expected maturity of such securities could lengthen which could cause their value to decline.

# Absolute Investment Advisers LLC

---

**Interest Rate Risk.** An increase in interest rates typically causes a decrease in the value of fixed-income securities in which the Funds may invest. An increase in interest rates typically causes a decrease in the value of fixed-income securities in which the Fund may invest. As of the date of this prospectus, interest rates are near historic lows, but may rise substantially and rapidly, thereby resulting in significant losses to the Fund.

**Prepayment Risk.** Prepayment of fixed-income securities, which is more common when interest rates are declining, may shorten such securities' maturity, reduce the Funds' return and cause the Funds to reinvest in lower yielding securities.

**Variable and Floating Interest Rate Risk. (Absolute Strategies Fund and Absolute Capital Opportunities Fund only)** Variable and floating rate securities may produce a leveraging effect or provide interest payments that vary inversely with market rates. Variable and floating rate securities may decline in value if interest rates in general or interest rates paid by them do not move as expected. Floating and variable rate securities may be called or redeemed by the issuer prior to maturity, which may result in the Funds having to reinvest proceeds in other investments at a lower interest rate. The Funds may suffer a loss if there is no active secondary market for any particular floating or variable rate security.

## **Foreign Investments Risk**

The value of foreign investments may be affected by risks in addition to those affecting domestic companies, including the imposition of new or amended government regulations, changes in diplomatic relations between the U.S. and another country, political and economic instability, the imposition or tightening of exchange controls or other limitations on repatriation of foreign capital or nationalization, and/or increased taxation or confiscation of investors' assets. Investments in securities of foreign issuers are subject to fluctuations in the value of the issuer's local currency and may be subject to foreign withholding and other taxes.

## **Forward and Futures Contracts Risk (Absolute Strategies Fund and Absolute Capital Opportunities Fund only)**

The primary risks associated with the use of forward and futures contracts are (i) the imperfect correlation between the price of the contract and the change in value of the underlying asset; (ii) possible lack of liquid secondary market for a forward contract and the resulting inability to close such a contract when desired; (iii) losses caused by unanticipated market movements, which are potentially unlimited; (iv) the inability to predict correctly the direction of securities prices, interest rates, currency exchange rates, and other economic factors; the possibility that the counterparty to a forward contract will default in the performance of its obligations; and (vi) if the Funds have insufficient cash, it may have to sell investments to meet daily variation margin requirements on a futures contract, and the Funds may have to sell investments at a time when it may be disadvantageous to do so.

# Absolute Investment Advisers LLC

---

## ***High Portfolio Turnover Risk***

The Funds' strategies may result in high portfolio turnover rates, which may increase the Funds' brokerage commission costs and negatively impact the Funds' performance. Such portfolio turnover also may generate net short-term capital gains.

## ***Industrials Sector Risk (Absolute Strategies Fund only)***

The value of securities issued by companies in the industrials sector may be adversely affected by supply and demand related to their specific products or services and industrials sector products in general. The products of manufacturing companies may face obsolescence due to rapid technological developments and frequent new product introduction. Government regulations, world events, economic conditions and exchange rates may adversely affect the performance of companies in the industrials sector. Companies in the industrials sector may be adversely affected by liability for environmental damage and product liability claims. Companies in the industrials sector, particularly aerospace and defense companies, may also be adversely affected by government spending policies because companies involved in this sector rely to a significant extent on government demand for their products and services.

## ***High-Yield Securities Risk (Absolute Convertible Arbitrage Fund only)***

Investments in "high yield securities" or "junk bonds" are inherently speculative and have a greater risk of default than investments in investment grade fixed-income securities. If an issuer defaults, a below-investment grade security could lose all of its value, be renegotiated at a lower interest rate or principal amount or become illiquid. Below-investment grade securities may be less liquid and more volatile than investment grade fixed-income securities and may be more difficult to value.

## ***Large Capitalization Company Risk (Absolute Strategies Fund and Absolute Capital Opportunities Fund only)***

The Funds' investments in large capitalization companies may underperform other segments of the market because they may be less responsive to competitive challenges and opportunities and unable to attain high growth rates during periods of economic expansion.

## ***Leverage Risk***

Certain transactions of the Funds, such as futures contracts, swap contracts, reverse repurchase agreements, dollar rolls, loans of portfolio securities, and the use of when-issued, delayed delivery or forward commitment transactions, may give rise to leverage, causing the Funds to be more volatile than if it had not been leveraged.

