

**Firm Brochure**  
(Part 2A of Form ADV)

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This Brochure provides information about the qualifications and business practices of Wolverine Asset Management, LLC (“WAM”). If you have any questions about the contents of this brochure, please contact us at (312) 884-4400. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Wolverine Asset Management, LLC, is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration as an investment adviser with the SEC does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

This Brochure was last updated in March 2023.

WAM's business has not materially changed since the last update; however, certain non-material changes have been made to the brochure. Consequently, we encourage you to read the Brochure in its entirety.

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## **Item 4 – Advisory Business**

### **i) Firm Description**

Wolverine Asset Management, LLC (“WAM” or “us” or “we”) was formed in 2001 to provide discretionary investment management services to institutional clients using structural arbitrage and relative value strategies. The indirect principal owners of WAM are Christopher Gust and Robert Bellick.

### **ii) Types of Advisory Services**

WAM offers investment advisory services to institutional clients, including pooled investment vehicles (e.g., hedge funds). WAM serves as the discretionary investment manager to the funds listed below and may, in the future, serve as the discretionary investment manager to additional pooled investment vehicles, accounts, and other arrangements with institutional clients (collectively, the “WAM Funds”). The WAM Funds are offered only to sophisticated institutional investors and qualified purchasers. The “WAM Funds” include:

- Wolverine Flagship Fund, LLC (U.S.-domiciled feeder fund);
- Wolverine Flagship Fund Limited (Cayman-domiciled feeder fund); and
- Wolverine Flagship Fund Trading Limited (a Cayman-domiciled master fund) (“WFFTL”).

The objective of the WAM Funds is to seek returns on capital through arbitrage and relative value strategies.

See Item 8 for a more detailed explanation of the specific strategies the WAM Funds implemented. All investment and trading activity takes place at the WFFTL level for the WAM Funds. The general purpose of the U.S.-domiciled feeder fund is to accept investments from U.S. taxable investors, and the general purpose of the Cayman-domiciled feeder fund is to accept investments from U.S. tax-exempt investors and non-U.S. investors. Transactions WAM entered on behalf of WFFTL are outlined in the confidential information memorandum or any other written agreement between WAM and the WAM Funds. Transactions WAM entered on behalf of the WAM Funds are not based on the individual needs of investors in the WAM Funds.

### **iii) Management of Client Assets**

As of December 31, 2023, WAM managed approximately \$3,937,184,721 in client assets on a discretionary basis on behalf of the WAM Funds.

## **Item 5 - Fees and Compensation**

### **WAM Funds**

As investment adviser to the WAM Funds, WAM receives a quarterly management fee of 1.75% per annum but scales down for larger investments (see below) of the quarter-end net asset value (“NAV”) of an investor’s interest in the WAM Funds. WAM is also entitled to an annual

performance allocation ranging from 20%-30% of any new profits over a “high-water mark” experienced by an investor’s interest in the WAM Funds.

In its discretion, WAM may reduce or waive some or all of its performance allocation and/or management fee with respect to one or more investors in the WAM Funds, including, without limitation, its affiliates, its partners, and their principals and employees and members of their respective families. In exercising its discretion, WAM has granted management fee reductions to investors for marginal investments in the WAM Funds above three investment thresholds – \$50 million, \$100 million, and \$200 million. As of the date of this brochure, management fee reductions associated with marginal investments above these thresholds are 0.25%, 0.50%, and 0.75%, respectively. The management fee is also further reduced if aggregate investments in the WAM Funds by third-party investors exceeds \$1.75 billion. The management fee is reduced by the product of 50 basis points and the ratio of the WAM Funds external AUM in excess of \$1.75 billion over the WAM Funds external AUM. Though the management fee may vary from month to month, it will never exceed 1.75% per annum.

In addition, WAM offers investors in the WAM Funds two alternative fee structures. For investments over \$200 million, the management fee is 1.25% and the performance allocation is subject to a hurdle amount. For investments over \$250 million, the fee structure is based on the cumulative return and volatility of the investor’s performance within the WAM Funds. The details of such fee structures are in the confidential information memorandum or are available directly from WAM upon request.

### Expenses

The WAM Funds bear their *pro rata* portion of all expenses related to their investment activities, including brokerage commissions and other costs of executing transactions, “bid-ask” spreads, mark-ups, investment expenses and all other expenses (including, without limitation, all commissions, clearing fees, custody fees, foreign exchange fees, valuation and portfolio pricing, interest charges, financing charges and applicable withholding and other taxes) related to the acquisition, disposition, and restructuring of WFFTL’s investments, the costs of trading, research and/or data screens, as well as risk management and data services and systems (including, without limitation, the costs of utilizing and/or supporting risk-reporting technology required by consultants retained by or on behalf of institutional investors), investment-related legal expenses, investment research expenses (including, without limitation, conferences, research-related travel and due diligence expenses related to research-vendor selection, and the costs of research-related publications and periodicals), and due diligence expenses related to maintaining service-provider relationships with the WAM Funds (including any travel-related due diligence costs), including the cost and expense related to organizing any special purpose vehicle operating as a subsidiary of WFFTL and its investment activities.

WAM shall pay for all direct overhead and administrative expenses, including employee salaries, employee benefits, and expenses related to office space, utilities, computer equipment and software.

## **Item 6 - Performance-Based Fees and Side-By-Side Management**

WAM is entitled to an annual performance allocation equal to the fee structures described above in Item 5 with respect to the WAM Funds. The performance allocations may give WAM an incentive to make more risky or speculative trades than would otherwise be the case if WAM were only compensated based on a percentage of assets. In addition, WAM may receive increased compensation under the performance allocations based on unrealized appreciation as well as realized gains experienced by the WAM Funds. WAM, believes the use of performance allocations on new profits (i.e., above a high-water mark), which is standard practice in the hedge fund industry, helps to align the interests of WAM, its partners and their principals, with those of investors in the WAM Funds.

## **Item 7 - Types of Clients**

WAM serves as the discretionary investment adviser to the WAM Funds. Investments in the WAM Funds are made available only to “accredited investors” (as defined in Regulation D under the Securities Act of 1933, as amended, or “1933 Act”) and “qualified purchasers” (or “knowledgeable employees”), as defined in the Investment Company Act of 1940. The minimum investment required by the WAM Funds is \$2 million, which may be reduced in WAM’s discretion.

## **Item 8- Methods of Analysis, Investment Strategies and Risk of Loss**

### **i) Methods of Analysis**

WAM attempts to capture returns on capital by purchasing securities below their theoretical fair value and prudently reducing related sources of risk. By using this approach, WAM believes it will minimize price variations and capture returns as theoretically mispriced securities accrete to fair value.

Some of the strategies WAM employed include: (i) Capital Structure Arbitrage, which is a derivatives-based, relative value strategy focused on capturing investment opportunities across corporate capital structures; (ii) Event-Driven, which is a strategy which seeks to capture excess risk premium in companies which are expected to experience a corporate transaction or other catalyst affecting their securities’ value; (iii) NAV Arbitrage, which consists of the Closed-end Fund Arbitrage strategy and the REIT Arbitrage strategy. The Closed-end Fund Arbitrage strategy seeks to generate returns by exploiting short-term and medium-term mean reversion in closed-end fund discounts. The REIT Arbitrage strategy seeks to capture relative differentials in price-to-book ratios of mortgage, property and commercial REITs; and (iv) Volatility Arbitrage, which deploys a variety of proprietary volatility strategies including systematic, discretionary, and tail-risk strategies.

### **ii) Investment Strategies**

The WAM Funds’ investment objective is to seek returns on capital primarily through arbitrage, relative value, and various macro strategies. WAM currently uses the following investment strategies, some or all of which may be employed opportunistically for the WAM Funds:

*Capital Structure Arbitrage.* Capital Structure Arbitrage is a derivatives-based, relative value strategy focused on capturing investment opportunities across corporate capital structures. The Investment Manager looks for mispriced securities or assets and either buys a security if it is underpriced or sells short (sell without owning) a security if it is overpriced. WAM seeks out mispriced securities by determining the fair value of the securities using a combination of theoretical valuation and trading judgment based on experience in the marketplace. WAM uses proprietary data feeds, analytics, and execution software to detect and capture valuation differentials. This strategy primarily uses corporate bonds, preferred securities and warrants, as well as listed equities, options, credit default swaps, and futures.

*Event-Driven.* Event-Driven is a strategy which seeks to capture excess risk premium in companies expected to experience a corporate transaction or other catalyst affecting the value of their securities. These events may include mergers and acquisitions, tender offers, asset sales, spinoffs, debt refinancing, reorganizations, bankruptcies, litigation, and capital-markets transactions. Knowledge of event mechanics and trading judgment about how security prices will react allow WAM to identify investment targets. Risk factors which complicate the strategy include deal termination/adjustment, deal timing, election/proration uncertainty, deal financing, the existence of multiple acquirers, the actions of other security holders, market dynamics, and the outcome of court proceedings or litigation. Event-driven investing may include, but is not limited to, merger arbitrage (also known as risk arbitrage), catalyst-driven credit investing, special situation investing, and distressed investing.

*NAV Arbitrage.* The NAV Arbitrage strategy consists of the Closed-end Fund Arbitrage strategy and the REIT Arbitrage strategy. The Closed-end Fund Arbitrage strategy seeks to generate returns by exploiting short-term and medium-term mean reversion in closed-end fund discounts. The strategy actively trades in closed-end funds. The strategy is market-neutral, hedging NAV risk primarily with exchange-traded funds (“ETFs”). The REIT Arbitrage strategy seeks to capture relative differentials in price-to-book ratios of mortgage, property, and commercial REITs. The strategy takes long and short positions in equities while hedging net exposures to the underlying assets with mortgage-backed securities and interest rate futures.

