CONVERTIBLE ARBITRAGE Where Does It Fit?

THE ABSOLUTE CONVERTIBLE ARBITRAGE FUND [ARBIX]

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A few questions we are often asked: *“where does the strategy fit in a portfolio?” “Is it more like traditional bonds, or alternative strategies like market-neutral?” “How does it compare to nontraditional bond funds or bank loans?”* The answer, and the reason we like convertible arbitrage so much, is that it has the ability to fit in several different places in a portfolio.

Here’s why - Convertible bonds are hybrid securities – part corporate bond with a conversion to equity feature that essentially makes them part stock. Just owning convertibles outright tends to produce returns that are highly correlated to the underlying equities. But shorting a company’s stock against a long bond position hedges that equity sensitivity away. It isolates the underlying credit. This process is the most common version of convertible arbitrage.

The underlying credits are unique and don’t trade in lockstep with stocks or other bond groups for a number of reasons – many of the issuers are small and mid-cap companies, many of these companies only issue convertible bonds, the bonds themselves are often not rated by agencies, and the bonds are often issued with moderate duration.

Investors can use convertible arbitrage any of several different buckets depending on how they construct portfolios.

NONTRADITIONAL BONDS & BANK LOANS

Goal = lower interest rate sensitivity

Those looking to limit interest rate sensitivity may use convertible arbitrage **alongside nontraditional bond funds** or bank loan funds. The unique nature of convertible arbitrage trades has made them somewhat agnostic to rate rises. In fact, the Absolute Convertible Arbitrage Fund has generated a positive return in every rising rate environment since its’ inception in 2002 (data through 9/30/20), as defined by a 90+ basis point move in the 10 Year US Treasury Yield.

A comparison of ARBIX to the Morningstar Nontraditional Bond Fund and Bank Loan Categories is in table 1 on reverse.

TRADITIONAL CORPORATE BONDS

Goal = moderate total return

Those building a portfolio based on the source of returns may use convert arbitrage **alongside traditional bond funds.** Returns come primarily from the same idea - picking individual bonds based on credit research. Once the equity sensitivity is hedged out of a convertible bond, the remaining credit can be modeled in much of the same manner a straight bond can – current price, interest rate, spread over comparable treasury yield. Volatility does act as an additional factor.

A comparison of ARBIX to the Morningstar Corporate Bond Category is in table 2 on reverse.

ALTERNATIVES

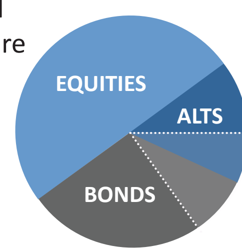
Goal = diversify long only stocks and bonds

Those looking to lower the beta or volatility of a portfolio may use convertible arbitrage **alongside alternative strategies**. ARBIX’s beta to the S&P 500 Index is 0.08 and beta to the Barclays Aggregate Bond Index is 0.21 and standard deviation is 2.33% (since its conversion from a hedge Fund on 8/14/17 through 9/30/20). This is similar to what managed futures and market neutral funds may offer. Additionally, convertible arbitrage may be considered as part of a credit oriented strategy. The majority of alternative funds are more equity oriented.

*A comparison of ARBIX to various Morningstar liquid alternative categories is in table 3 on reverse. *ARBIX categorized as Market Neutral*

CONCLUSION

The biggest challenge to using convertible arbitrage may be demystifying the strategy and understanding its merits compared to other commonly used investments. It doesn’t require a radically new approach to asset allocation. The potential benefits on the both risk and return side suggest that convertible arbitrage will fit within many investors’ current portfolio construction methodology. *(Comparative returns can be found on reverse)*



ARBIX

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See last page for definitions

COMPARATIVE RETURNS ANNUALIZED RETURNS THROUGH 9/30/20

1: WITH NONTRADITIONAL BOND FUNDS & BANK LOANS	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
Absolute Convertible Arbitrage Fund (ARBIX)	**6.07%**	**7.09%**	**5.21%**	**5.46%**	**4.74%**
Morningstar Nontraditional Bond Category	-0.01%	1.61%	1.77%	2.98%	2.54%
Morningstar Bank Loan Category	-2.23%	-0.75%	1.85%	2.93%	3.30%

2: WITH TRADITIONAL BONDS	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
Absolute Convertible Arbitrage Fund (ARBIX)	**6.07%**	**7.09%**	**5.21%**	**5.46%**	**4.74%**
Morningstar Corporate Bond Category	5.87%	7.25%	5.58%	5.44%	4.87%

3: AWITH ALTERNATIVE INVESTMENTS	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
Absolute Convertible Arbitrage Fund (ARBIX)	**6.07%**	**7.09%**	**5.21%**	**5.46%**	**4.74%**
Morningstar Market Neutral Category *	-0.80%	-0.59%	0.53%	0.85%	1.05%
Morningstar Managed Futures Category	-2.45%	-4.39%	-0.28%	-1.36%	-0.43%
Morningstar Long/Short Credit Category	0.15%	1.38%	2.02%	2.96%	3.40%
Morningstar Long/Short Equity Category	-0.04%	4.05%	2.57%	4.14%	4.99%
Morningstar Multialternative Category	-2.34%	-0.38%	1.22%	2.02%	2.50%