## ***Liquidity Risk***

The Funds may not be able to dispose of restricted, thinly traded and/or illiquid securities promptly or at reasonable prices. This may result in a loss to the Funds.

## ***Management Risk***

The Funds' performance may deviate from overall market returns to a greater degree than other funds that do not employ an absolute return focus. Alternatively, if the Funds or a subadviser takes a defensive posture by hedging its portfolio, then stock prices advance, the return to the Funds investors may be lower than expected and lower than if the portfolio had not been hedged. Due to its active management, the Funds could underperform other mutual funds with similar investment objectives.



# Absolute Investment Advisers LLC

---

## ***Market Events Risk***

Turbulence in the financial markets and reduced liquidity in equity, credit and fixed-income markets may negatively affect issuers worldwide, which could have an adverse effect on the Funds. In addition, there is a risk that policy changes by the Federal Reserve and/or other government actors, such as increasing interest rates, could cause increased volatility in financial markets and higher levels of Fund redemptions, which could have a negative impact on the Funds.

***Money Market Risk.*** Although a money market fund is designed to be a relatively low risk investment, it is not free of risk. Despite the short maturities and high credit quality of a money market fund's investments, increases in interest rates and deteriorations in the credit quality of the instruments the money market fund has purchased may reduce the money market fund's yield and can cause the price of a money market security to decrease. In addition, a money market fund is subject to the risk that the value of an investment may be eroded over time by inflation.

## ***Multi-Manager Risk***

The success of the Funds' strategies depends on, among other things, Absolute's skill in selecting subadvisers and the subadvisers' skill in executing the relevant strategy. The subadvisers' strategies may be out of favor at any time. In addition, because the subadvisers each make their trading decisions independently, it is possible that subadvisers may purchase or sell the same security at the same time without aggregating their transactions. This may cause unnecessary brokerage and other expenses and the Funds may incur losses as a result.

## ***Options Risk (Absolute Strategies Fund and Absolute Capital Opportunities Fund only)***

The price of an option, which is a function of interest rates, volatility, dividends, the exercise price, stock price and other market factors, may change rapidly over time. Price valuations or market movements may not justify purchasing put options on individual securities, stock indexes and ETFs, or, if purchased, the options may expire unexercised, causing the Funds to lose the premium paid for the options. There may be an imperfect correlation between the prices of options and movements in the price of the securities (or indices) hedged or used for cover which may cause a given hedge not to achieve its objective. Over-the-counter options expose the Funds to counterparty risk.

## ***Precious Metals Risk (Absolute Strategies Fund only)***

The value of precious metals and securities related to precious metals is generally very volatile, and may be affected by government policy; economic, financial, social and political factors; and inflation. In addition, the Fund may incur higher custody and transaction costs for precious metals than for investments in securities.

## ***Preferred Stock Risk***

Preferred stock is a class of a capital stock that typically pays dividends at a specified rate. Preferred stock is generally senior to common stock, but subordinate to debt securities, with respect to the payment of dividends and on liquidation of the issuer. The market value of preferred stock generally decreases when interest rates rise and is also affected by the issuer's ability to make payments on the preferred stock.

## ***Registered Investment Company and Exchange-Traded Funds Risk (Absolute Strategies Fund and Absolute Capital Opportunities Fund only)***

---

# Absolute Investment Advisers LLC

---

The risks of investing in these securities typically reflect the risks of the types of instruments in which the investment companies or ETFs invest. By investing in another investment company or ETF, the Fund becomes a shareholder of that investment company or ETF and bears its proportionate share of the fees and expenses of the other investment company or ETF. ETF Shares trade in the secondary market and may be purchased by the Fund at a premium or discount to their NAV. When selling such securities, the Fund may not sell at the same premium or discount and may lose money on the premium or discount.

## ***Repurchase and Reverse Repurchase Transactions Risk (Absolute Strategies Fund only)***

The Fund may enter into repurchase and reverse repurchase transactions agreements. If the party agreeing to repurchase should default, the Fund may sell the underlying securities and incur procedural costs or delays in addition to any unrecoverable loss on the securities. Reverse repurchase agreements involve the risk that the market value of the securities sold by a Fund may decline below the price at which such Fund is obligated to repurchase the securities. Reverse repurchase agreements may be considered borrowing for some purposes and may result in leverage.

## ***Restricted Securities Risk (Absolute Strategies Fund only)***

Rule 144A Securities are restricted securities and may be less liquid investments because such securities may not be readily marketable in broad public markets. The Funds may not be able to sell the restricted security when Absolute or a subadviser considers it desirable to do so and/or may have to sell the security at a lower price. A restricted security which when purchased was liquid may subsequently become illiquid. In addition, transaction costs may be higher for Rule 144A securities than for more liquid securities.

