



Denali Structured Return Strategy Fund Quarterly Review

As of March 31, 2026

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Market Overview

The first quarter of 2026 was defined by a large shift in equity market sentiment. Entering the year near all-time highs, with the S&P 500 trading around 6,845, there was broad optimism about a fourth consecutive positive year. That optimism deteriorated quickly as the quarter progressed with the onset of the Iran conflict. This situation contributed to a sharp and sustained rise in oil prices, reigniting inflation concerns that the Fed had worked hard to manage in 2025. The cost pressures from the rising oil prices fueled fears, further impacting an already weaker labor market and a weakening consumer.

The VIX (S&P 500 Volatility Index) opened the year at a 14.95, but it ramped up and closed the quarter at 25.25, a level that suggests genuine market uncertainty rather than routine volatility. The S&P 500 declined -4.33% for the quarter, ending at 6,528. March performance contributed to most of this decline with the S&P 500 finishing down -4.98% for the month. The Fed held Fed funds rate steady at both its January and March meetings, signaling a “wait and see” posture in relation to the labor market and inflation. For the remainder of 2025, the market, according to the CME Fed Watch, is expecting roughly a 25% chance of a single rate reduction in December, with limited expectations for rate hikes.

Fund Performance – Q1 2026

The Denali Structured Return Strategy Fund returned -0.98% in the first quarter of 2026, net of fees, compared to the S&P 500's decline of -4.33%. The quarter's mechanics unfolded as follows. At the December 31, 2025 close, the Fund established a 6,860 | 7,200 call spread on the S&P 500, providing approximately 4.96% of upside potential from the starting level. With the S&P 500 closing on March 31 at 6,528, well below the 6,860 lower strike, the call spread expired worthless.

During the quarter, the team made one active management decision: closing the short call position at the 7,200 level early in an intra-quarter drawdown, at a cost of less than 10 bps to the Fund. While the S&P 500 ultimately did not approach that level, closing the short call allowed for full upside participation above the long call strike should the market have rebounded before the end of the quarter.

The private credit portfolio contributed approximately 1.4%–1.5% in performance during the quarter, which partially offset the ~2.4% all-in cost of the call spread (inclusive of the short leg close). Compared to prior quarters, the private credit portfolio returns did not offset as much of

the cost of the call spread. The net result was a return of -0.98%, resulting in a smaller drawdown relative to the index during the quarter and consistent with the Fund's stated investment approach.

Q1 of 2026 marked the second time since inception that the S&P 500 posted a negative quarterly return. The first was Q1 of 2025, when the index fell -4.27% and the Fund returned -0.27%. This quarter echoes that pattern: a negative S&P 500 return and Denali experiencing a smaller drawdown relative to the index.

Cumulative Performance Review

It is worth stepping back and viewing the full two-year track record in light of the Fund reaching that mark in March of this year. Since the Fund's first full-quarter options period began on March 31, 2024, Denali has returned 27.07% cumulatively, net of fees, compared to the S&P 500's 27.52%. While total returns have been relatively comparable, the path to achieving those returns has been meaningfully different. Denali has delivered its performance with significantly lower realized volatility, 4.95% annualized, compared to 13.00% for the S&P 500. This results in a Sharpe ratio of 1.62 for the Fund versus 0.73 for the index over this period.

In up-market quarters such as Q2 2024, Q3 2024, Q4 2024, Q2 2025, Q3 2025, and Q4 2025, the Fund captured meaningful upside through its call spread, in several cases reaching or nearing its cap. In the two down-market quarters, Q1 2025 and Q1 2026, the Fund's structure contained losses to a fraction of the index's decline. This is the trade-off the strategy is designed to deliver: defined, rules-based upside participation in exchange for defined downside exposure relative to the index. The results to date are consistent with the strategy's intended design.

Private Credit Portfolio

The private credit portfolio remained well diversified throughout the quarter, investing across 21 strategy partners with 56 individual investments. The weighted average loan-to-value finished the quarter at approximately 57%, and cash levels have hovered between 5%–10% throughout the quarter.

During Q1, the portfolio exited consumer lending exposure, allowing capital to be redeployed, and was able to recycle that capital opportunistically into other exposures. No new strategy types or asset classes were added in the quarter, and the focus has been primarily on expanding the pipeline, monitoring existing investments, and ensuring appropriate position sizing across the portfolio.

The quarter's attributable private credit performance of approximately 1.4%–1.5% fell modestly short of our quarterly expectation. During the quarter, markets experienced higher volatility, rising interest rates, and wider credit spreads, conditions that affected a broad range of

income-oriented and credit-related investments. This resulted in market value adjustments to some of our portfolio investments and contributed to the Fund's quarterly result.

Looking Ahead

The following discussion reflects current portfolio positioning and expectations, which are subject to change.

On March 31, 2026, we closed the Q1 call spread and opened a new 6,535 | 6,860 S&P 500 call spread for Q2. This spread provides for approximately 4.97% of upside participation from the starting level. One important contextual note is that the cost of purchasing this quarter's spread was higher than that of previous quarters due to the rise in implied volatility and therefore higher options prices. When the cost of the call spread increases, stronger performance from the credit side of the portfolio is required to fund that higher amount. If that performance does not materialize, the Fund may be prone to lagging the S&P 500 benchmark should it increase during the quarter.

As always, we are grateful for the trust you place in the Liquid Strategies team. Heading into Q2, we are closely watching all the developments in the private credit markets. We continue to implement the approach as described: providing a rules-based strategy that seeks to provide meaningful equity upside participation via SPX options funded by a diversified portfolio of private credit. Two years in, the track record reflects the design.

¹Sharpe ratio measures risk-adjusted return, or how much return is generated per unit of volatility.

Observed volatility reflects both portfolio structure and the valuation practices applicable to certain portfolio holdings.

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Since the Fund is non-diversified, it is subject to higher reduction of capital and volatility than a fund more proportionately allocated among a large number of securities. An investment in the Fund involves risk. The Fund is new with no significant operating history by which to evaluate its potential performance. There can be no assurance that the Fund's strategy will be successful. The Fund may use leverage in its investments by "borrowing." The use of leverage increases both risk of loss and profit potential.

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There is no secondary market for the Fund's shares, and it is not anticipated that a secondary market will develop.*
- *Shares of the Fund are not redeemable. Thus, an investment in the Fund may not be suitable for investors who may need the money they invest in a specified time frame.*
- *Although the Fund will offer to repurchase at least 5% of outstanding shares on a quarterly basis in accordance with the Fund's repurchase policy, the Fund will not be required to repurchase shares at a shareholder's option nor will shares be exchangeable for units, interests or shares of any security.*
- *The Fund is not required to extend, and shareholders should not expect the Fund's Board of Trustees to authorize, repurchase offers in excess of 5% of outstanding shares.*
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The Fund may invest a portion of its assets in securities that have speculative characteristics, e.g., lower-rated or unrated debt commonly referred to as "high yield bonds" or "junk bonds." The Fund will invest in call option spreads that may expire worthless and fail to provide participation in positive equity market returns.

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