ABSOLUTE CONVERTIBLE ARBITRAGE FUND

PORTFOLIO COMMENTARY - ARBIX

Q2 2026

ABSOLUTE FUNDS

Performance Overview:

The Absolute Convertible Arbitrage Fund (ARBIX) returned **+3.43% during the second quarter of 2026, bringing year-to-date performance to +5.14%**. The fund benefited from one of the most favorable environments for convertible arbitrage strategies in recent years.

Following a more challenging first quarter, marked by weaker equity markets and wider credit spreads, market conditions improved significantly during Q2. Investor sentiment strengthened, credit spreads tightened, and equity markets recovered, creating a more constructive backdrop for convertible valuations. Although Treasury yields moved modestly higher, elevated single-stock volatility—particularly among technology companies—continued to provide attractive opportunities for active hedge management and volatility monetization.

CONVERTIBLE ARBITRAGE PORTFOLIO MANAGEMENT TEAM:

Eric Hage & Dan Hage
Managing Directors,
Co-Portfolio Managers

Marc Abizaid
Credit Analyst

Michael Dorociak
VP, Trading & Portfolio Management

Dave House
Director of Strategic Initiatives

Rebecca Gardner-Johnson
Vice President, Operations

Market Commentary:

A defining theme of the quarter was the continued expansion of the AI investment cycle. While semiconductor companies remained key beneficiaries of infrastructure spending, investor enthusiasm broadened to software companies as confidence grew that AI investment would drive recurring enterprise applications and monetizable software demand. This rotation supported a strong recovery in software equities, which comprise a meaningful portion of the convertible market.

An important feature of the quarter was the divergence between declining market-wide volatility and persistently elevated stock-specific volatility. Although the Cboe Volatility Index (VIX) fell as macroeconomic concerns eased, many convertible issuers experienced significant price movements driven by earnings, product announcements, and capital spending updates. These company-specific moves created favorable trading opportunities through active hedge rebalancing and gamma trading.

Credit markets also remained supportive. High-yield spreads tightened by roughly 50 basis points during the quarter, providing a tailwind for convertible valuations that partially offset the modest rise in Treasury yields. While spreads remain historically tight, stable credit conditions continue to support the asset class, making disciplined security selection increasingly important.

At quarter-end, approximately **47% of the convertible universe was equity-sensitive, 35% balanced, and 18% credit-sensitive**, reflecting a market increasingly driven by equity-related opportunities rather than credit-driven returns.

Q2 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	+271 bps
» Yield/Carry (Interest and Dividend Income)	+74 bps
» Trading Activities	+22 bps
» Interest Rate Hedge	+6 bps

(Commentary continued on next page)

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New Issuance Remains Strong:

The convertible market continued to expand during the first half of 2026. Total issuance reached **$92 billion year-to-date**, putting the market on pace to exceed last year's record **$119 billion**. The U.S. convertible market now totals approximately **$474 billion**, reflecting continued financing activity, particularly among technology and AI-related issuers.

The growing market provides a broader and more diversified opportunity set, enhancing security selection and allowing for increasingly targeted portfolio construction across issuers, sectors, and risk profiles.

Strategy Perspective:

Convertible arbitrage returns are driven primarily by the interaction of equity volatility, credit conditions, and security-specific dispersion rather than overall market direction. The second quarter offered a favorable combination of these factors.

Despite easing macroeconomic volatility, individual stocks continued to exhibit meaningful price dispersion, creating opportunities for disciplined hedge management as realized volatility frequently exceeded levels implied by convertible valuations. At the same time, stable credit markets and robust issuance expanded the available investment universe and supported portfolio flexibility across equity-sensitive, balanced, and credit-sensitive securities.

Looking ahead, we remain encouraged by the opportunity set. Elevated stock-specific volatility and a healthy pace of new issuance continue to provide attractive conditions for active management. While historically tight credit spreads warrant continued discipline, the size, liquidity, and diversity of today's convertible market remain supportive of a research-driven investment approach.

Quarter-End Performance for ARBIX: As of 6/30/26, the 1 year, 5 year and 10-year annualized performance for the Absolute Convertible Arbitrage Fund was 9.40%, 5.41% and 5.93% 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)

ABSOLUTE
INVESTMENT ADVISERS

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

The VIX Index: (Cboe Volatility Index) is a market index derived from S&P 500 Index options that measures the stock market's expectation of volatility over the coming 30 days.

Gamma Trading: The buying or selling of options to capitalize on the rate of change of an option's delta (which measures the sensitivity of an option's price to a $1 change in the underlying asset). Traders actively adjust their underlying stock positions to offset their options risk, aiming to profit from market volatility rather than the absolute direction of the stock price.

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.

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.

Distributor: Ultimus Fund Distributors, LLC
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