## ***Rights and Warrants Risk (Absolute Strategies Fund and Absolute Capital Opportunities Fund only)***

Rights and warrants may be considered more speculative than certain other types of investments in that they do not entitle a holder to dividends or voting rights with respect to the underlying securities that may be purchased nor do they represent any rights in the assets of the issuing company. Also, the value of a right or warrant does not necessarily change with the value of the underlying securities and a right or warrant ceases to have value if it is not exercised prior to the expiration date. If a right or warrant held by the Fund is not exercised by the date of its expiration, the Fund would lose the entire purchase price of the right or warrant.

## ***Sector Risk (Absolute Strategies Fund and Absolute Convertible Arbitrage Fund only)***

The Fund may invest a higher percentage of its total assets in one or more sectors. Negative developments affecting those sectors may result in greater market risk to the Fund than to a fund that is not weighted in those sectors.

# Absolute Investment Advisers LLC

---

## **Short Selling Risk**

If the Funds buy back a security it has sold short at a higher price, the Funds will incur a loss on the transaction. Because the loss on a short sale stems from increases in the value of the security sold short, the extent of such loss is theoretically unlimited. Short sales may decrease the liquidity of the Funds and may create leverage, which may cause relatively smaller adverse market movement to have a disproportionate impact on the Fund's performance. Short sales expose the Fund to Segregation Risk. See "Derivatives Risk," "Segregation Risk." discussed above.

## **Small and Mid-Capitalization Company Risk**

Investments in small and mid-capitalization companies may be less liquid, and their securities' prices may fluctuate more than those of larger, more established companies. These factors could adversely affect the Funds' ability to sell such securities at a desirable time and price.

## **Swap Contract Risk (*Absolute Strategies Fund and Absolute Capital Opportunities Fund only*)**

The use of swaps involves investment techniques and risks different from those associated with ordinary portfolio security transactions. In addition, each swap exposes the Funds to counterparty risk when a counterparty to a financial instrument entered into by the Funds may become bankrupt or otherwise fail to perform its obligations due to financial difficulties. As a result, the Funds may experience delays in or be prevented from obtaining payments owed to it pursuant to a swap contract.

**Technology Sector Risk (*Absolute Strategies Fund only*)** Investments in technology companies are vulnerable to factors affecting the technology sector, such as dependency on consumer and business acceptance as new technology evolves, large and rapid price movements resulting from competition, rapid obsolescence of products and services and short product cycles. Many technology companies are small and at an earlier stage of development and, therefore, may be subject to risks such as those arising out of limited product lines, markets and financial and managerial resources.

## **Value Investment Risk (*Absolute Strategies Fund and Absolute Capital Opportunities Fund only*)**

The Funds' investments in value securities are subject to the risk that they may remain undervalued for a given period or never realize their full value.

# Absolute Investment Advisers LLC

---

## ***Additional Information***

Absolute may invest the Funds' assets in securities and other instruments directly. Absolute may exercise this discretion in order to invest the Funds' assets pending allocation to a subadviser, to hedge the Funds against exposures created by the subadvisers, or to modify the Funds' exposure to a particular investment or market-related risk. Absolute may exercise its discretion over unallocated assets to invest the Funds' assets directly and may reallocate to itself assets previously allocated to a subadviser. There is no fixed or minimum allocation to any subadviser. In the future, Absolute may add or remove subadvisers.

To manage risk or enhance return (including through leverage), the subadvisers and/or Absolute directly may invest in derivatives. Some derivatives, such as exchange-traded futures and options on securities, commodities and indexes are standardized contracts that can readily be bought or sold, and whose market values are published daily. Non-standardized derivatives, such as swaps, tend to be more complex and harder to value. The subadvisers and/or Absolute directly may invest in forwards, futures and options contracts and in equity, interest rate, index, credit default swap agreements and currency rate swap agreements. The subadvisers and/or Absolute directly may invest in futures contracts on securities, commodities, and securities indices. The subadvisers and/or Absolute directly may invest in options on securities, securities indices, commodities and futures.

*A complete description of the Funds' investment strategies and risks are outlined in the prospectus and statement of additional information for each Fund. We encourage all investors to review those documents in conjunction with this brochure prior to making an investment in our Funds.*

## **Item 9: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Adviser or the integrity of the Adviser's management. The Adviser has no disciplinary information to report.