*Volatility Arbitrage.* The Volatility Arbitrage strategy deploys a variety of proprietary volatility strategies including systematic, discretionary, and tail-risk strategies. These strategies encompass a variety of trading disciplines including relative value, convexity, and liquid indices. The strategy seeks to exploit both low- and high- frequency pricing dislocations across related derivative securities by using a proprietary technology platform to execute candidate trades and attempt to optimize trading costs. The main objective of the volatility strategy is to generate performance that is uncorrelated to the market.

WAM’s investment strategies are under continuous development and evolution. WAM anticipates it will continue to add and/or remove strategies to the WAM Funds in the future. The composition of WAM’s portfolio can be expected to change, possibly materially, over time, as the arbitrage and relative value strategies WAM implements continue to evolve.

### **iii) Risks**

WAM’s trading strategies are speculative and involve significant risks. There can be no assurance WAM will achieve its investment objectives on behalf of its clients. In fact, many of the practices WAM uses, such as short selling and leverage, can, in certain circumstances, exacerbate

the adverse impact of particular transactions and conditions on our investment program and consequently the performance of the WAM Funds. Investors in the WAM Funds must be prepared to lose all, or substantially all, of their investments. Some of the material risks of investing in the WAM Funds and/or associated with WAM's investment strategies are as follows:

*Inherent Limitations of Disclosure.* The descriptions of WAM's strategies, the markets in which the WAM Funds trade, the risk factors and conflicts of interest involved in doing so and other aspects of the WAM Funds' operations are subject to material inherent limitations and do not purport to be complete. Investing in the WAM Funds, investors are entrusting their capital, on essentially a "blind pool" basis, to the subjective, discretionary market judgment of WAM trading in changing, volatile and uncertain markets using strategies which can only be described in broad and non-specific terms. No one who is incapable of understanding and evaluating the risks of investing in the WAM Funds should invest in the WAM Funds.

*Risk of Loss or Low Returns.* There can be no assurance the WAM Funds will achieve their objectives. Furthermore, WAM may expand the WAM Funds' portfolio into new market sectors, instruments, and strategies. Consequently, the WAM Funds' investment record at any given time may not be representative of its current or future investment approach. Investors may lose all or substantially all their investment in the WAM Funds or may achieve financial returns below their expectations and below the returns other investment strategies achieved. ***Past performance is not necessarily indicative of future results.***

*General Market Conditions.* While it is possible for the WAM Funds current and potential strategies to be profitable during both upward and downward market cycles, there are certain market conditions in which different strategies have a materially reduced likelihood of success. It is impossible to predict future market conditions, and certain market conditions could be materially adverse to the WAM Funds' prospects. The particular or general types of market conditions in which the WAM Funds may incur losses or experience unexpected performance volatility cannot be predicted, and the WAM Funds may materially underperform other investment funds with substantially similar investment objectives and approaches. Moreover, a fundamental component of WAM's strategies will generally attempt to hedge market or other risks inherent in the WAM Funds' portfolio. WAM may determine it is economically unattractive, or otherwise undesirable, to hedge certain risks and instead may rely on diversification or other strategies to maximize portfolio value and control such risks.

*Nature of Investments.* WAM has broad investment discretion for the WAM Funds. Investments generally consist of equity and debt securities, derivatives, and other assets which may be affected by business, financial market, or legal uncertainties. There can be no assurance WAM will correctly evaluate the nature and magnitude of the various factors which could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors which are inherently difficult to predict, such as U.S. or non-U.S. economic and political developments, may significantly affect the results of the WAM Funds' activities and the value of its investments.

*Market Risks in General.* WAM's strategies are subject to some degree of market risk, including directional price movements, deviations from historical pricing relationships, changes in the regulatory environment, changes in interest rates, changes in market volatility, changes in the liquidity of certain positions or categories thereof, flights to quality, credit squeezes, and other market conditions. WAM's investment style is risky, and potentially more risky than other



investing strategies. Numerous examples exist of hedge fund strategies, particularly those involving the using leverage or illiquid securities incurring sudden and dramatic losses arising from market risk and other factors. There can be no assurance the Fund will not sustain a sudden, dramatic — and potentially total — loss.

At times, the WAM Funds' positions and strategies may not be diversified. Regardless, even significant diversification may not provide meaningful risk control. Diversification may reduce the WAM Funds' profit potential if certain strategies are unprofitable while others are profitable.

*Convertible Securities.* Convertible securities are securities which may be exchanged or converted into a predetermined number of the issuer's underlying equity shares or the shares of another company, or securities indexed to a market index, at the option of the holder during a specified time. Convertible securities exhibit characteristics of both equity and debt instruments, and while this complexity creates opportunities for the WAM Funds it also exposes risks particular to these securities.

Arbitrage strategies attempt to take advantage of perceived price discrepancies between correlated securities, typically applying leverage to increase profits. Convertible-securities arbitrage generally involves acquiring convertible securities and selling short a corresponding amount of the underlying equity security, though this relationship may be reversed.

There are many associated risks which can affect this strategy's results. To the extent relationships between arbitrated positions' prices remain constant, no gain or loss on the positions will be recognized; to the extent the requisite elements of an arbitrage trade are not properly analyzed, or the prices of the underlying securities are affected by unexpected or extraordinary events, the WAM Funds may incur losses, and those losses will be increased if the WAM Funds use leverage in connection with the trade. Other risks include the following: (i) interest-rate or market-volatility changes which may adversely affect the relationship between securities; (ii) convertible securities tend to be significantly less liquid and have wider bid/offer spreads than equity securities, making it more difficult to enter and profitably exit such trades; (iii) convertible arbitrage trades involve an inherently imperfect and dynamic hedging relationship which must be adjusted from time to time and failing to make timely or appropriate adjustments may limit profitability or lead to losses; (iv) convertible arbitrage involves selling securities short, with the attendant risk of loss and the costs of locating shares available for borrowing; and (v) changes in the dividend policy of the underlying equity, changes in the issuer's credit rating, or a major transaction or development affecting the issuer may materially adversely affect the prices of the securities involved.

Convertible securities are hybrid instruments with features of corporate debt and common stock. Convertible security holders sacrifice some of the interest obtainable on straight corporate debt in exchange for the right to convert the security into the issuer's common stock. As the underlying common stock's value appreciates, the conversion right, and thus the convertible security's value, also appreciates. As the underlying common stock's value declines, the conversion right, and thus the convertible security's value, also declines. However, because the convertible security is senior to the underlying common stock in the capital structure of the company, the convertible security's value should not decline as rapidly as an equal amount of underlying common stock's value.

Convertible securities are issued at all tiers of capital structure from senior unsecured debt to preferred stock. As with other types of debt, a higher level of seniority commands a greater level of creditworthiness.

*Synthetic Convertible Instruments Risk.* The value of a synthetic convertible instrument will respond differently to market fluctuations than a convertible security because a synthetic convertible instrument is composed of two or more separate securities, each with its own market value. In addition, if the value of the underlying common stock or the level of the index involved in the convertible component falls below the exercise price of the warrant or option, the warrant or option may lose all value.

*Hedging.* The WAM Funds engage in a variety of techniques to hedge certain risks at the position, strategy, or overall portfolio level. Hedging techniques involve one or more of the following risks: (i) imperfect correlation between the performance or value of the instrument and the value of the WAM Funds' instruments needing to be hedged; (ii) possible lack of a secondary market for closing out a position in such hedged instrument; (iii) losses resulting from interest rate, spread, or other market movements not anticipated by WAM; (iv) the possible obligation to meet additional margin or other payment requirements, which could worsen the WAM Funds' position; and (v) a WAM Funds counterparty default or refusal to perform.

Using derivatives and other techniques to hedge involves certain additional risks, including: (i) dependence on the ability to predict movements in the price of the securities hedged; (ii) imperfect correlation between movements in the securities on which the derivative is based and movements in the assets of the underlying portfolio; and (iii) possible impediments to effective portfolio management or the ability to meet short term obligations because of the percentage of a portfolio's assets segregated to cover its obligations. In addition, hedging a particular position may limit any potential gain from an increase in the position's value.

The WAM Funds may choose to hedge all or certain risks in full, in part, or not at all, and with respect to positions or with respect to its overall portfolio. The WAM Funds may not be able to effectively hedge all risks. The WAM Funds' portfolio composition will commonly result in various directional risks remaining unhedged.

The WAM Funds ability to hedge successfully will depend on their ability to predict pertinent market movements, which cannot be assured. Correlations between various instruments may be disrupted or change over time. To the extent such correlations are used in hedging strategies, such hedging strategies may be ineffective or result in losses. Any hedging strategy's ongoing success depends on the ability to adjust hedges as markets or correlations change, and there can be no assurance the WAM Funds will be able to make such adjustments successfully.

The WAM Funds will not be required to hedge and there can be no assurance hedging transactions will be available or, even if undertaken, will be effective and not result in losses. Any hedging activity could result in increased margin requirements, especially when the WAM Funds' instruments and hedges are with different counterparties or clearing locations. In addition, it is not possible to fully or perfectly hedge against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate because of independent factors not related to currency fluctuations. Furthermore, hedging a particular position may limit any potential gain from an increase in the value of such position.

*Convertible Hedging Risk.* If the market price of the underlying common stock increases above the conversion price on a convertible security, the price of the convertible security will increase. The WAM Funds' increased liability on any outstanding short position would, in whole or in part, reduce this gain.

