ABSOLUTE CONVERTIBLE ARBITRAGE FUND

PORTFOLIO COMMENTARY - ARBIX

Q3 2019

ABSOLUTE FUNDS

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The Absolute Convertible Arbitrage Fund (ARBIX) delivered a +1.14% return for investors in the 3rd quarter of 2019. Year-to-date returns for the first 9 months of 2019 stand at +5.36%.

The Fund continues to perform much as it has over the 17 years we have been running the strategy – moderate returns with low volatility and low beta to traditional stocks and bonds. The Fund's standard deviation is 1.29% since conversion to a mutual fund in August 2017. The Fund's beta to the S&P 500 Index over that time has been 0.05 and beta to Barclays Aggregate Bond Index has been 0.01. As of this writing, the fund's Sharpe Ratio for the past 12 months is 2.28.

These figures highlight the distinctive nature of the ARBIX's return profile. Over the last two years much of the global bond markets have whipsawed back and forth with significant changes in interest rates, credit spreads, equity values, and volatility. The Fund hasn't been very sensitive to any of these factors. The consistency of the Fund's performance during this time seems to be a major differentiator versus many other strategies, traditional or alternative.

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During the third quarter, our delta neutral equity hedges for each position worked to achieve moderate positive returns despite convertible security prices declining as the underlying stocks for convertibles fell -2.6%. Interest rates continued to decline and support bond values as the 5 year treasury yield (the on-the run-risk free rate close to our portfolio duration of 4 years) dropped 22 basis points to 1.55%. Conversely, credit was not supportive of bond values as the Option Adjusted Spread for US High Yield Cash Bonds widened from 4.40% to 4.63%. Volatility did pick up slightly in the 3rd quarter as the VIX Index closed about 1 point higher for the period.

The most significant development in the 3rd quarter was the surge in convertible new issuance. Convertible arbitrageurs like us rely on product coming to market as a higher volume of securities provides more opportunities to identify and then profit from pricing inefficiencies. 3rd quarter new issuance of $22 billion was the highest quarter of issuance since 2003. Year-to-date issuance through 3 quarters stands at $42.4 billion which annualizes to a projection of over $56 billion for 2019. By comparison, $29.7 billion was issued in 2016, $37.3 billion in 2017 and $47.3 billion in 2018. As a result, the convertible market continues to grow in size as it stands at $219 billion now versus $195 billion at the start of 2019.

Most importantly for ARBIX investors, the vast majority of the issuers continue to be small and mid-cap companies where pricing inefficiencies are most prevalent. 70 of the 84 deals priced to date (83% of the deals) have come from small and mid-cap companies, many of whom only issue convertible paper. We believe our 17 year track record of sticking to this specific niche is precisely the type of value proposition investors should seek in choosing an actively managed strategy that cannot be replicated elsewhere in the securities markets.

See Reverse for Definitions and Risks

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INVESTMENT ADVISERS

Quarter-End Performance for ARBIX: As of 9/30/19, the 1 year, 5 year and 10 year annualized performance was 5.07%, 4.27% and 5.24% 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.*

As stated in the prospectus, the Absolute Convertible Arbitrage Fund's Total Annual Operating Expense ratio (gross) for Institutional Shares is 2.19% and the net expense ratio is 1.94% through August 1, 2020. However, 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 1.60% through August 1, 2020 (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:** *Beta is the measure of a fund's relative volatility as compared to the S&P 500 Index which by definition is 1.00. Accordingly, a fund with a 1.10 beta is expected to perform 10% better than the Index in up markets and 10% worse in down markets. Sharpe ratio measures the performance of an investment compared to a risk-free asset, after adjusting for its risk. It is defined as the difference between the returns of the investment and the risk-free return, divided by the standard deviation of the investment. Delta is the ratio that compares the change in the price of an asset to the corresponding change in the price of its derivative. Delta neutral positioning utilizes multiple positions, balancing positive and negative deltas so that the overall delta of the assets in question totals zero.*

HEDGE FUND CONVERSION - In August 2017, a hedge fund managed by Mohican Financial Management LLC reorganized into the Fund. The Fund's performance for periods prior to the commencement of operations is that of the hedge fund and is based on calculations that are different from the standardized method of calculations adopted by the SEC. The performance of the hedge fund was calculated net of the hedge fund's fees and expenses. The performance of the hedge fund is not the performance of the Fund, has not been restated to reflect the fees, estimated expenses and fee waivers and/or expense limitations of the Fund, and is not necessarily indicative of the Fund's future performance. If the performance of the hedge fund had been restated to reflect the applicable fees and expenses of the Fund, the performance may have been lower. The hedge fund was not registered under the Investment Company Act of 1940 ("1940 Act") and was not subject to certain investment limitations, diversification requirements and other restrictions imposed by the 1940 Act and the Internal Revenue Code of 1986, which, if applicable, may have adversely affected its performance.

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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