



ABSOLUTE FUNDS

# ABSOLUTE CONVERTIBLE ARBITRAGE FUND [ ARBIX ]

## PERFORMANCE & RISK DATA

Q123

Data Through 12/31/23

## Principal Investment Risks

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.

***Before investing you should carefully consider the Fund's investment objectives, risks, charges and expenses. 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 website at [www.absoluteadvisers.com](http://www.absoluteadvisers.com). Please read the prospectus carefully before you invest.***

## Standardized Performance

### **Quarter-End Performance for ARBIX:**

As of 12/31/22, the 1 year, 5 year and 10 year annualized performance for the Absolute Convertible Arbitrage Fund was -0.54%, 3.97% and 4.21% respectively.

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 1.75% and the net expense ratio is 1.51% through August 1, 2023. 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 1.20% through August 1, 2023 (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.*



## RETURN STATISTICS

ARBIX & Relevant Bond Categories:	Annualized	Annualized
	<u>Since Inception</u>	<u>Since MF Conversion</u>
ARBIX	6.34%	4.09%
HFRX Fixed Income Convert Arb Index	-0.11%	2.12%
Bloomberg Aggregate Index	3.14%	0.11%
iBoxx High Yield Index	6.08%	2.10%

## ARBIX PERFORMANCE STATISTICS

<b>ARBIX Data:</b>	<u>Since Inception</u>	<u>Since MF Conversion</u>
Beta to S&P 500 Index	0.14	0.08
Beta to Barclays Aggregate Index	0.13	0.13
Standard Deviation	4.9%	2.3%
Sharpe Ratio	1.04	1.22
	<u>Since Inception</u>	<u>Since MF Conversion</u>
Up Months	77%	77%
Down Months	22%	20%

### Data as of 12/31/2021

Fund inception was 10/1/2002

Conversion to a mutual fund: 8/14/2017

\*See Appendix for annualized performance of referenced indexes

## PORTFOLIO COMPOSITION

Long Market Value	86%
Short Market Value	-44%
Leverage	None

Number of Trades (paired positions) 147

### BY ISSUER SIZE

Small-Cap	71
Mid-Cap	65
Large-Cap	11

Portfolio Exposure is Diversified Across 72 Industries

### 5 LARGEST

Computer Program & Software	11%
Pharmaceutical Process	5%
Semiconductor	4%
Computer Integrated Systems	4%
Business Services	3%