*Debt Securities.* Debt securities are subject to credit risk. Credit risk relates to the issuer's ability to make interest and principal payments on the security as they become due. If the issuer fails to pay principal or interest, the WAM Funds' income and/or the security's value can be expected to decline. To the extent the WAM Funds are "long" such a security, they can be expected to incur losses in such a scenario. Debt securities issued by corporations are subject to default risk. A downgrade in an issuer's credit rating or other adverse news regarding the issuer can reduce the value of the issuer's debt securities.

*Derivatives.* The WAM Funds make extensive use of various derivative instruments, such as swaps, warrants, options, and forward contracts. Using derivatives involves a variety of material risks. These risks include the extremely high degree of leverage which can be embedded in such instruments, a risk which can be materially increased by the limited liquidity which often characterizes the derivatives markets. The pricing relationships between derivatives and their associated underlying instruments also may not conform to anticipated or historical patterns, resulting in unanticipated losses.

The WAM Funds' use of derivatives and other techniques (such as short sales) to hedge will involve certain additional risks, including: (i) dependence on the ability to predict movements in the price of the asset being hedged; (ii) imperfect correlation between movements in the price of the asset on which the derivative is based and movements in the price of the asset being hedged; and (iii) the percentage of the WAM Funds' assets segregated to secure their obligations under derivatives contracts potentially impeding effective portfolio management or the ability to meet short-term obligations. In addition, by hedging a particular position, the WAM Funds may limit any potential gain from an increase in the value of such position.

Some of the derivatives the WAM Funds trades may be over-the-counter ("OTC") instruments (contracts). The risk of counterparty nonperformance can be significantly greater in the case of these OTC instruments (contracts) as opposed to exchange-traded derivative instruments. Furthermore, "bid-ask" spreads may be unusually wide in the substantially unregulated OTC markets.

*OTC Transactions.* The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd Frank") included provisions which comprehensively regulated the OTC derivatives markets, subject to rulemaking and oversight by the Commodity Futures Trading Commission ("CFTC") and the SEC. Dodd-Frank mandated a portion of OTC derivatives must be executed in regulated markets and be submitted to regulated clearinghouses for clearing. OTC trades submitted for clearing became subject to minimum initial and variation margin requirements set by relevant clearinghouses, as well as margin requirements mandated by the CFTC, SEC and/or federal prudential regulators. OTC derivatives dealers also typically demand the unilateral ability to increase the WAM Funds' collateral requirements for cleared OTC trades above regulatory and clearinghouse minimums. Although WAM will attempt to negotiate minimum notice periods before a dealer may increase the WAM Funds' margin requirements, there can be no assurance such

notice requirements will be in place for all dealers, and the WAM Funds may need to post additional margin on short notice. The CFTC has also imposed margin requirements on non-cleared OTC derivatives and new requirements which apply to OTC derivatives dealers holding customer collateral. These requirements may increase the amount of collateral the WAM Funds must provide and the costs associated with providing it. Though such amounts of collateral and the WAM Funds' costs of providing such collateral are generally not expected to be material, the amount of required collateral and the cost of providing it could become material due to changes in market conditions or other events beyond WAM's control. OTC derivative dealers must post margin to the clearinghouses through which they clear customers' trades instead of using in the funds for their operations, as was widely permitted before Dodd-Frank. This has increased, and will continue to increase, the OTC derivative dealers' costs, and these increased costs are generally passed through to other market participants in the form of higher upfront and mark-to-market margin, less favorable trade pricing, and the imposition of new or increased fees, including clearing account maintenance fees and per trade administrative "ticket" fees.

With respect to cleared OTC derivatives, the WAM Funds do not directly face a clearinghouse but rather through an OTC derivatives dealer registered with the CFTC or SEC acting as a clearing member. The WAM Funds may face the indirect risk of another clearing member customer failing to meet its obligations to its clearing member. Although in the United States cleared OTC derivatives are not generally subject to the same "fellow customer risk" as cleared futures contracts due to the operation of the CFTC's "legally segregated, but operationally commingled" customer protection rules, if a clearinghouse through which the WAM Funds clear OTC derivatives fails for any reason, including due to a default caused by a cleared swaps customer of any OTC derivatives dealer, the WAM Funds will suffer losses to the extent such failure causes the WAM Funds' OTC derivatives dealer to default or the WAM Funds' OTC derivatives dealer is no longer obligated to perform on the cleared OTC derivative following the failure of the clearinghouse.

The CFTC requires certain derivative transactions previously executed on a bi-lateral basis in the OTC markets be executed through a regulated futures exchange, swap execution facility, or other regulated market. In late 2023, the SEC adopted Regulation SE, creating a structure for registering and regulating security-based swap execution facilities ("SBSEFs"). Such requirements may make it more difficult and costly for investment funds, including the WAM Funds, to enter highly tailored or customized transactions. They may also render impossible certain strategies the WAM Funds might otherwise use or make them so costly they will no longer be economical to implement. If the WAM Funds decide to execute derivatives transactions through such exchanges or execution facilities — and especially if they decide to become direct members of one or more of these exchanges or execution facilities — the WAM Funds would be subject to the rules of the exchange or execution facility, which would bring additional risks and liabilities, and potential requirements under applicable regulations and under rules of the relevant exchange or execution facility.

OTC derivative dealers are required to register with the CFTC and in the future may be required to register with the SEC. Registered swap dealers are subject to minimum capital and margin requirements, business conduct standards, disclosure requirements, reporting and recordkeeping requirements, transparency requirements, position limits, limitations on conflicts of interest, and other regulatory burdens. These requirements increase the overall costs for OTC

derivative dealers who may pass them along to market participants as market changes continue to be implemented.

Additional regulation of OTC derivatives markets, whether due to expanded CFTC and/or SEC mandated clearing and execution requirements, increased initial margin requirements, or overlapping regulatory requirements imposed by non-U.S. regulators, may make OTC derivatives more costly, limit the availability of certain derivatives transactions, or otherwise adversely affect the value or performance of certain derivatives.

*Forward Contracts.* The WAM Funds may trade deliverable forward contracts in the inter-bank currency market. Such contracts are not currently traded on exchanges. Banks and dealers act as principals in these markets. Under Dodd-Frank, the CFTC regulates certain forward contracts, specifically non-deliverable forwards and many so-called deliverable forwards where the parties do not take actual delivery. Changes in the forward markets may cause increased costs and result in burdensome reporting requirements. There is currently no limit on forward contracts' daily price movements of forward contracts. Principals in the forward markets have no obligation to continue to make markets in the forward contracts traded. The imposition of credit controls by governmental authorities or the implementation of regulations pursuant to Dodd-Frank might limit forward trading to less than the amount which WAM would otherwise recommend, to the possible detriment of the WAM Funds.

*Lower Grade Securities.* Because the WAM Funds invest in lower rated debt and equity linked securities, credit risks are greater than those of an account which only buys investment grade securities. Lower grade securities may be subject to greater market fluctuations and greater risks of loss of income and principal than investment grade securities. Securities which are (or have fallen) below investment grade are exposed to greater risk of their issuers not meeting their obligations. The markets for these securities may be less liquid, making it difficult for the WAM Funds to sell them quickly at an acceptable price.

Fraudulent transfers and other voidable transfers or payments, lender liability, and a tribunal's power to disallow, reduce, subordinate, or disenfranchise claims may also adversely affect lower grade securities. In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there is the risk the reorganization will: be unsuccessful (due to, for example, failure to obtain requisite approvals); be delayed (e.g., until various liabilities, actual or contingent, have been satisfied); or result in a distribution of cash or new securities of lesser value than the purchase price the WAM Funds originally paid for the securities. WAM expects from time-to-time companies in which the WAM Funds have invested will default, which could cause the WAM Funds to lose all or substantially all of their investment in those companies. An inability to obtain reliable information about the companies and their true financial condition often heightens these risks. These risks can reduce the WAM Funds' account value and the income they earn.

*Volatility.* The prices of the instruments the WAM Funds trade have been subject to periods of excessive volatility in the past, and such periods can be expected to recur. Many unpredictable factors, such as market sentiment, inflation rates, interest rate movements, and general economic and political conditions influence price movements. Sometimes, governments intervene, directly and/or by regulation, in certain markets, particularly currency and interest rate related futures and options markets. Intervention is often intended to influence prices and may, together with other factors, cause those markets to move rapidly.

Though market volatility can create profit opportunities for the WAM Funds, it can also create the risk historical or theoretical pricing relationships will be disrupted, causing what may otherwise be considered comparatively low risk positions to incur significant losses.

*Stagnant Markets.* Some investment strategies WAM employs depend on market volatility to be profitable. In periods of trendless, stagnant markets and/or deflation, many alternative investment strategies have materially diminished prospects for profitability.

*Inflation.* Global infusion of credit could eventually lead to material inflation, particularly in the less developed nations where WAM may invest a portion of its portfolio. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on many countries' economies and securities markets. There can be no assurance inflation will not become a serious problem in the future and have an adverse effect on the WAM Funds' returns.

*Equity Market Risk.* WAM attempts to minimize the WAM Funds' exposure to equity markets' performance in general and the specific equities underlying its portfolio by buying or selling common stock against the portfolio. For example, each convertible security in the portfolio has an associated theoretical value (or delta), which represents the rate at which the convertible security's price is expected to change given a change in the price of the underlying common stock. The delta is used to determine the number of shares of the underlying stock to be shorted against the convertible stock or bonds to protect against price movement in the underlying stock.

*Market Volatility Risk.* The WAM Funds trade securities which can carry substantial embedded volatility risk. For example, a long convertible security/short common stock trade carries long volatility exposure. If, during the lifetime of the position, the underlying common stock has a higher volatility than the volatility used in our model (for the purpose of computing fair value of the convertible security), the position will have greater gains than predicted. Conversely, a lower realized volatility would result in a lower gain than predicted. Where appropriate, the WAM Funds will attempt to hedge our volatility exposure if such a hedge is reasonably available.