## **Item 10: Other Financial Industry Activities and Affiliations**

Brian Hlidek, an Officer of Absolute, is a registered representative of Foreside Fund Distributors, LLC, an unaffiliated broker-dealer that acts as a limited purpose distributor for the Absolute Funds.

## **Item 11: Code of Ethics**

Absolute has adopted a Code of Ethics ("Code") for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code includes provisions relating to the confidentiality of client information, a prohibition on insider trading, guidelines surrounding gifts and business entertainment items, personal securities trading procedures, conflicts of interest, among other things. All supervised persons must acknowledge the terms of the Code annually, or as amended.

# Absolute Investment Advisers LLC

---

The Code establishes standards and procedures for the detection and prevention of inappropriate personal securities transactions by persons having knowledge of the investments of the Absolute Funds and addresses other situations involving a potential conflict of interest.

The Code is intended to ensure that the employee conduct is in accordance with the following principles:

- 1) The duty at all times to place first the interest of clients;
- 2) The requirement that all personal securities transactions are in compliance with the Code in order to avoid any actual or potential conflict of interest or any abuse of an individual's responsibility and position of trust;
- 3) The fundamental standard that Absolute personnel not take appropriate advantage of their positions; and
- 4) The fundamental standard that Absolute and its associated persons have a fiduciary obligation to its clients.

Generally, Absolute requires pre-clearance and reporting of covered securities and accounts for Absolute's Access Persons. However, certain covered securities do not require pre-clearance but are subject to the reporting requirements. All covered security transactions are reviewed for compliance in accordance with the Code. A copy of the Code of Ethics may be obtained by sending an email to [info@absoluteadvisers.com](mailto:info@absoluteadvisers.com) or by phoning us at 781.740.1904.

The Adviser or the Funds may affect certain affiliated transactions, including transactions in accordance with Section 17 of the Investment Company Act of 1940, as amended.

## **Item 12: Brokerage Practices**

Generally, the subadvisers are responsible for making all decisions with respect to the Absolute Funds' investments and brokerage with respect to their subadvised portfolios. Absent instructions of the Adviser to the contrary, the subadvisers shall, in the name of the Absolute Funds, place orders for the execution of portfolio transactions with or through such brokers, dealers or other financial institutions as they may select. In addition, the subadvisers may exercise authority with respect to all other things necessary or incidental to the furtherance or conduct of such purchases, sales or other transactions, including voting of proxies with respect to securities owned by the Funds, subject to such proxy voting policies as approved by the Funds' Board.

Absolute retains the discretion to invest the Absolute Funds' assets in securities and other instruments directly consistent with any of the Fund's strategies or styles. This may include the use futures, forwards, ETFs and options to reduce the risk of market movements that may impact the Absolute Funds (*i.e.* managing exposure). We may exercise this discretion in order to invest the Absolute Funds' assets pending allocation to a subadviser, to hedge against overall Fund exposures created by the subadvisers, or to increase or reduce the Absolute Funds' net market or investment exposure or exposure to a particular issuer, sector or industry, which may involve leverage.

# Absolute Investment Advisers LLC

---

The Absolute Funds may invest in derivatives to hedge (or reduce) its exposure to a portfolio asset or risk, to obtain leverage for speculative purposes, to modify the net market or investment exposure, or to manage cash and/or as a substitute for taking a position in the reference asset or to gain exposure to certain asset classes. Absolute may exercise its discretion over unallocated assets or may reallocate to itself assets previously allocated to a subadviser.

In placing orders for securities transactions not otherwise delegated to a subadviser, our primary consideration in executing transactions on behalf of the Absolute Funds is prompt execution of orders in an effective manner and at favorable prices. In recognition of the value of the foregoing factors, Absolute may place portfolio transactions through a broker or dealer with whom we have negotiated a commission that is in excess of the commission another broker would have charged for effecting that transaction. Transactions are made independently with respect to each Fund and are not aggregated.

## **Soft Dollars / Directed Brokerage**

Absolute does not participate in any soft dollars or directed brokerage arrangements.

Absolute does not currently participate in any directed brokerage arrangements and does not select brokers based upon client referrals.

## **Item 13: Review of Accounts**

### **Reviews**

Absolute allocates assets to various subadvisers who exercise full discretion over any assets allocated to them. Each subadviser has implemented their own policies and procedures with respect to reviewing a Fund's portfolio on an ongoing basis to determine compliance with a Fund's registration statement and applicable regulatory requirements.

