



**It is impossible to produce superior performance unless you do something different from the majority.**

- Sir John Templeton

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# Executive Summary

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- **The 2026 2<sup>nd</sup> quarter return was 3.02%<sup>1</sup> for the exception class and 3.19% for the zero-management fee class.**
- **The return on cash was 0.90%<sup>2</sup>.**

## Management's Letter to Partners

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Earlier this year I appeared on the *Quant / Financial Engineering Podcast* with Dr. Zoro, who recommended the book *Chaos Kings*. It is a work of popular non-fiction about unpredictable events, the kind that can't be accurately modelled, whether in financial markets or in climate change. I read it over a family vacation expecting a diversion, but I actually came away seeing parallels with work.

Two ideas from the book sit at the foundation of how Titan is built and are worth passing along. The first is easy to state and easy to forget in practice: market declines are not predictable, not in timing, not in magnitude, not in cause. Accepting that fully, rather than simply agreeing with it, changes what you build. The goal becomes constructing a portfolio positioned to absorb a decline whenever it arrives, in whatever form it takes, rather than trying to forecast it. Anything short of that is not risk management, it is a bet with a narrative attached.

The second idea concerned Universa, the tail-risk fund whose results have drawn attention across institutional portfolios for two decades. Universa's own account of its performance is disarmingly simple: "The gains came entirely without anyone at Universa making a single prediction about the direction of the market, up, down or sideways." Many investors see themselves as genuinely skilled forecasters. Very few are. A strategy that depends on being one of the few that are great is a fragile foundation for compounding capital over the long run.

Both ideas were built into Titan from the outset. Every put we sell carries a downside cushion sized to the specific security, calibrated so the fund expects to be profitable on roughly 85% of

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<sup>1</sup> Q2 2026 returns are unaudited.

<sup>2</sup> The SGOV ETF is used as a reasonable measure for an investable "cash" instrument. This ETF invests in 0-3 month treasuries, providing a return in excess of what cash in a brokerage or savings account would generate.

the puts it writes, a probability we choose rather than one that chooses us. I know my limitations well enough after years of investing to know that predicting near-term direction is not among my strengths. What I believe I can do, and what Titan is designed to do, is to design and run a process built to hold up across a range of market conditions without needing to be right about where they are headed. *Chaos Kings* might as well have been written to confirm our approach.

The first half of 2026 gave that design a reasonable, if still early, test. The S&P 500 fell sharply in March, rallied strongly through April and May, then gave back some of those gains in June. None of it was smooth, which is precisely the point: the index does not owe investors a stable path, and anyone holding it directly must live with that volatility. Against this backdrop, Titan returned 2.92% in the first quarter of 2026 (2.75% for the exception class) and 3.19% in the second quarter (3.02% for the exception class).

We are careful about what two quarters can and cannot demonstrate. We do not project past returns forward, and Titan has not yet completed a full year of operation, so we stop well short of calling this a validated track record. What we will say is that these results are consistent with, and modestly encouraging relative to, the fund's objective of stable, double-digit annual returns at materially lower volatility than the broader equity market. That the fund produced comparable results across two very different quarters, one defined by a sharp drawdown and recovery, the other calmer, tells us more than the level of either return taken alone. We look forward to letting additional time, and a wider range of market conditions, add to that evidence.

We are not complacent. We continue to refine our process. Our current focus is a deep dive into low-cost hedging structures for genuine tail events, the sort of decline that strike selection alone cannot fully absorb. As always, we are grateful for your partnership and energized by the work ahead.

### Statistics for the Quarter

|                                           |       |
|-------------------------------------------|-------|
| Number of Puts Expired:                   | 149   |
| Number of Puts That Expired in the Money: | 25    |
| Win Rate:                                 | 83%   |
| Largest Single Position Loss:             | -0.7% |

# Historical Returns

| Period            | Exception Class <sup>1</sup> | Zero-Management Fee Class <sup>2</sup> | Cash         |
|-------------------|------------------------------|----------------------------------------|--------------|
| Q4 2025           | 0.81%                        | 1.04%                                  | 1.02%        |
| Q1 2026           | 2.75%                        | 2.92%                                  | 0.86%        |
| Q2 2026           | 3.02%                        | 3.19%                                  | 0.90%        |
| <b>Cumulative</b> | <b>6.71%</b>                 | <b>7.31%</b>                           | <b>2.81%</b> |

<sup>1</sup> The exception class pays a 0.9% management fee in addition to the performance fee. Exception class LPs have invested less than \$2 million in the fund.