*Interest Rate Risk.* The WAM Funds expect to purchase investment instruments which tend to have long maturities and can have considerable exposure to interest rate movements. Where appropriate, we expect to hedge interest rate exposure if an appropriate hedge is reasonably available. Creating a hedge against interest rate exposure, however, depends on the relationship between the U.S. government bond yield curve and the yield curve for many of the investment instruments we expect to purchase. That relationship is difficult to ascertain and therefore interest rate hedges are likely to be imperfect. Nevertheless, the WAM Funds expect to have low exposure to movements in the U.S. government bond yield curve.

*Credit Risk.* Where appropriate, the WAM Funds will attempt to hedge credit exposure if such a hedge is available and adds theoretical value. The WAM Funds intend to hedge default risk but may have exposure to short-term movements in the credit markets.

*Liquidity Risk.* A percentage of the WAM Funds' convertible or other securities positions may be comprised of "Rule 144A securities." Rule 144A securities have not been registered with the SEC for public sale, and only "qualified institutional buyers," as defined in the 1933 Act, may

purchase them. The WAM Funds may also invest in convertible or other securities sold by public companies in private capital markets. Private securities are generally subject to substantial restrictions on resale.

The WAM Funds engage in OTC derivatives transactions to hedge their credit and volatility exposure or to generate positive theoretical value. For example, the WAM Funds may enter volatility and variance swaps. These swaps are illiquid and the WAM Funds might only be able to liquidate these positions at disadvantageous prices.

There can be no guarantee a secondary market will develop in any of the investment instruments the WAM Funds trade.

*Relative Value Strategy Risks.* The WAM Funds generally try to use investment strategies with low correlation to broader equity and debt markets, including identifying and exploiting relative mis-pricings among interrelated instruments. “Relative value” strategies seek to reduce exposure to overall market price movements, but in pursuing such strategies the WAM Funds remain exposed to the risks of disruptions in historical price relationships, the restricted availability of credit, and the obsolescence of its valuation models. These second-order risks are different in nature, but not necessarily in magnitude, from directional market risks.

Relative value strategies include taking long positions in securities believed to be undervalued and short positions in securities believed to be overvalued. Although some consider relative value positions less risky than directional trades, they do have risks. Mis-pricings, even if correctly identified, may not be corrected by the market within the time frame of the WAM Funds’ positions. Even pure “riskless” arbitrage can result in significant losses if the WAM Funds cannot sustain the arbitrage until expiration (due to securities borrowing recalls or margin calls, for example) and the WAM Funds rarely engage in true arbitrage as opposed to relative value trading, which is inherently a higher-risk strategy. If perceived mis-pricings underlying the WAM Funds’ positions fail to converge toward, or diverge further from, WAM’s expectations, the WAM Funds may incur losses.

Relative value strategies have incurred major losses when historical pricing relationships were disrupted, dealers restricted credit, and market liquidity declined.

*Event-Driven Strategy Risks.* Event-Driven investment strategies seek to profit from anticipated events affecting specific companies or securities. When WAM determines a proposed merger, exchange offer, cash tender offer or other similar transaction will likely be consummated, the WAM Funds may purchase securities at prices only slightly below the anticipated value to be paid or exchanged for the securities in the proposed transaction. The purchase price to the WAM Funds may be substantially above the prices at which such securities traded immediately prior to the announcement of such transaction. If the proposed transaction appears unlikely to be consummated, is not consummated, or is delayed, or if the value of a transaction is reduced, the market price of the security to be tendered or exchanged may, and likely will, decline sharply by an amount greater than the difference between the WAM Funds’ purchase price and the anticipated consideration to be paid. If WAM determines the offer price for a security subject to a tender offer is likely to increase, the WAM Funds may purchase securities above the offer price, exposing the WAM Funds to an increased risk of loss.

Where WAM determines it is likely a transaction will not be consummated, the WAM Funds may sell short the securities of the target company, at times pricing them significantly below the announced tender or offering prices for the securities in the transaction. If the transaction, or another transaction, such as a “defensive” merger or a “friendly” tender offer, is consummated at the announced price or a higher price, the WAM Funds may be forced to cover the short position in the market at a higher price than the short sale price, resulting in a (perhaps significant) loss.

Many things could prevent or delay mergers’ consummation, exchange offers, cash tender offers, or other similar transactions: (i) opposition from management or shareholders; (ii) government or regulatory intervention by the SEC, the Antitrust Division of the U.S. Department of Justice, or the U.S. Federal Trade Commission; (iii) shareholder litigation; (iv) market conditions materially impacting securities prices; or (v) other circumstances.

Event driven investing is risky, and the returns tend to be unpredictable. This adds volatility to the WAM Funds’ performance. Investors should expect the WAM Funds’ results to fluctuate from period to period due to the inherently speculative nature of event-driven investing.

*Model Risk.* WAM’s strategies are based in part on proprietary models for valuing and analyzing investment opportunities. Competitors and other market participants commit substantial resources to updating and maintaining existing models and developing new models and algorithms. As market dynamics shift over time, a previously successful model may become outdated or inaccurate, perhaps without WAM recognizing that fact before incurring substantial losses. There can be no assurance WAM will successfully develop and maintain effective models.

*Securities Lending and Borrowing.* The WAM Funds may lend and borrow securities in the ordinary course of business. If the WAM Funds engage in securities lending, the WAM Funds would be exposed to the risk the borrowers of the securities might not be able to return these securities on demand (possibly causing the WAM Funds to default on their obligations to other parties or to be unable to exercise voting or other rights with respect to such securities), or may default on payment obligations to the WAM Funds in connection with such securities loans, potentially resulting in substantial losses to the WAM Funds. In the case of securities borrowing, the WAM Funds are subject to the risk that the lender of such securities will recall them while the WAM Funds have an open short position, which could necessitate: (i) locating another party from whom to borrow securities (possibly at a materially higher cost); (ii) unwinding a short position earlier than anticipated (potentially affecting the WAM Funds’ ability to hedge certain of its exposures); and/or (iii) unwinding related positions WAM believes could be inadequately hedged if WAM were unable to timely locate an alternative source of borrowed securities on appropriate terms prove.

*Material Nonpublic Information.* From time to time, WAM receives material nonpublic information (“MNPI”) and WAM must restrict trading in certain securities on the WAM Funds’ due to confidentiality and regulatory constraints. As a result, WAM may lose a trading opportunity in a restricted security in which WAM would have otherwise chosen to trade. If WAM receives MNPI after purchasing a security for the WAM Funds, WAM may be unable to sell the security until after the MNPI becomes publicly available. Such delays could lead to losses for the WAM Funds.

*Special Situations.* The WAM Funds invest in companies involved in or undergoing mergers, buy-outs, workouts, liquidations, spin-offs, reorganizations, bankruptcies, or similar



transactions. In any investment opportunity involving such a “special situation,” there exists the risk the contemplated transaction will be unsuccessful, will take longer than expected, or will result in lower-than-expected returns. If an anticipated transaction does not occur, the WAM Funds may be required to sell their investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies, there is a potential risk of loss of the WAM Funds’ entire investment in such companies.

*Distressed Securities.* Though not anticipated to be a significant part of the WAM Funds’ investment strategy, the WAM Funds invest in “distressed” securities — i.e., securities issued by companies in weak financial condition, experiencing poor operating results, needing substantial capital investment, having low or negative net worth, facing special competitive or product obsolescence problems, or involved in bankruptcy or other reorganization proceedings. Investments of this type may involve substantial financial and business risks which may result in significant or even total losses. Among the risks inherent in investments in distressed securities is the degree of difficulty obtaining information on the issuers’ true conditions.

Distressed investments may be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments; lender liability; and a tribunal’s power to disallow, reduce, subordinate, or disenfranchise claims. The market prices of distressed securities are also subject to abrupt and erratic market movements and above-average price volatility, and the spread between the bid and asked prices of such securities may be greater than those prevailing in other securities markets. It may take years for the market price of such securities to reflect their intrinsic value. In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there is a risk the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), delayed (e.g., until various liabilities, actual or contingent, have been satisfied), or result in a distribution of cash or new securities valued less than the purchase price of the securities with respect to which such distribution was made.

*International Investing.* WAM invests, directly and indirectly, in international markets, including both developed and emerging markets. Although WAM primarily expects to participate in international markets by investing in ETFs and futures, WAM directly invests in international markets by purchasing individual securities. Investing in non-U.S. issuers’ securities, positions which generally are denominated in foreign currencies, involves both opportunities and risks not typically associated with investing in U.S. issuers’ securities. These include: foreign exchange rate fluctuations; possible imposition of exchange control regulation or currency restrictions which would prevent cash from being brought back to the United States; less public information on the securities’ issuers; little or potentially biased government supervision and regulation of securities exchanges, brokers, and issuers; difficulties in obtaining and enforcing judgments against foreign securities issuers; different accounting, auditing, and financial reporting standards; different settlement periods and trading practices; less liquidity and frequently greater price volatility in foreign markets than in U.S. markets; possible imposition of foreign withholding and other taxes; economic and political risks, including expropriation, currency exchange control, and potential restrictions on non-U.S. investment and repatriation of capital; and sometimes less advantageous legal, operational, and financial protections applicable to foreign sub-custodial arrangements.