Exposure by Geography

100%  
US Listed

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## RISING RATE ENVIRONMENTS

### Performance in Rising Rate Environments (10 year US Treasury)

#### HISTORICAL:

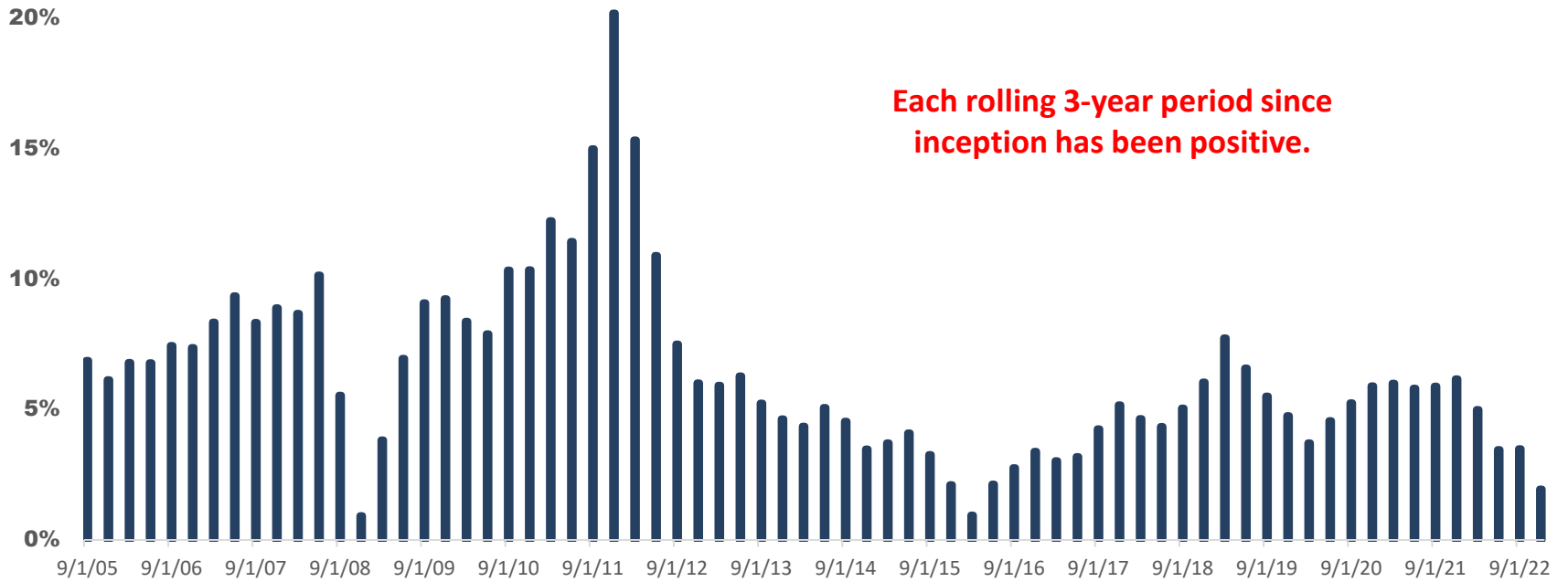
	Jun-03 to Jun-04	Jul-05 to Jun-06	Dec-08 to Jun-09	Oct-10 to Feb-11	Jul-12 to Dec-13	Jul-16 to Dec-16	9/8/2017 to 10/8/2018	8/4/2020 to 3/31/2021	8/3/2021 to 10/24/2022
YIELD INCREASE (BPS):	127 bps	113 bps	128 bps	90 bps	153 bps	96 bps	117 bps	123 bps	307 bps
BLOOMBERG AGG INDEX PERFORMANCE:	0.12%	-0.81%	1.90%	-0.93%	-1.62%	-2.53%	-2.88%	-3.70%	-14.88%
ARBIX PERFORMANCE:	7.21%	15.47%	30.33%	3.57%	7.73%	6.26%	3.82%	5.50%	-0.57%

*Data Through 12/31/22 (\*last period is ongoing). Past performance is not indicative of future results.  
bps = Basis Points. 1 basis point = 1/100<sup>th</sup> of a percent*

#### Why has ARBIX sensitivity to interest rate rises been so low?

1. The portfolio tends to have bonds with relatively short times to maturity
2. The portfolio is focused on small & mid-cap bonds, not as sensitive to broader markets as larger issues
3. At times, rising rates may signal general strength in credit, compressing spreads
4. The portfolio often contains trades designed to isolate under-valued volatility
5. When interest rates rise, interest on short balance goes up
6. Rising interest rates can increase value of embedded option in convertible bonds

### ARBIX 3-Year Rolling Returns, Quarterly Inception (10/2002) to 12/31/2022



**Each rolling 3-year period since inception has been positive.**

POTENTIAL BENEFIT:  
**LOW BETA**

**EQUITIES**

ARBIX BETA TO:

- S&P 500 (Large-Cap): **0.08**
- S&P 400 (Mid-Cap): **0.07**
- S&P 600 (Small Cap): **0.06**
- Russell 3000 Value Index: **0.08**
- Russell 3000 Growth Index: **0.07**
- MSCI EAFE (International): **0.09**
- MSCI Emerging Markets: **0.08**

**FIXED INCOME**

ARBIX BETA TO:

- Barclays Aggregate Bond Index: **0.13**
- iBoxx Investment Grade Index: **0.12**
- iBoxx High Yield Index: **0.19**
- S&P Nat. AMT-Free Muni Bond Index: **0.19**
- Mstar/LSTA Leveraged Loan Index: **0.25**
- JP Morgan EMBI Global Core Index: **0.15**