**ARBIX is categorized by Morningstar as Market Neutral*
See last page for category definitions

Source: Morningstar

The returns presented for the Fund prior to August 14, 2017 reflect the performance of the Mohican VCA Fund, LP, a privately offered hedge fund (the "Predecessor Fund"). The Fund has adopted the historical performance of the Predecessor Fund as the result of a reorganization in which the Fund acquired all the assets, subject to liabilities, of the Predecessor Fund, effective as of the close of business on August 14, 2017.

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 1.67% and the net expense ratio is 1.49% through August 1, 2021. 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 1.40% through August 1, 2021 (the "Expense Cap") and to 1.20% when the Fund reaches $250 million in assets under management. This Expense Cap, which excludes all taxes, interest, portfolio transaction expenses, dividend and interest expenses on short sales, acquired fund fees and expenses, broker charges, proxy expenses and extraordinary expenses, may only be raised or eliminated with the consent of the Board of Trustees.

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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SKU: ARB-FIT

DEFINITIONS:

Correlation: *Correlation is a statistic that measures the degree to which two securities move in relation to each other.*

Duration: *Duration measures how long it takes, in years, for an investor to be repaid the bond's price by the bond's total cash flows. At the same time, duration is a measure of sensitivity of a bond's or fixed income portfolio's price to changes in interest rates*

Basis Point: *1 Basis Points (bps) = 1/100th of a percent*

Beta: *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.*

S&P 500 Index: *The S&P 500, or simply the S&P, is a stock market index that measures the stock performance of 500 large companies listed on stock exchanges in the United States.*

Barclays Aggregate Bond Index: *The Bloomberg Barclays US Aggregate Bond Index, or the Agg, is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States.*

Morningstar Categories:
The Morningstar Category™ classifications were introduced in 1996 to help investors make meaningful comparisons between mutual funds. The classifications break portfolios into peer groups based on their holdings to help investors identify the top-performing funds, assess potential risk, and build well-diversified portfolios. Morningstar regularly reviews the category structure and the portfolios within each category to ensure that the system meets the needs of investors.

Morningstar Nontraditional Bond Category: *The Nontraditional Bond category contains funds that pursue strategies divergent in one or more ways from conventional practice in the broader bond-fund universe.*

Morningstar Bank Loan Category: *Bank-loan portfolios primarily invest in floating-rate bank loans instead of bonds. In exchange for their credit risk, these loans offer high interest payments that typically float above a common short-term benchmark such as the London interbank offered rate, or LIBOR.*

Morningstar Corporate bond Category: *Corporate bond portfolios concentrate on investment-grade bonds issued by corporations in U.S. dollars, which tend to have more credit risk than government or agency-backed bonds. These portfolios hold more than 65% of their assets in corporate debt, less than 40% of their assets in non-U.S. debt, less than 35% in below-investment-grade debt, and durations that typically range between 75% and 150% of the three-year average of the effective duration of the Morningstar Core Bond Index.*

Morningstar Market Neutral Category: *Market neutral portfolios seek income while maintaining low correlation to fluctuations in market conditions. Market neutral portfolios typically hold 50% of net assets in long positions and 50% of net assets in short positions in order to deliver positive returns regardless of the direction of the market. This category is only used in Morningstar's custom fund and separate account databases.*

Morningstart Managed Futures Category: T*hese funds primarily trade liquid global futures, options, swaps, and foreign exchange contracts, both listed and over-the-counter. A majority of these funds follow trend-following, price-momentum strategies. Other strategies included in this category are systematic mean-reversion, discretionary global macro strategies, commodity index tracking, and other futures strategies. More than 60% of the fund's exposure is invested through derivative securities. These funds obtain exposure primarily through derivatives; the holdings are largely cash instruments.*

Morningstar Long/Short Equity and Long/Short Credit Categories: *Long-short portfolios hold sizable stakes in both long and short positions. Some funds that fall into this category are market neutral – dividing their exposure equally between long and short positions in an attempt to earn a modest return that is not tied to the market's fortunes. Other portfolios that are not market neutral will shift their exposure to long and short positions depending upon their macro outlook or the opportunities they uncover through bottom-up research.*

Morningstar Multialternative Category: *These funds offer investors exposure to several different alternative investment tactics. Funds in this category have a majority of their assets exposed to alternative strategies. An investor's exposure to different tactics may change slightly over time in response to market movements. Funds in this category include both funds with static allocations to alternative strategies and funds tactically allocating among alternative strategies and asset classes. The gross short exposure is greater than 20%.*