Investing in securities of non-U.S. issuers can cost more than investing in U.S. securities. Investments in securities denominated in foreign currencies also involve the additional cost of converting currencies upon the purchase and sale of securities. In addition, the WAM Funds

transact in OTC derivatives to hedge credit and volatility exposure or to generate positive theoretical value. OTC derivatives markets may be illiquid and the WAM Funds might only be able to liquidate these positions at disadvantageous prices if it becomes necessary to do so.

*Small to Medium Capitalization Companies.* The WAM Funds invest in and trade the debt and equity securities of companies with small to medium-sized market capitalizations in the United States and abroad. Small and medium capitalization companies provide significant opportunities, but they also involve higher risks in some respects than investments in larger companies' securities. For example, prices of these securities are often more volatile than prices of large capitalization companies, and the public information regarding the securities of small to medium-sized companies may be less complete, accurate, and timely. In addition, due to thin trading in some of these securities, investments may be less liquid than investments in the securities of larger capitalization companies.

*Use of Leverage.* The WAM Funds' investments generally are leveraged, and at times, are highly levered. WAM uses leverage to enable it to make investments substantially in excess of its equity. Subject to the WAM Funds' advisory agreement, WAM reserves the right to use as much borrowing and leverage as permitted under applicable law and under limits set forth by WAM's prime brokers. Although such techniques increase the opportunity for a higher return on investment, they also increase the risk of loss.

Generally, the institutions providing financing to the WAM Funds may set and apply essentially discretionary policies and standards related to collateral and financing. Changes in banks' and dealers' policies to impose more restrictive credit limitations, whether due to market circumstances or government, regulatory or judicial action, may result in large margin calls, loss of financing, forced liquidations of positions at disadvantageous prices, termination of swap and repurchase agreements, and cross-defaults to agreements with other dealers. Any such adverse effects may be exacerbated if such limitations are imposed suddenly and/or by multiple market participants. The imposition of any such limitations could compel the WAM Funds to liquidate all or part of its portfolio at disadvantageous prices.

WAM may adjust the WAM Funds' leverage. Such adjustments may be with respect to certain markets or the WAM Funds' overall portfolio. Factors which may affect WAM's decision to adjust leverage include: ongoing research; individual markets' volatility; risk considerations; and WAM's subjective judgment and evaluation of general market conditions. Adjustments to leverage may result in greater profits or losses and increased brokerage costs. No assurance can be given that any leverage adjustment will be to the financial advantage of investors in the funds.

*Short Sales.* The WAM Funds sell securities short. A short sale involves selling a security which the seller does not own. To deliver the security to the buyer of a security sold short, the WAM Funds must borrow the security. In so doing, they incur the obligation to replace that security, whatever its price may be, at the time it is required to deliver it to the lender. The WAM Funds must also pay the lender of the security any dividends or interest payable on the security during the borrowing period and may have to pay a premium to borrow the security. This obligation must be collateralized by a deposit of cash or marketable securities with the lender. Short selling is subject to a theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. When the WAM Funds sell short, there can be no assurance the securities necessary to cover the short position will be available for

purchase. In addition, purchasing securities to close out a short position can itself cause the price of the relevant securities to rise further, increasing the WAM Funds' loss. The WAM Funds may be forced to close out a short position prematurely if a counterparty who lent the WAM Funds securities demands their return, resulting in a loss on what might otherwise have ultimately been a profitable position. If the broader markets determine the WAM Funds (and others) are short a heavily shorted security, the WAM Funds may be susceptible to the risk of investors coordinating, on social media or otherwise, to drive up the price of the shorted security causing the holders of short positions to close out the shorts. If the WAM Funds were required to buy the shorted security in the market to make delivery under conditions which cause a sudden and unexpected significant increase in the value of the security, the WAM Funds could incur substantial losses. The U.S. government and certain non-U.S. jurisdictions have at times taken measures to impose restrictions on the ability of investors to enter short sales, including a complete prohibition on taking short positions in respect of certain issuers. Such restrictions may negatively affect the WAM Funds' ability to implement its strategies. WAM cannot determine how future regulations may limit the WAM Funds' ability to engage in short selling and how such limitations may impact the WAM Funds' performance.

*EU Short Selling Regulation. Regulation (EU) No 236/2012 on Short Selling and Certain Aspects of Credit Default Swaps (as supplemented by Commission Delegated Regulations 918/2012, 919/2012, 826/2012 and Commission Implementing Regulation 827/2012) (the "SSR") applies directly (i.e., without national implementation) in all member states of the EU. The SSR imposes certain private and public disclosure obligations on all natural or legal persons, regardless of regulatory status, located inside or outside the EU, who have net short positions (as calculated in accordance with the SSR) in EU listed shares and EU sovereign debt, which reach or fall below the specified thresholds.*

The SSR also prohibits uncovered short sales of EU listed shares and EU sovereign debt (a short sale is "uncovered" unless the specified conditions under the SSR are met for such short sale). The SSR prohibits uncovered positions in credit default swaps referencing EU sovereign debt issuers.

National regulators, and in certain circumstances ESMA, can take certain additional emergency measures, including completely banning short selling, if certain conditions are met.

The SSR may prevent the WAM Funds from fully expressing negative views in relation to EU listed shares and/or EU sovereign debt and may also restrict the WAM Funds' ability to hedge certain risks through EU sovereign credit default swaps. WAM's ability to implement the investment approach and fulfill the WAM Funds' investment objective may be constrained.

For the purposes of this disclosure, "EU-listed shares" means shares admitted to trading on a regulated market or multilateral-trading facility (as defined in MiFID II) in the EU, unless the principal trading venue (as determined by the relevant national regulator) for the relevant shares is in a country outside the EU. "EU sovereign debt" means debt instruments issued by an EU sovereign issuer (which includes EU institutions, EU member states' governments, and certain international institutions established by two or more EU member states).

The UK has equivalent rules which apply to UK listed shares, UK sovereign debt and UK sovereign credit default swaps, *mutatis mutandis* ("UK SSR"), since the SSR has been retained as UK law by the European Union (Withdrawal) Act 2018 ("EUWA"). The UK SSR may prevent the

WAM Funds from fully expressing negative views in relation to UK listed shares and/or UK sovereign debt and may also restrict WAM's ability to hedge certain risks with UK sovereign credit default swaps.

*Options.* The WAM Funds trade options. Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a decline in the underlying asset's value relative to the option's strike price, the passage of time, changes in the market's perception of the future price behavior of the underlying asset, or any combination of those factors. In the case of the purchase of an option, the risk of loss of an investor's entire investment in the option (*i.e.*, the premium paid plus transaction charges) reflects the nature of an option as a wasting asset which becomes worthless when the option expires. Where an option is written or granted (sold) uncovered, the seller may be liable to pay substantial additional margin, and seller's risk of loss is unlimited, they will be obligated to deliver, or take delivery of, an asset at a predetermined price which maybe significantly different from the market value of the underlying asset when the option holder exercises the option.

*Stock Index Options.* WAM purchases and sells stock index options listed on securities exchanges or traded OTC to realize its investment objectives or hedge its portfolio. A stock index fluctuates with changes in the market values of the stocks included in the index. The effectiveness of purchasing or writing stock index options to hedge will depend on the extent to which price movements in the WAM Funds' portfolio correlate with the selected stock indices' price movements. Because the value of an index option depends on movements in the level of the index rather than movements in the price of a particular stock, whether the WAM Funds realize gains or losses from an index option position depends on price movements in the overall stock market or, in the case of certain indices, in an industry or market segment, rather than movements in particular stock prices. The WAM Funds' successful use of index options will depend on WAM's ability to correctly predict movements in the direction of the stock market generally, industries, or market segments.

*Commodity Futures.* The WAM Funds trade futures. Commodity futures prices can be highly volatile. Because of the low margin deposits normally required in futures trading, typical futures trading accounts are extremely highly leveraged. A relatively small movement in the price of a futures contract may result in substantial investor losses. Like other leveraged investments, a futures transaction may result in losses beyond the amount invested. Commodity futures trading is speculative with price movements impacted by a variety of difficult to predict factors. The WAM Funds may trade on non-U.S. exchanges and other markets located outside of the United States where the WAM Funds will be subject to exchange rate risk and significantly greater counterparty risk. The CFTC regulates the sale of foreign futures contracts and foreign options within the United States. These regulations may restrict the WAM Funds' access to foreign markets by limiting the activities of certain participants with whom the WAM Funds could otherwise have traded.

*Price Fluctuations.* Derivative prices are highly volatile. A wide variety of complex and difficult-to-predict factors, such as money supply, inflation, weather and climate, changing supply and demand relationships, governmental activities and regulations, political and economic events, and prevailing psychological characteristics of the marketplace affect prices. These same factors can adversely affect the securities markets.

*Illiquidity in Certain Markets.* The WAM Funds invest in illiquid or restricted securities for which there are no established resale markets. The WAM Funds might only be able to liquidate these positions at disadvantageous prices should WAM determine, or should it become necessary, to do so. For example, the WAM Funds may have to liquidate positions more rapidly than planned if investors make substantial redemptions from the WAM Funds. Illiquidity in certain markets could make it difficult for the WAM Funds to liquidate positions on favorable terms, resulting in losses or a decrease in the WAM Funds' NAV. Though many securities the WAM Funds acquire may be traded on public exchanges, each exchange typically has the right to suspend or limit trading in all securities which it lists. Such a suspension could render it difficult or impossible for the WAM Funds to liquidate its positions, exposing the WAM Funds to losses. During a trading suspension, the WAM Funds may be locked into adverse price movements for several days or more resulting in immediate and substantial losses.

Investors may be subject to an increased risk of limited liquidity if the WAM Funds invest in affiliated funds. Affiliated funds may impose liquidity limitations on investors, and the WAM Funds are typically subject to the same liquidity limitations as other investors.