**ALTERNATIVES**

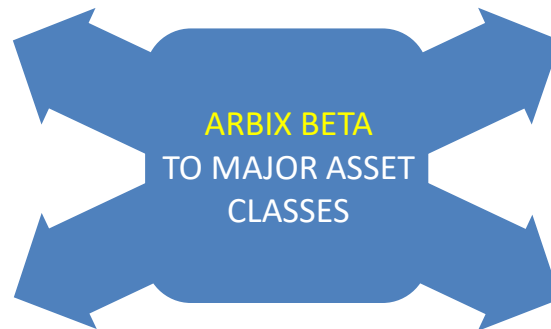
ARBIX BETA TO:

- HFRX Global Hedge Fund Index: **0.36**
- HFRX Equity Hedge Index: **0.21**
- HFRX Equity Market Neutral Index: **0.23**
- HFRX Merger Arbitrage Index: **0.21**
- HFRX Macro/CTA Index: **0.06**

**REAL ASSETS**

ARBIX BETA TO:

- Dow Jones REIT Index: **0.06**
- S&P GSCI Commodities Index: **0.04**



*Adding ARBIX to a portfolio may  
lower cross asset sensitivities*

## EQUITIES

STANDARD DEVIATION:

S&P 500 (Large-Cap): **19.9%**  
 S&P 400 (Mid-Cap): **24.2%**  
 S&P 600 (Small Cap): **25.9%**  
 Russell 3000 Value Index: **20.8%**  
 Russell 3000 Growth Index: **22.1%**  
 MSCI EAFE (International): **18.7%**  
 MSCI Emerging Markets: **18.5%**

## ALTERNATIVES

STANDARD DEVIATION:

HFRX Global Hedge Fund Index: **4.7%**  
 HFRX Equity Hedge Index: **7.4%**  
 HFRX Equity Market Neutral Index: **4.3%**  
 HFRX Merger Arbitrage Index: **6.6%**  
 HFRX Macro/CTA Index: **6.5%**

## POTENTIAL BENEFIT: LOW VOLATILITY



## FIXED INCOME

STANDARD DEVIATION:

Barclays Aggregate Bond Index: **4.7%**  
 iBoxx Investment Grade Index: **10.2%**  
 iBoxx High Yield Index: **9.3%**  
 S&P Nat. AMT-Free Muni Bond Index: **6.2%**  
 Mstar/LSTA Leveraged Loan Index: **6.7%**  
 JP Morgan EMBI Global Core Index: **10.2%**

## REAL ASSETS

STANDARD DEVIATION:

Dow Jones REIT Index: **25.4%**  
 S&P GSCI Commodities Index: **24.06%**

*Adding ARBIX to a portfolio may  
lower overall volatility*



### EQUITIES

Q4 2018 PERFORMANCE:

S&P 500 (Large-Cap): **-6.3%**  
 S&P 400 (Mid-Cap): **-7.9%**  
 S&P 600 (Small Cap): **-8.7%**  
 Russell 3000 Value Index: **-6.5%**  
 Russell 3000 Growth Index: **-6.4%**  
 MSCI EAFE (International): **-4.6%**  
 MSCI Emerging Markets: **-7.2%**

## POTENTIAL BENEFIT: DRAWDOWN PERFORMANCE

(as illustrated by the S&P 500)

**Fourth Quarter 2018**

### FIXED INCOME

Q4 2018 PERFORMANCE:

Barclays Aggregate Bond Index: **+1.6%**  
 iBoxx Investment Grade Index: **-0.5%**  
 iBoxx High Yield Index: **-4.2%**  
 S&P National AMT-Free Muni Bond Index: **+1.5%**  
 S&P/LSTA Leveraged Loan Index: **-3.4%**  
 JP Morgan EMBI Global Core Index: **-1.6%**

### ALTERNATIVES

Q4 2018 PERFORMANCE:

HFRX Global Hedge Fund Index: **-5.5%**  
 HFRX Equity Hedge Index: **-8.5%**  
 HFRX Equity Market Neutral Index: **-2.6%**  
 HFRX Merger Arbitrage Index: **-0.1%**  
 HFRX Macro/CTA Index: **-2.0%**

**ARBIX RETURN**  
**Q4 2018: -0.2%**  
**COMPARED TO**  
**MAJOR ASSET**  
**CLASSES**

### REAL ASSETS

Q4 2018 PERFORMANCE:

Dow Jones REIT Index: **-6.0%**  
 S&P GSCI Commodities Index: **-22.9%**

*Adding ARBIX to a portfolio may help performance during times of stress for other assets*