<sup>2</sup> The zero-management fee class is for LPs who have invested or hold a balance of \$2 million or more. These LPs do not pay a management fee.

## A Word on Benchmarks

Titan's investor base is diverse, and we appreciate that each LP's objectives and expectations differ. Some partners seek steady, risk-adjusted returns that compound meaningfully over time, prioritizing consistency over the occasional outsized year. Others, particularly family offices, seek a liquid, lower-volatility allocation that earns a meaningful premium to cash without introducing undue risk to the broader portfolio.

Given this range of objectives, we do not believe a single benchmark captures the strategy's intent. The S&P 500, in particular, is not an appropriate comparison given its equity-only composition and materially different risk profile. We include cash returns in the table above as a reference point for excess return (a data point we find useful in framing results) while acknowledging it is an imperfect and incomplete standard. We encourage each LP to evaluate performance in the context of their own objectives and the role Titan plays within their broader portfolio.

The return on cash is calculated using the adjusted close prices of the SGOV ETF. This ETF provides access to a portfolio of treasury bills with 3 months or less to maturity. This return likely exceeds the interest that would be earned on cash in a brokerage or savings account.

# Investment Philosophy

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At Titan, we believe that puts tend to be priced higher than their actual risk would justify. This means that selling puts is likely to make money over time. We believe there are a few reasons for this.

- **Reason 1:**

## **Market Makers Balance Put-Call Parity**

For most stocks, prices rise about 70% of the time and fall only 30% of the time. So logically, most investors should be willing to pay more for calls than for puts. But if an at-the-money put were priced lower than an at-the-money call, there would be an arbitrage opportunity. Put-Call Parity requires the at-the-money put to be priced the same (roughly) as the at-the-money call. This raises put prices, resulting in them being overpriced.

- **Reason 2:**

## **Puts Are Insurance Products**

When you sell puts, you're essentially becoming the insurance company. Puts are insurance for the buyer, and just like insurance, puts are priced to profit the seller. Also just like insurance, selling out-of-the-money puts builds in a deductible – there is no liability for the first few percentage points of loss. That protection helps shield put sellers from losses. Over time, the expectation is that the premiums collected will exceed the payouts made.

- **Reason 3:**

## **Investor Psychology Favors Put Sellers**

Research in behavioral finance consistently shows that people are risk averse; we feel the pain of losses much more intensely than the pleasure of equivalent gains. This psychological tendency means investors willingly pay extra to protect against downside risk, more than what a purely financial model would calculate as fair value. As put sellers, we aim to take advantage of this emotional premium.