*Changes in Portfolio Holdings and Liquidity of Shares.* The WAM Funds' relative portfolio holdings change due to events such as significant redemptions. The less liquid or illiquid portions of the WAM Funds' portfolio may, at times, constitute a substantial portion of the WAM Funds' overall holdings, making liquidating the WAM Funds' holdings more difficult. Investors should note WAM has been delegated the ability and sole discretion, in such situations, to defer redemption requests if WAM determines liquidating a portion of the WAM Funds' portfolio holdings to permit any such redemption may be detrimental to the WAM Funds or remaining investors.

*Investments in Equity Securities.* The WAM Funds' portfolio includes equity and equity-related securities. Equity investments may involve substantial risks and be subject to wide and sudden market value fluctuations, resulting in fluctuating gains and losses. There are no absolute restrictions on the size or operating experience (among other characteristics) of the companies in which the WAM Funds may invest. Numerous economic factors, as well as market sentiment, politics, and market-related factors, among others, influence equity values. The WAM Funds may leverage directional equity positions and even comparatively minor adverse market movements can lead to substantial losses.

Common stock and similar equity securities generally represent the most junior position in issuers' capital structures and, generally only entitle holders to an interest in the issuers' assets if any remain after all more senior claims to such assets have been satisfied. Generally, common stockholders are entitled to dividends only if the governing body of the issuer declares them and income or other assets are available after the issuer makes interest, dividend, and any other required payments on the issuer's more senior securities.

*Currency Risk.* WAM invests in non-U.S. dollar-denominated debt and equity securities and in other financial instruments, including futures, whose prices are based on currencies other than the U.S. dollar. The WAM Funds value their portfolio assets in U.S. dollars. To the extent the WAM Funds' non-USD denominated assets are not hedged, their value will fluctuate with U.S. dollar exchange rates as well as with prices in various local markets and currencies. Thus, a change in the value of the U.S. dollar compared to the other currencies in which the WAM Funds invest will

affect the prices of the WAM Funds' securities in their local markets. WAM may utilize currency forwards, futures, and options to hedge against currency fluctuations, but there can be no assurance those hedges will be effective.

*No Formal Diversification Policies.* Diversification is an integral part of WAM's overall portfolio risk management process, however WAM has not adopted fixed guidelines for diversification of its investments with respect to asset classes, issuers, industries, instruments, or markets, and the WAM Funds' portfolio may be heavily concentrated, at any time, in a limited number of positions. In attempting to maximize the WAM Funds' returns, WAM may concentrate the WAM Funds' holdings in industries, companies, instruments, or markets which, in WAM's sole judgment, provide the best opportunities for profit.

*FINRA New Issues.* Though not anticipated to be a significant part of the WAM Funds' investment strategy, the WAM Funds may invest in "New Issues" (in general, any initial public offering of an equity security). Profits and losses attributable to any New Issues the WAM Funds acquire must be allocated to investors FINRA does not deem restricted. Pursuant to applicable FINRA rules, generally, the following are deemed to be "restricted": (i) financial industry professionals and services providers; and (ii) executive officers and directors of public companies and certain non-public companies receiving services from the FINRA member allocating the New Issues.

The WAM Funds will generally avail themselves of a *de minimis* exemption under which up to 10% of any profits and losses from New Issues will be allocated to members who are "restricted." The 10% limit may result in certain "restricted" shareholders receiving a smaller allocation of New Issues profits and losses than FINRA permits. An investor may elect not to participate in New Issues profits and losses in its subscription agreement.

*Closed-End Funds.* WAM invests in closed-end funds to gain exposure for the WAM Funds to various asset classes. The risks of investing in a closed-end fund which invests in a particular asset class are like the risks associated with investing in the asset class directly. The shares of closed-end funds often trade at a discount to the underlying NAV of the closed-end fund and this discount can increase significantly during various market conditions which would not otherwise impact the value of the fund's holdings. Investing in closed-end funds involves investment advisory, transactional, administrative, and other expenses in addition to the investment advisory, transactional, administrative, and other expenses the WAM Funds incur.

*Exchange-Traded Funds.* WAM invests in ETFs. ETFs represent shares of ownership in either funds or unit investment trusts which hold portfolios of common stocks, bonds, or other instruments, designed to correspond generally to the price and yield performance of an underlying index. A primary risk relating to ETFs is the general level of stock or bond prices may decline, affecting the value of an equity or fixed income ETF, respectively. An ETF may also be adversely affected by the performance of the specific sector or group of industries on which it is based. Though ETFs are designed to provide investment results which correspond generally to the price and yield performance of their underlying indices, ETFs may not be able to exactly replicate the performance of the indices because of various sources of tracking error, including the expenses associated with ETFs among other factors.

*Virtual Currency Derivatives.* WAM trades virtual currency futures and other derivatives. The risks involved in trading virtual currency derivatives are substantially similar to those of trading other derivatives WAM trades, including the possibility of significant price volatility. Margin requirements may be increased if the price of the virtual currency contract rises, and some futures commission merchants may impose restrictions on trading activity in virtual currency derivatives, including requiring additional margin, imposing position limits, prohibiting naked shorting, or prohibiting give-in transactions. The rules of certain commodity exchanges impose trading halts which may restrict a market participant's ability to exit a virtual currency derivative position during a period of high volatility.

*Credit Default Swaps.* WAM invests in and trades credit default swap agreements (“CDSs”) or uses them in its hedging strategies. The “buyer” of a CDS must pay the “seller” a periodic stream of payments over the term of the contract in return for a payment contingent upon the occurrence of a credit event with respect to an underlying reference obligation. If a credit event occurs, the seller must pay the contingent payment to the buyer, typically the full notional value of the reference obligation, in exchange for either physical delivery of the underlying instrument or a cash-settled recovery amount. Investing in CDSs involves greater risks than investing directly in the reference obligations. CDSs are subject to general market risks, liquidity risk, credit risk, and regulatory risk. If a credit event did occur, the value of the reference obligation received by the seller, coupled with the periodic payments previously received, may be less than the full notional value it pays to the buyer, resulting in a loss of value to the WAM Funds.

CDSs are a relatively new form of financial instrument, but the volume of trading in CDSs has grown rapidly in recent years. The size and relative immaturity of the CDS market may expose the WAM Funds to large and unexpected risks. During periods of economic stress, the CDS market may not function as expected and may experience disruption, illiquidity, counterparty default, extreme volatility, or imperfect price discovery.

The regulation of CDS transactions and funds engaging in them is evolving and subject to legislative, regulatory, and judicial modifications. Events in 2008-2009 (including market volatility and disruptions, and the bankruptcy, failure, improper practices, and adverse financial results of certain financial institutions, trading firms, and private investment funds) focused attention on the need for firms trading CDSs to maintain adequate risk controls and compliance procedures and caused heightened scrutiny of CDS transactions by regulators and the U.S. Congress. Dodd-Frank imposed substantial new regulations on all OTC derivatives markets in the United States, including the CDS market for CDS. The new regulations impacted parties, including the WAM Funds, active in these markets. Regulators and legislative bodies outside the United States also increased scrutiny of these markets and focused particular attention on CDSs. Regulations adopted under Dodd-Frank sought to increase the transparency in these markets by requiring exchange-trading, clearing, and reporting of many types of OTC derivative trades. The regulators also have enhanced tools to monitor trading in these markets in real time. In addition, the EU Regulation on Short Selling and Certain Aspects of Credit Default Swaps imposed restrictions on investors’ ability to enter CDS transactions where the reference entity is an EU sovereign issuer, such as an EU member state, the EU itself, and certain other supranational organizations in the EU.

*Warrants.* The WAM Funds generally will not recognize gain or loss on the exercise of a particular warrant. If the WAM Funds let a warrant lapse unexercised, we will generally recognize a taxable loss in the amount of its adjusted tax basis in the warrant. Gain or loss recognized by the

WAM Funds on a sale of a warrant (and loss upon lapse of a warrant) will be treated in the same manner as gain or loss from the sale of the underlying securities.

*Portfolio Turnover.* The WAM Funds' investment portfolio turnover rate may be significant, and may involve substantial brokerage commissions, fees, and other transaction costs. The bid-ask spreads in credit markets can be unusually wide, materially increasing transaction costs.

*Real Estate Investment Trusts.* Investing in REITs involves unique risks in addition to those associated with investing in the real estate industry in general. An Equity REIT's value may be affected by changes in the value of the underlying properties the REIT owns. A Mortgage REIT's value may be affected by changes in interest rates and the ability of the issuers of underlying mortgages to repay their obligations. REITs depend on their managers' skills and are not diversified. REITs must maintain cash flows to repay borrowings and make distributions to shareholders and are subject to the risk of default by lessees or borrowers. REITs whose underlying assets are concentrated in properties in a particular industry, such as health care, are also subject to risks associated with such industry.

REITs (especially Mortgage REITs, mentioned above) are also subject to interest rate risks, may have limited financial resources, may trade less frequently and with more limited volume, and may be subject to more abrupt or erratic price movements than larger company securities. Historically REITs have had more volatile prices than the S&P 500 Index.

*BDCs.* Investing in business development companies ("BDCs") involves specific risks, including interest rate fluctuations; changing business conditions; changes in credit markets; investment asset value fluctuations; borrower default risk; values of equity stakes in businesses declining; publicly traded BDCs' stock prices moving below the underlying NAV of their investments; and investors in non-traded BDCs not being able to redeem/sell their shares. BDCs may experience higher volatility than traditional investments.

*Mortgage-Related and Other Asset-Backed Securities Risk.* Mortgage-related and asset-backed securities are subject to extension and prepayment risk, in addition to risks all fixed-income instruments present.