### EQUITIES

Q1 2020 PERFORMANCE:

- S&P 500 (Large-Cap): **-19.6%**
- S&P 400 (Mid-Cap): **-29.7%**
- S&P 600 (Small Cap): **-32.6%**
- Russell 3000 Value Index: **-27.3%**
- Russell 3000 Growth Index: **-14.8%**
- MSCI EAFE (International): **-22.7%**
- MSCI Emerging Markets: **-23.5%**

### ALTERNATIVES

Q1 2020 PERFORMANCE:

- HFRX Global Hedge Fund Index: **-6.8%**
- HFRX Equity Hedge Index: **-13.3%**
- HFRX Equity Market Neutral Index: **-7.8%**
- HFRX Merger Arbitrage Index: **-7.4%**
- HFRX Macro/CTA Index: **-1.1%**

## POTENTIAL BENEFIT: DRAWDOWN PERFORMANCE

(as illustrated by the S&P 500)

**First Quarter 2020**



*Adding ARBIX to a portfolio may help performance during times of stress for other assets*

### FIXED INCOME

Q1 2020 PERFORMANCE:

- Barclays Aggregate Bond Index: **+3.1%**
- iBoxx Investment Grade Index: **-3.2%**
- iBoxx High Yield Index: **-11.9%**
- S&P National AMT-Free Muni Bond Index: **-0.4%**
- S&P/LSTA Leveraged Loan Index: **-13.0%**
- JP Morgan EMBI Global Core Index: **-13.6%**

### REAL ASSETS

Q1 2020 PERFORMANCE:

- Dow Jones REIT Index: **-23.2%**
- S&P GSCI Commodities Index: **-42.3%**

### EQUITIES

Q1 2020 PERFORMANCE:

- S&P 500 (Large-Cap): **-23.8%**
- S&P 400 (Mid-Cap): **-21.5%**
- S&P 600 (Small Cap): **-23.1%**
- Russell 3000 Value Index: **-17.9%**
- Russell 3000 Growth Index: **-30.5%**
- MSCI EAFE (International): **-27.0%**
- MSCI Emerging Markets: **-27.1%**

### ALTERNATIVES

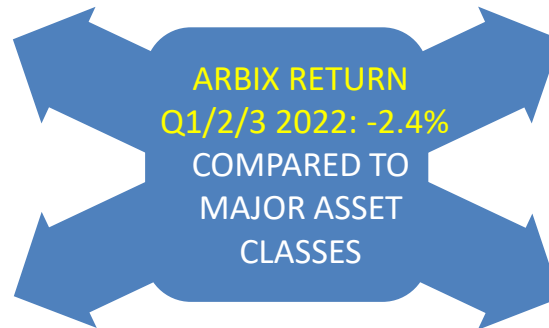
Q1 2020 PERFORMANCE:

- HFRX Global Hedge Fund Index: **-4.5%**
- HFRX Equity Hedge Index: **-4.8%**
- HFRX Equity Market Neutral Index: **-1.2%**
- HFRX Merger Arbitrage Index: **-2.7%**
- HFRX Macro/CTA Index: **+6.0%**

## POTENTIAL BENEFIT: DRAWDOWN PERFORMANCE

(as illustrated by the S&P 500)

**First, Second & Third  
Quarters 2022**



### FIXED INCOME

Q1 2020 PERFORMANCE:

- Barclays Aggregate Bond Index: **-14.6%**
- iBoxx Investment Grade Index: **-21.2%**
- iBoxx High Yield Index: **-14.3%**
- S&P National AMT-Free Muni Bond Index: **-11.5%**
- MStar/LSTA Leveraged Loan Index: **-3.2%**
- JP Morgan EMBI Global Core Index: **-20.8%**

### REAL ASSETS

Q1 2020 PERFORMANCE:

- Dow Jones REIT Index: **-28.0%**
- S&P GSCI Commodities Index: **+21.8%**

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POTENTIAL BENEFIT:  
**LOW BETA**