- **Reason 4:**

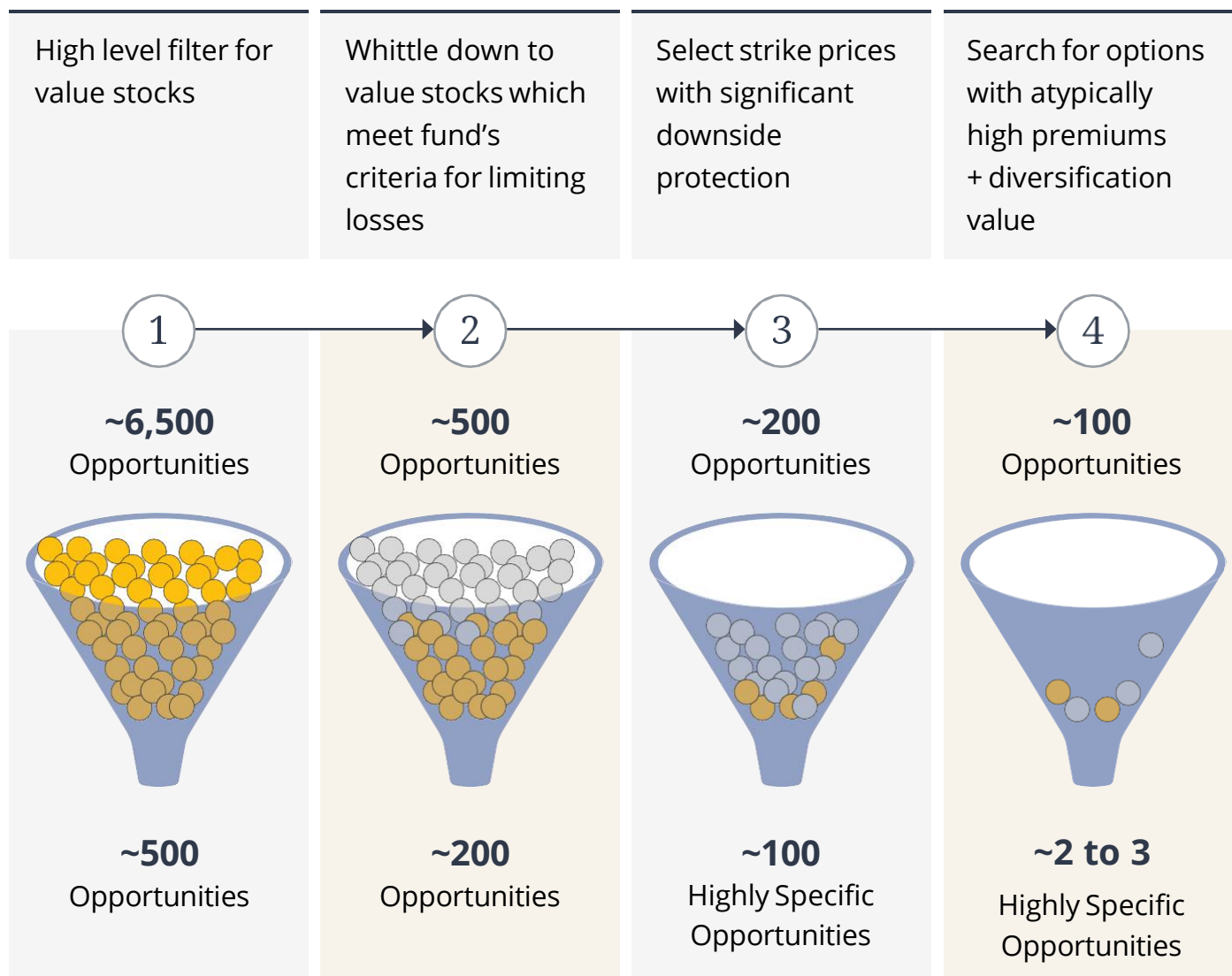
### **The Data Supports This Strategy**

While logical reasoning is important, nothing beats real-world results. Put selling has been backtested extensively, and the data confirms our theory. The research shows that the further out-of-the-money a put is, the more overvalued it tends to be compared to its risk-neutral value (the price that would result in a 0% expected return over time).

For more on Titan's philosophy, download the Structured Dividend Income eBook at [\*\*https://titanstrategicincome.com/book\*\*](https://titanstrategicincome.com/book).

# Investment Process

The Fund's investment framework comprises four interdependent stages, each essential for achieving the Fund's return objectives while maintaining disciplined risk management.



- **Asset Selection:** The Fund employs a systematic screening process drawing from multiple data sources to maintain a focused universe of several hundred companies for ongoing evaluation. Our approach deliberately emphasizes value-oriented equities which we believe offer a more favorable risk-return profile for our put-selling strategy. Value stocks, having typically experienced price compression relative to fundamental metrics, may exhibit lower downside volatility compared to growth or momentum-oriented names. Focusing on value stocks potentially limits the magnitude of adverse price movements, thereby reducing the likelihood of assignment and realized losses on short put positions.

- **Superset Reduction:** With the superset of value stocks established, Titan then narrows the list. We use a 13F analysis to identify ownership trends which helps us avoid selling puts on out-of-favor companies. This results in a stronger set of securities which can be evaluated and compared analytically in the subsequent steps of the process.
- **Strike Selection and Downside Protection:** Risk mitigation is central to our approach, with each position incorporating tailored downside protection based on the underlying security's volatility profile. Strike prices are determined on an individual basis, with higher-volatility names receiving greater out-of-the-money buffers. This dynamic approach to strike selection ensures that protection levels appropriately reflect each security's risk characteristics rather than applying a uniform standard across the portfolio.
- **Premium Optimization:** While strike selection governs downside protection, option premiums drive portfolio returns. The Fund continuously monitors available premiums across eligible positions, conducting daily comparative analysis to identify optimal risk-adjusted returns. This systematic evaluation ensures that capital is allocated to opportunities offering the most attractive compensation per unit of incremental risk.

# Approach to Risk

Risk mitigation stands at the core of Titan's investment philosophy. Our strategy explicitly targets attractive long-term returns while minimizing short-term volatility, a dual mandate that drives every aspect of our research and portfolio construction process. While no strategy can eliminate the potential for loss, we are committed to the relentless pursuit of risk mitigation without compromising returns. As we continue to refine our approach, certain elements of our process may evolve over time.