*Extension Risk.* Rising interest rates tend to extend the duration of mortgage-related securities, making them more sensitive to interest rate movements. If the WAM Funds hold mortgage-related securities when interest rates are increasing, the securities may exhibit increased volatility.

*Prepayment Risk.* When interest rates decline, the value of mortgage-related securities with prepayment features may not increase as much as other fixed-income securities because borrowers may pay off their mortgages sooner than expected. The potential impact of prepayment on the price of asset-backed and mortgage-backed securities may be difficult to predict and result in greater volatility.

*Private Securities.* Private securities can carry risk because restricted securities have less liquidity than freely traded securities. Though private security issuers often agree to register the securities for resale after the transaction closes (thereby removing resale restrictions), there is no guarantee the securities will be registered. Some private security issuers may require a WAM Fund



agree to other resale restrictions as a condition to the sale of such securities. The WAM Funds' ability to resell securities acquired in private offering transactions may be limited, and even if a public market exists for such securities, the securities the WAM Funds hold may be deemed illiquid. WAM might inadvertently restrict its ability to participate in future profitable transactions if, through participation in a private placement, WAM obtains material non-public information.

*Precious Metals.* WAM may invest, directly or indirectly (through ETFs and futures), in precious metals. Investments in precious metals are considered speculative and subject to special risk considerations, including substantial price fluctuations over short periods of time. However, investments in precious metal coins or bullion could help moderate fluctuations in the value of the WAM Funds' holdings because the prices of precious metals have tended not to fluctuate as widely as shares of issuers engaged in the mining of precious metals. Because precious metals do not generate investment income, the return on such investments will be derived solely from the appreciation or depreciation of the investments.

*Oil and Natural Gas.* Oil and gas prices fluctuate widely in response to relatively minor supply and demand changes, market uncertainty, and a variety of additional factors beyond WAM's or the WAM Funds' control. These factors include: the level of consumer product demand; the proximity, capacity, cost and availability of oil and gas pipelines and other transportation facilities; technological advances affecting energy consumption; the impact of energy conservation efforts; weather conditions; domestic and foreign governmental regulations and taxation; the price and availability of alternative fuels; political and economic conditions in the Middle East and Russia; the availability and price of imported oil and natural gas; actions of the OPEC and other state-controlled oil companies relating to oil price and production control; and overall domestic and global economic conditions.

*Sanctions Risks.* Like all investors, the WAM Funds are subject to laws restricting us from dealing with entities, individuals, organizations, and/or in investments subject to applicable sanctions regimes. Sanctions regimes may be broad in their application and the interpretation of the application of such regimes may require a substantial degree of subjective judgment, forcing the WAM Funds to either cease certain trading activities or risk violating a sanctions regime. If a WAM Funds' investment becomes subject to applicable sanctions, the WAM Funds may be required, without notice to investors, to divest or otherwise cease any further dealings in that investment until the applicable sanctions are lifted or a license is obtained under applicable law to continue such dealings. Any such sanctions could have an adverse effect on the value or liquidity of such investments. In certain cases, sanctions may require the WAM Funds to liquidate investments at disadvantageous prices.

*Risk of Natural Disasters, Epidemics, Pandemics, and Terrorist Attacks.* Countries and regions in which the WAM Funds invest, where WAM has offices, or where the WAM Funds or WAM otherwise do business are susceptible to natural disasters (e.g., fire, flood, earthquake, storm, and hurricane) and epidemics, pandemics (such as the COVID-19 pandemic which began in late 2019), or other outbreaks of serious contagious diseases. Natural disasters or epidemics could adversely affect and severely disrupt business operations, many countries' economies and financial markets (even beyond the site of the natural disaster or epidemic), and could adversely affect the WAM Funds' investment program or WAM's ability to do business. Terrorist attacks, the fear of attacks, or the precautions taken in anticipation of such attacks, could, directly or indirectly, materially and adversely affect industries in which the WAM Funds invest or affect the countries

and regions in which the WAM Funds invests. Acts of war (e.g., invasions, acts of foreign enemies, hostilities, and insurrections, regardless of whether war is declared) could have a material adverse impact on the financial condition of industries or countries in which the WAM Funds invest.

*Market Disruptions; Governmental Intervention.* Recent disruptions in global financial markets led to extensive governmental intervention. In some cases, intervention was done on an “emergency” basis, suddenly and substantially eliminating market participants’ ability to continue to implement some trading and investment strategies or manage their outstanding positions’ risk. The scope and application of these interventions was often unclear, resulting in confusion and uncertainty which was detrimental to some markets and previously successful investment strategies.

If markets are disrupted, or other events materially distort pricing relationships in the markets, the WAM Funds may incur major losses. The risk of loss from pricing distortions is compounded by the possibility of diminished liquidity, making it difficult or impossible to close out positions against which the markets are moving. The WAM Funds financing from its banks, dealers, and other counterparties may be reduced (potentially eliminated) in disrupted markets, and such a reduction may result in substantial losses to the WAM Funds. Market disruptions may cause dramatic losses for the WAM Funds, and they can result in investment strategies having unprecedented levels of volatility and risk.

*Effect of Speculative Position Limits.* The CFTC, U.S. futures exchanges, and some non-U.S. exchanges (the “Futures Exchanges”) impose “speculative position limits” net long or net short speculative positions any person or entity may hold or control in any particular futures or options contract traded on the Futures Exchanges. The WAM Funds could be required to liquidate futures or swap positions or may not be able to fully implement trading strategies to comply with position limits.

*Possible Positive Correlation with Stocks and Bonds.* Though the WAM Funds have a relative value orientation and seek to be profitable regardless of whether broader markets move up or down, some of the WAM Funds’ investments are correlated with the general equity and bond markets. Even investments intended specifically not to be correlated to the equity and/or bond markets may, in hindsight, be more correlated than expected.

*Institutional and Counterparty Risk.* Institutions, such as brokerage firms, banks, and broker-dealers, have custody of the WAM Funds’ assets and may hold them in “street name.” Bankruptcy, financial strain, fraud, negligence, or error at one of these institutions could impair the WAM Funds’ operational capabilities or capital.

The WAM Funds participate in some transactions in OTC or “interdealer” markets. Unlike members of “exchange-based” markets, the participants in such markets are not typically subject to credit evaluation and regulatory oversight. Participating in these markets exposes the WAM Funds to the risk a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether bona fide) or because of a credit or liquidity problem, causing the WAM Funds to suffer a loss. The WAM Funds’ counterparty risk is greater for longer or more volatile contracts if the counterparty is not required to make mark-to-market payments, exposing the WAM Funds to large counterparty obligations.

The 2008 financial crisis demonstrated the risk to assets investors believed were custodial under statutory and regulatory protections which were not clearly identified as belonging to

investors and not custodians, exposing investors to additional credit risks when custodians went bankrupt. The WAM Funds will be exposed to similar risks.

WAM is not restricted from dealing with particular (unsanctioned) counterparties or concentrating any or all the WAM Funds' transactions with one counterparty. WAM's ability to transact business with any counterparties, uncertainty regarding counterparties' financial conditions, and the absence of a regulated market to facilitate settlement may increase the potential for losses by the WAM Funds. Financial and other bilateral contracts could lose value, be terminated, or bankruptcy courts could treat the WAM Funds as an unsecured creditor. The WAM Funds may not be able to ascertain its position in these contracts, making it difficult to either replace such contracts (in a strategy) or hedge them.

*Suspensions of Trading.* Financial exchanges may suspend or limit trading making it difficult or impossible for the WAM Funds to liquidate positions and exposing them to losses. There is no assurance off-exchange markets will remain liquid enough for the WAM Funds to close out positions. When trading or pricing in markets is abnormal, financial exchanges and government regulators may impose ad hoc or after-the-fact measures such as cancelling trades or orders. Market participants like WAM cannot predict when measures will be imposed or how they will affect the WAM Funds which may face material losses as a result. It is impossible to predict the nature of additional interim or permanent restrictions the government or exchanges may impose on markets in the future and/or the effect of such restrictions on the WAM Funds' strategies.

*Uncertainty in European Markets.* There is often a high degree of government regulation in European economies, including securities markets. European government actions may directly affect foreign investments in European securities and may have significant, indirect effects on securities' market prices and interest and dividend payments. Changes in tax, fiscal, monetary, and profit repatriation policies, and other economic regulations are possible, and could adversely affect private investments.

The UK and other European countries have undergone a substantial political and social transformation and there is no guarantee the economic, educational, and political reforms necessary to complete desired transformation will continue.

Certain EU member states' inability to service their sovereign debt obligations has negatively impacted global markets and economies. Continued uncertainty regarding the outcome of the EU governments' financial support programs and the possibility other EU member states may experience similar financial troubles could further disrupt global markets. It has, and could again, disrupt equity markets and result in volatile bond yields on EU members' sovereign debt. These factors could have an adverse effect on the WAM Funds.

Many of these effects have already been felt in connection with Brexit, but they could be magnified in the event of further departures from, or a complete breakup of, the EU. In February 2022, Russia invaded Ukraine. After the invasion, Russian capital markets were closed for a month, most of the international community began mass divestment and withdrawal from Russia, and many governments imposed financial and economic sanctions on Russian entities and individuals. Russia is unpredictable, as are the conflict's consequences and duration. The invasion and subsequent international financial sanctions continue to negatively impact international industries and global financial markets. Any changes in trade regulations, import or export adjustments, increased sanctions, or fluctuations in the Euro's exchange rate may have a substantial, negative impact on

European countries. The negative impact of the Russian invasion may continue to have an adverse consequence on foreign financial markets where the WAM Funds may invest.