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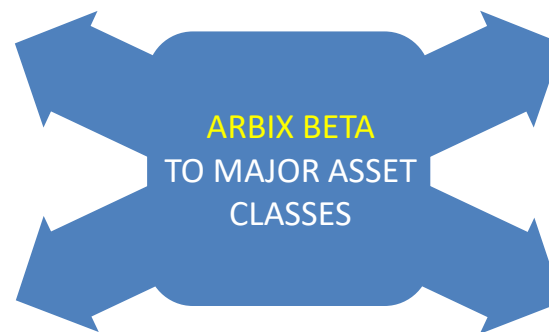
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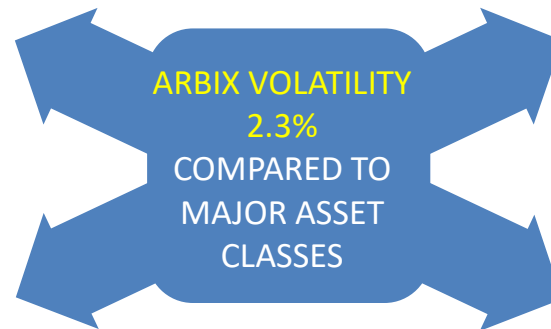
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## Annualized Performance of Referenced Indexes (as of 12/31/22)

INDEX/CATEGORY	1 Year	5 Year	10 Year
S&P 500	-18.11%	9.43%	12.56%
S&P MidCap 400	-13.06%	6.71%	10.78%
S&P SmallCap 600	-16.10%	5.88%	10.82%
Russell 3000 Value	-7.98%	6.50%	10.16%
Russell 3000 Growth	-28.97%	10.45%	13.76%
MSCI EAFE	-14.45%	1.54%	4.67%
MSCI EM	-20.09%	-1.40%	1.44%
Bloomberg US Agg Bond	-13.01%	0.02%	1.06%
Markit iBoxx Liquid IG	-17.91%	0.33%	2.02%
Markit iBoxx Liquid High Yield	-10.73%	1.97%	3.34%
S&P National AMT Free Muni	-8.10%	1.23%	2.01%
JPM EMBI Global Core	-18.37%	-1.42%	1.40%
Morningstar/LSTA Leveraged Loan Index	-0.60%	3.31%	3.67%
HFRX Global Hedge Fund	-4.41%	1.41%	1.76%
HFRX Equity Hedge	-3.18%	2.63%	3.27%
HFRX Equity Market Neutral	0.08%	-1.60%	-0.10%
HFRX ED Merger Arbitrage	-0.32%	1.23%	2.71%
HFRX Macro/CTA	3.75%	1.71%	0.93%
HFRX RV FI-Convertible Arbitrage	-12.50%	1.84%	2.19%
S&P GSCI	25.99%	6.46%	-3.30%
DJ Equity All REIT	-25.01%	4.48%	7.13%

The indexes listed are used in various places within this presentation to illustrate certain points about fixed income strategies, hedging strategies and/or general market categories. Indexes are not managed and it is not possible to invest directly in an index.

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## Definitions:

**Standard Deviation** indicates the volatility of a fund's total returns. In general, the higher the standard deviation, the greater the volatility of return.

**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.

**The HFRX (Hedge Fund Research) Fixed Income Convertible Arbitrage** Index includes strategies in which the investment thesis is predicated on realization of a spread between related instruments in which one or multiple components of the spread is a convertible fixed income instrument.

**S&P 500 TR USD:** The index measures the performance of 500 widely held stocks in US equity market. Standard and Poor's chooses member companies for the index based on market size, liquidity and industry group representation. Included are the stocks of industrial, financial, utility, and transportation companies. Since mid 1989, this composition has been more flexible and the number of issues in each sector has varied. It is market capitalization-weighted.

**S&P MidCap400 TR:** The index measures the performance of mid-sized US companies, reflecting the distinctive risk and return characteristics of this market segment. It comprises stocks in the middle capitalization range, covering approximately 7% of the of US equity market.

**S&P SmallCap600 TR USD:** The index measures the performance of small cap segment of US equity market. It consists of 600 domestic stocks chosen for market size, liquidity, and industry group representation and covers approximately 3% of the domestic equities market.

**Russell 3000 Value TR USD:** The index measures the performance of the broad value segment of US equity value universe. It includes Russell 3000 index companies with lower price-to-book ratios and lower forecasted growth values. It is market-capitalization weighted.

