ABSOLUTE CONVERTIBLE ARBITRAGE FUND

PORTFOLIO COMMENTARY - ARBIX

Q1 2026

ABSOLUTE FUNDS

Performance Overview:

The Absolute Convertible Arbitrage Fund (ARBIX) delivered a net return of **+1.65%** in the first quarter of 2026.

Once again, ARBIX demonstrated resilience during a challenging environment for both equity and fixed income markets. Stocks declined, interest rates rose, and credit spreads widened over the period. The S&P 500 Index returned **-4.35%** for the quarter, while the Bloomberg U.S. Aggregate Bond Index was essentially flat at **-0.05%**. Meanwhile, the iBoxx High Yield Index declined **-0.44%**, as credit spreads widened by approximately **50 basis points**.

CONVERTIBLE ARBITRAGE PORTFOLIO MANAGEMENT TEAM:

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Market Commentary:

The first signs of market stress emerged in mid-January, when software stocks began a sharp decline of roughly **25%** over the following month. Concerns surrounding the AI trade led to a meaningful compression in equity multiples across the sector. However, many convertible-issuing software companies maintain strong balance sheets and robust cash flows. As a result, these equity declines often translated into profitable opportunities within convertible arbitrage positions.

The second major market event was the onset of the Iran war in late February. This conflict triggered a sharp spike in oil prices, which in turn led to an unexpected increase in interest rates. Entering 2026, most market participants anticipated a gradual decline in rates, driven by moderating inflation and the transition to a more accommodative Federal Reserve leadership. Instead, rising oil prices and interest rates negatively impacted both equity valuations and credit spreads, as markets recalibrated toward higher inflation expectations and the possibility of a more restrictive monetary policy path. Additionally, concerns around expanding fiscal deficits and increased government borrowing—particularly related to the "One Big Beautiful Act"—have contributed to upward pressure on interest rates beyond initial expectations for 2026.

The third key theme in the quarter was the evolving situation in private credit markets. In our Q1 2025 commentary, we noted that private credit—particularly in less liquid structures and among lower-quality borrowers—could be vulnerable in a stressed environment. Early 2026 has seen a rise in redemption requests from retail-oriented, semi-liquid private credit funds. The magnitude of these flows suggests that this trend may persist for several quarters, potentially accompanied by negative media attention.

To date, the impact on public credit markets has been limited. We continue to monitor the situation closely. It is possible that public credit spreads widen in response, although the opposite outcome—capital rotating from private to liquid credit markets—could also occur. In either scenario, periods of uncertainty reinforce the value of a transparent, liquid, hedged credit strategy such as ARBIX within a diversified portfolio.

Q1 Fund Performance Breakdown:

The fund's gross Profit & Loss (P&L) contributions for the quarter were driven by the following factors:

Performance Driver	Contribution (Basis Points)
» Convertible bond appreciation relative to underlying stock	+99 bps
» Yield/Carry (Interest and Dividend Income)	+73 bps
» Trading Activities	+19 bps
» Interest Rate Hedge	+4 bps

(Commentary continued on next page)

(Definitions & Risk Disclosure on Last Page)

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New Issuance Remains Strong:

Convertible issuance remained robust during the first quarter of 2026. A total of **38 deals** were priced, raising approximately **$31 billion** in proceeds. At this pace, 2026 has the potential to surpass the record issuance of **$119 billion** observed in 2025.

As highlighted in prior commentaries, AI-related companies continue to be a major driver of new issuance. According to Barclays Research, AI infrastructure companies, including large-cap names such as Oracle and Nebius were large issuers during the first quarter.

While this remains an exciting and opportunity-rich segment of the market, we continue to approach AI-related investments with discipline and rigorous risk controls, focusing on individual security selection rather than thematic exposure.

Strategy Perspective:

Market participants often focus on macroeconomic developments and their influence on investment performance. While factors such as interest rates, credit spreads, equity volatility, and supply-demand dynamics certainly affect short-term results, their impact on convertible arbitrage strategies is typically more muted relative to other asset classes. This is due to the strategy's short duration, hybrid structure, and hedged nature, which collectively contribute to consistent, low-volatility returns.

Less frequently discussed, however, is what drives sustained outperformance within such a disciplined framework. At its core, performance is the result of rigorous bottom-up research, thoughtful security selection, and precise position sizing based on risk-reward considerations.

While most positions perform in line with expected return profiles, the strategy benefits from continuously identifying and capitalizing on new opportunities—particularly in high-growth sectors where innovation and disruption create mispricings. Select investments can generate outsized returns, meaningfully contributing to overall performance.

This dynamic is especially relevant in the current AI-driven environment, where rapid change creates both complexity and opportunity. Success ultimately depends on disciplined execution—driven by deep research, intellectual curiosity, and a consistent focus on individual securities.

Quarter-End Performance for ARBIX: As of 3/31/26, the 1 year, 5 year and 10-year annualized performance for the Absolute Convertible Arbitrage Fund was 7.86%, 4.74% and 6.05% 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.

As stated in the prospectus, the Absolute Convertible Arbitrage Fund's Total Annual Operating Expense ratio for Institutional Shares is 1.47% (gross and net) through July 31, 2026. Absolute Investment Advisers LLC, the Fund's Adviser, has contractually agreed to waive its fee and/or reimburse Fund expenses to limit Total Annual Fund Operating Expenses to 1.20% through July 31, 2026 (the "Expense Cap"). This Expense Cap, which excludes all taxes, interest, portfolio transaction expenses, dividend and interest expenses on short sales, acquired fund fees and expenses, broker charges, proxy expenses and extraordinary expenses, may only be raised or eliminated with the consent of the Board of Trustees.

(Definitions & Risk Disclosure on Last Page)

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DEFINITIONS:
A Basis Point: (or bps) 1/100th of a percent.

The iBoxx High Yield Index is a rules-based benchmark designed to track the performance of liquid, U.S. dollar-denominated, high-yield corporate bonds.

The Bloomberg US Aggregate Bond Index (the "Agg") is a broad-based, market-capitalization-weighted index representing the U.S. investment-grade, taxable bond market, including U.S. Treasuries, government-related securities, corporate bonds, and mortgage-backed securities. It serves as a primary benchmark for total return in the US fixed-income market.

Important Risk Information

Past performance does not guarantee future results. 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.

Asset allocation decisions may not always be correct and may adversely affect Fund performance. The value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors also may have an effect on a convertible security's investment value. Debt securities have interest rate, inflation and credit risks and are subject to prepayment and default risk. High yield and junk securities involve greater risk and tend to be more sensitive to economic conditions and credit risk. Short sales may be considered speculative and it may be difficult to purchase securities to meet delivery obligations. 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. Diversification does not prevent loss or enhance returns. Foreign investments present additional risk due to currency fluctuations, economic and political factors, government regulations, differences in accounting standards and other factors. Investments in emerging markets involve even greater risks. Small, mid and large cap stocks are subject to substantial risks such as market, business, size volatility, management experience, product diversification, financial resource, competitive strength, liquidity, and potential to fall out of favor that may cause their prices to fluctuate over time, sometimes rapidly and unpredictably. The Fund is actively managed and may experience high turnover. This may cause higher fees, expenses and taxes, which could detract from Fund performance.

These views are subject to change at any time based on market and other conditions, and Absolute Investment Advisers disclaims any responsibility to update such views. No forecasts can be guaranteed. These views may not be relied upon as investment advice or as an indication of trading intent on behalf of any Absolute Investment Advised investment product.

Investors should carefully consider the Fund's investments 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.

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