Absolute, in its role as Adviser, provides additional oversight with respect to the Absolute Funds and services provided to the Absolute Funds. The Portfolio Manager monitors the portfolios on an ongoing basis, focusing on short and long range parameters of risk, performance and diversification. The Vice President of Operations and/or the Vice President of Portfolio Management review post-trade and compliance monitoring reports on a regular basis and maintain ongoing dialog with the subadvisers. Reviews of compliance checklists and questionnaires completed by each subadviser are also performed on a quarterly basis.

### **Reporting**

Absolute provides quarterly reports to the Funds' Trustees and/or Fund CCO. Information provided includes, but is not limited to, investment management updates from the Portfolio Manager, a brokerage summary report, general updates regarding the subadvisers and compliance updates with respect to Absolute or the subadvisers.

# Absolute Investment Advisers LLC

---

## **Item 14: *Client Referrals and Other Compensation***

For the Absolute Funds, the Funds, at their own expense, may pay additional compensation to financial intermediaries for shareholder-related services, including administrative, recordkeeping and shareholder communication services. In addition, pursuant to any applicable Rule 12b-1 plan, the Funds may pay compensation to financial intermediaries for distribution-related services. For example, compensation may be paid to make Fund shares available to sales representatives and/or customers of a fund supermarket platform or a similar program sponsor or for services provided in connection with such fund supermarket platforms and programs. To the extent that the Funds pay all or a portion of such compensation, the payment is designed to compensate the financial intermediary for distribution activities or for providing services that would otherwise be provided by the Funds' transfer agent and/or administrator.

Absolute or another Fund affiliate, out of its own resources and not as an expense of the Fund, may provide additional compensation to financial intermediaries. Such compensation is sometimes referred to as "revenue sharing." Compensation received by a financial intermediary from Absolute or another Fund affiliate may include payments for shareholder servicing, marketing and/or training expenses incurred by the financial intermediary, including expenses incurred by the financial intermediary in educating its salespersons with respect to Fund shares. For example, such compensation may include reimbursements for expenses incurred in attending educational seminars regarding the Funds, including travel and lodging expenses. It may also cover costs incurred by financial intermediaries in connection with their efforts to sell Fund shares, including costs incurred in compensating registered sales representatives and preparing, printing and distributing sales literature.

The amount of compensation paid to different financial intermediaries may vary. The compensation paid to a financial intermediary may be based on a variety of factors, including average assets under management in accounts distributed and/or serviced by the financial intermediary, gross sales by the financial intermediary and/or the number of accounts serviced by the financial intermediary that invest in the Funds.

Any compensation received by a financial intermediary, whether from the Funds, the Adviser or another affiliate, and the prospect of receiving such compensation, may provide the financial intermediary with an incentive to recommend the shares of the Funds over other potential investments. Similarly, the compensation may cause financial intermediaries to elevate the prominence of the Funds within its organization by, for example, placing it on a list of preferred funds.

## **Item 15: *Custody***

Absolute's has three open-end mutual fund clients. As such, Absolute does not have custody of these respective assets. Cash and securities are maintained by the Funds' Custodian, which has been approved by the Absolute Funds' Board.

# Absolute Investment Advisers LLC

---

## **Item 16: Investment Discretion**

Absolute receives discretionary authority from its clients (the Absolute Funds) pursuant to its investment management agreements. Absolute's selects subadvisers to manage certain of the Funds' assets and to allocate assets among the selected subadvisers. Discretionary authority is transferred to the subadvisers pursuant to an investment management agreement between Absolute and each respective subadviser. In all cases, discretion is exercised in a manner consistent with the stated investment objectives for the particular client account.

## **Item 17: Voting Client Securities**

Each subadviser is responsible for voting proxies with respect to the portfolio of securities they manage on behalf of our Funds. The subadvisers maintain documentation of all proxies/corporate action information that was received, records of how the proxies were voted, when the vote was submitted, and any other applicable details that may be needed in order to facilitate the Administrator in filing Form N-PX on behalf of the Absolute Funds.

Proxy voting is generally not applicable to Absolute given the type of securities it transacts in on behalf of the Absolute Funds. However, we have adopted the Forum Funds' Proxy Voting Procedures should we have proxy voting responsibilities at any time in the future.

A copy of our Proxy Voting Policy and Procedures, as well as information related to how proxies were voted may be obtained by sending an email to [info@absoluteadvisers.com](mailto:info@absoluteadvisers.com) or by phoning us at 781.740.1904.

## **Item 18: Financial Information**

Registered investment advisers are required in this item to provide you with certain financial information or disclosures about Absolute's financial condition. Absolute has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.