**Russell 3000 Growth TR USD:** The index measures the performance of the broad growth segment of the US equity universe. It includes Russell 3000 index companies with higher price-to-book ratios and higher forecasted growth values. It is market-capitalization weighted.

**MSCI EAFE NR USD:** The index measures the performance of the large and mid cap segments of developed markets, excluding the US & Canada equity securities. It is free float-adjusted market-capitalization weighted.

**MSCI EM NR USD:** The index measures the performance of the large and mid cap segments of emerging market equity securities. It is free float-adjusted market-capitalization weighted.

## Definitions:

**Bloomberg US Agg Bond TR USD:** The index measures the performance of investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass throughs), ABS, and CMBS. It rolls up into other Bloomberg flagship indices, such as the multi-currency Global Aggregate Index and the U.S. Universal Index, which includes high yield and emerging markets debt.

**Markit iBoxxLiquid IG TR USD:** The index is designed to reflect the performance of US Dollar (USD) denominated investment grade corporate debt. It consists of investment grade USD denominated bonds issued by corporate issuers from developed countries and rated by at least one of three rating services: Fitch Ratings, Moody's Investors Service, or S&P Global Ratings.

**Markit iBoxx Liquid High Yield TR USD:** The index measures the performance of fixed rate, USD denominated debt instruments issued by developed markets, only including corporate bonds maturing 1.5 years for new bonds and 1 year for existing index constituents. All bonds need to have an average rating of sub-investment grade.

**S&P National AMT Free Muni TR USD:** The index measures the performance of the investment grade segment of the US municipal bond market.

**JPM EMBI Global Core TR USD:** The index measures the performance of fixed rate, USD denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities, including Brady bonds, loans and Eurobonds.

**Morningstar/LSTA Leveraged Loan TR:** The index measures the performance of 100 loan facilities drawn from the Morningstar/LSTA (Loan Syndications and Trading Association) Leveraged Loan Index (LLI). Standard & Poor's chooses these based on market weightings, spreads, and interest payments of the largest facilities in the leveraged loan market.

**HFRX Global Hedge Fund USD:** The index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry.

**HFRX Equity Hedge USD:** The index measures the performance of hedge fund market. Equity Hedge strategies maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios.



## Definitions:

**HFRX Equity Market Neutral USD:** This index measures the performance of an index with equity market neutral strategy. The strategy employ sophisticated quantitative techniques of analyzing price data to ascertain information about future price movement and relationships between securities, select securities for purchase and sale. These can include both Factor-based and Statistical Arbitrage/Trading strategies. Factor-based investment strategies include strategies in which the investment thesis is predicated on the systematic analysis of common relationships between securities.

**HFRX ED Merger Arbitrage USD:** Merger Arbitrage strategies which employ an investment process primarily focused on opportunities in equity and equity related instruments of companies which are currently engaged in a corporate transaction. Merger Arbitrage involves primarily announced transactions, typically with limited or no exposure to situations which pre-, post-date or situations in which no formal announcement is expected to occur. Opportunities are frequently presented in cross border, collared and international transactions which incorporate multiple geographic regulatory institutions, with typically involve minimal exposure to corporate credits. Merger Arbitrage strategies typically have over 75% of positions in announced transactions over a given market cycle.

**HFRX Macro/CTA USD:** The index measures the performance of hedge fund market that macro strategy managers trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets. Managers employ a variety of techniques, both discretionary and systematic analysis, combinations of top down and bottom up theses, quantitative and fundamental approaches and long and short term holding periods. Although some strategies employ RV techniques, Macro strategies are distinct from RV strategies in that the primary investment thesis is predicated on predicted or future movements in the underlying instruments, rather than realization of a valuation discrepancy between securities.

**S&P GSCI TR USD:** The index measures the performance of general price movements and inflation in the world economy. It is designed to be investable by including the most liquid commodity futures, and provides diversification with low correlations to other asset classes.

**DJ Equity All REIT TR USD:** Designed to measure all equity REITs in the Dow Jones U.S. Total Stock Market Index that meet the minimum float market capitalization (FMC) and liquidity thresholds.



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