That said, substantial risk controls are already embedded throughout our investment framework. Prior to executing any position, we conduct a comprehensive risk assessment across multiple dimensions: verification of adequate downside protection at the position level, quantification of concentration exposure to the underlying security, and analysis of aggregate portfolio risk.

Our structural approach integrates downside protection into each trade, with a target of 85% of positions generating positive returns. Importantly, when a position does result in a loss, our protective structures ensure the loss is substantially smaller than would be incurred from direct exposure to the underlying security. Diversification further reinforces this framework; while macro factors may influence the broader portfolio, we actively minimize idiosyncratic risk through disciplined position sizing and exposure management across many securities.

We recognize that a less rigorous approach to risk management could potentially enhance returns during benign market environments. However, we believe our disciplined framework is essential for preserving capital during periods of market stress and delivering the sustainable, risk-adjusted returns our limited partners expect over the long term.

# Final Word

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I would like to reiterate our thanks to our partners for their commitment to the fund and their belief in our team. We are humbled by the opportunity to work on your behalf. We look forward to reporting Q3 2026 results in October. As always, please feel free to contact me any time if you have questions or comments.

**Sincerely,**

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# Appendix: Family Office Portfolio Allocation Best Practices

## The Family Office Allocation Challenge

Asset allocation decisions are critical for all investors, but family offices face a distinctive set of considerations. Unlike institutional investors with singular mandates or individual investors focused primarily on retirement, family offices must balance competing time horizons: the imperative to preserve and grow capital across multiple generations while simultaneously funding current family needs and obligations.

This dual mandate creates inherent tension in portfolio construction. Long-term wealth preservation and growth typically favor equity allocations and patient capital deployment. Yet family offices must also maintain sufficient liquidity and control losses to meet near-term distributions, operational expenses, and family member support – short-term requirements which demand more conservative, accessible positioning.

## The Cash Allocation Dilemma

To satisfy these short-term liquidity needs, many family offices maintain substantial cash or cash-equivalent positions. While prudent from a liquidity perspective, this approach presents a meaningful opportunity cost. Cash generates minimal returns, particularly in real terms after adjusting for inflation and taxes. For offices committed to multi-generational wealth preservation, sizable cash allocations can materially compromise long-term compounding objectives.

The challenge becomes finding instruments that combine cash-like characteristics (stability, liquidity, and modest volatility) with return profiles that more effectively support long-term growth mandates. Historically, such solutions have been elusive. Some fixed-income instruments offer higher yields than cash but introduce duration risk and remain vulnerable during rising-rate environments. Meanwhile, equity allocations provide growth potential but with high volatility levels and no guarantee that an office will not have to sell equities at a loss to meet short-term funding obligations.

## **Titan Strategic Income Fund: A Differentiated Approach**

The Titan Strategic Income Fund is designed to address this specific allocation challenge. The Fund's approach centers on investing assets in a U.S. Treasury ETF which provides exposure to the risk-free rate comparable to cash instruments, but with options overlays for additional risk-controlled return. Through the systematic overlay of an options strategy, the Fund seeks to generate returns meaningfully above those available from cash alone.

Critically, this enhanced return potential is pursued within a framework that emphasizes low short-term volatility. The Fund's objective is to generate returns comparable with equities over the long term while seeking to limit drawdowns during periods of market stress, targeting a return profile that may prove more attractive than cash over time while maintaining characteristics suitable for the liquidity portion of a family office portfolio.

From a tax perspective, the Fund's returns are generally treated as ordinary income, similar to interest earned on cash holdings, providing comparability within the broader context of family office tax planning. Additionally, the Fund's quarterly liquidity structure aligns well with the typical cadence of family office distribution requirements and planning cycles.

## **Portfolio Considerations**

We believe the Titan Strategic Income Fund may offer family offices an opportunity to enhance returns on their liquidity allocation without fundamentally altering their risk profile or compromising accessibility. For offices seeking to optimize the efficiency of capital allocated to near-term needs while maintaining focus on multi-generational objectives, the Fund's combination of enhanced return potential, volatility management, and quarterly liquidity presents a differentiated solution.

As with any investment decision, prospective investors should carefully consider whether the Fund's characteristics align with their specific liquidity requirements, risk tolerance, and overall portfolio objectives. We welcome the opportunity to discuss how the Fund might fit within your broader allocation framework.