*EU Alternative Investment Fund Managers Directive.* The EU Alternative Investment Fund Managers Directive (the “AIFMD”), implemented in European Economic Area member states (“EEA Member States”), applies to alternative investment fund managers (“AIFMs”) managing and/or marketing alternative investment funds (“AIFs”) in the EEA. For an AIFM established outside of an EEA Member State which implemented the AIFMD (a “non-EEA AIFM”) marketing an AIF established in a jurisdiction outside of an EEA Member State which implemented the AIFMD (a “non-EEA AIF”), the AIFMD requires the non-EEA AIFM must, at a minimum, provide certain disclosures to EEA investors in the non-EEA AIF, and provide reports on a regular basis to the regulator in each EEA Member State where the non-EEA AIFM markets a non-EEA AIF. The AIFMD includes requires cooperation arrangements be in place between the regulator in each of: (i) the jurisdiction where the non-EEA AIFM is established; (ii) the jurisdiction where the non-EEA AIF is established (if different from (i)); and (iii) each EEA Member State where the non-EEA AIFM markets the non- EEA AIF. Individual EEA Member State regulators may also impose additional marketing restrictions on a national basis. The AIFMD provisions may limit WAM’s ability to market the WAM Funds in the EEA. Compliance with those requirements may increase the WAM Funds’ operating costs if WAM markets the WAM Funds in the EEA.

*MiFID II.* The EU Markets in Financial Instruments Directive (Directive 2014/65/EU) and Markets in Financial Instruments Regulation (Regulation (EU) No 600/2014) (together, “MiFID II”) governs the provision of investment services and activities in relation to, as well as the organized trading of, financial instruments such as shares, bonds, units in collective investment schemes, and derivatives. EU member states were required to implement MiFID II as of January 3, 2018. Though the WAM Funds are not organized in the EU and are not authorized or regulated by any EU member state financial services regulator, some aspects of MiFID II may impact the WAM Funds.

MiFID II imposes restrictions as to the trading of shares and derivatives, which could apply to transactions made by or with the WAM Funds. Subject to certain conditions and exceptions, the WAM Funds may not be able to trade shares or derivatives with or through affected EU regulated firms (e.g., EU broker-dealers) other than in accordance with MiFID II. MiFID II imposes position limits to net positions a person can hold in EU-exchange-traded commodity derivatives and in “economically equivalent” OTC derivatives.

MiFID II may obligate EU regulated firms trading with the WAM Funds to impose requirements on the WAM Funds, or they may seek to do so contractually, to satisfy their own compliance obligations, which may increase the WAM Funds’ operating costs.

The UK has rules equivalent to MiFID II. Though neither WAM nor the WAM Funds are UK-based entities, similar consequences to those discussed above would arise when trading with UK-regulated firms and/or holding positions in shares or commodity derivatives traded on UK trading venues and in economically equivalent OTC derivatives.

*European Market Infrastructure Regulation.* The European Market Infrastructure Regulation (Regulation (EU) No 648/2012) (“EMIR”), effective as of August 16, 2012, introduced requirements with respect to derivative contracts, which apply primarily to “financial counterparties” such as EU authorized investment firms, credit institutions, insurance companies, Undertakings for Collective Investment in Transferable Securities (UCITS) and alternative investment funds managed by EU authorized alternative investment fund managers (“FCs”), and “non-financial counterparties” (EU entities which are not financial counterparties, “NFCs”). NFCs whose transactions in OTC derivative contracts exceed EMIR’s prescribed clearing threshold (“NFC+s”) are generally subject to more stringent requirements under EMIR than NFCs whose transactions in OTC derivative contracts do not exceed such clearing threshold (including because such contracts are excluded from the threshold calculation because they are conducted to reduce risks directly relating to the NFC’s commercial activity or treasury financing activity, “NFC-s”). Additionally, amendments made to EMIR in 2019 introduced relief from central clearing requirements for those FCs which do not exceed prescribed clearing thresholds (“FC-s”).

Broadly, EMIR’s requirements with respect to derivative contracts include: (i) mandatory clearing of OTC derivative contracts declared subject to the clearing obligation; (ii) risk mitigation techniques for uncleared OTC derivative contracts, including bilateral collateral exchange; and (iii) reporting and record-keeping requirements for all derivative contracts.

The WAM Funds are established outside the EU and the UK and are not managed by an AIFM authorized under AIFMD, the WAM Funds are not directly subject to EMIR requirements; where the WAM Funds transact with in-scope EU counterparties, such counterparties may require the WAM Funds to comply with certain provisions of EMIR so EU counterparties can fulfill regulatory obligations and ensure transactions are EMIR-compliant. As a result, the WAM Funds may be subject to additional contractual obligations and/or costs which may not otherwise have applied.

The EU regulatory framework and legal regime for derivatives is set out by EMIR and MiFID II. MiFID II requires transactions between FCs and NFC+s in certain sufficiently liquid OTC derivatives be executed on a trading venue which meets the requirements of the MiFID II regime, though relief from this requirement may be available for FCs following recommendations made by ESMA (the “Derivatives Trading Obligation” or “DTO”). This trading obligation will also extend to FCs and NFC+s trading with third country counterparties classified as FCs or NFC+s if they were established in the EU.

The UK has rules equivalent to those in EMIR (“UK EMIR”), since EMIR has been retained as UK law by EUWA, and rules equivalent to the DTO under MiFID II (“UK DTO”). As the WAM Funds are established outside the UK and are not managed by a UK AIFM (as defined in the FCA Handbook), the WAM Funds are not directly subject to the UK EMIR requirements or the UK DTO; however, where the WAM Funds transact with in-scope UK counterparties, such counterparties may be required to apply certain provisions of UK EMIR so the UK counterparty can fulfill its regulatory obligations under UK EMIR and the UK DTO. As a result, the WAM Funds may be subject to additional contractual obligations and/or costs which may not otherwise have applied.

*Cybersecurity Risk.* WAM, the WAM Funds, their service providers, counterparties, and electronic communication networks are subject to the risk of cybersecurity breaches. Cybersecurity is a generic term used to describe the technology, processes, and practices designed to protect

networks, systems, computers, programs, and data from cyber-attacks and hacking by other computer users, and to avoid the resulting damage and disruption to systems, data loss or corruption, and/or misappropriation of confidential information. Hardware and software systems are subject to threats from hackers and others, such as a malicious attacks, malware, ransomware, or other events leading to unanticipated system interruptions or malfunctions. Any interruption to WAM's hardware or software functions could lead to material or even complete losses to the WAM Funds. Hackers could possibly access and steal WAM's research, trading programs, software, or data, and implement such programs or software on their own behalf. This theft could lead to increased competition for, or elimination of, investment opportunities for the WAM Funds, or otherwise render research or trading programs obsolete, possibly resulting in material or complete losses to the WAM Funds. The WAM Funds may incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, dissemination of confidential and proprietary information, and reputational damage. Any cybersecurity breach could expose WAM and the WAM Funds to civil liability and regulatory inquiry and/or action. In addition, investors could be exposed to additional losses because of unauthorized use of their personal information.

WAM and the WAM Funds are covered by cybersecurity insurance to protect against losses from unauthorized penetration of information technology systems, employee theft of investor and/or private information, or liability for third-party vendors mishandling information. However, there can be no guarantee that every potential loss due to cyber-attack or theft of information could be insured against, nor that the limits of any insurance policy that have been acquired are sufficient to cover all such losses.

#### **Item 9 - Disciplinary Information**

On October 8, 2015, WAM and its affiliate Wolverine Trading, LLC, without admitting or denying the findings, reached a settlement with the SEC. The SEC found that WAM violated Section 204A of the Investment Advisers Act of 1940 by failing to establish, maintain or enforce written policies and procedures reasonably designed to prevent the misuse of material, nonpublic information in connection with the sharing of information regarding a particular exchange-traded note among affiliated entities. WAM agreed to relief in the form of a censure and a cease-and-desist order, and payment of \$364,145.80 in disgorgement, \$39,158.47 in prejudgment interest, and a \$375,000 penalty. In response to the SEC's inquiry, WAM took prompt steps to enhance its policies and procedures relating to information barriers.

#### **Item 10 - Other Financial Industry Activities and Affiliations**

##### **i) Financial Industry Activities**

WAM is registered with the SEC as an investment adviser and the CFTC as a commodity pool operator and commodity trading advisor and is a member of the National Futures Association ("NFA") in such capacities.

## **ii) Management Persons Registration**

Christopher Gust, Chief Investment Officer, Chief Executive Officer, and Managing Director of WAM, is registered with the NFA as an Associated Person and Principal of WAM. Mr. Gust is registered with the NFA as a Principal of Wolverine Execution Services, LLC (“WEX”), a broker-dealer affiliated with WAM.

Robert Bellick is registered with the NFA as Principal of WAM.

Kenneth Nadel, Chief Operating Officer of WAM, is registered with the NFA as a Principal of WAM.

Andrew Sujdak, Chief Research Officer and Managing Director of WAM, is registered with the NFA as an Associated Person and Principal of WAM.

Judith Kula, Chief Financial Officer of WAM, is registered with the NFA as a Principal of both WAM and WEX.

David Cavicke, Chief Compliance Officer of WAM is registered with the NFA as a Principal of WAM and WEX.

## **iii) Relationship with Related Persons and Conflicts of Interest**

Christopher Gust, Robert Bellick, David Cavicke, and Judith Kula are management persons of WAM and have relationships with the following affiliated entities: Wolverine Trading, LLC (“Wolverine Trading”); Wolverine Execution Services, LLC (“WEX”); Wolverine Trading UK Limited; Wolverine Holdings, L.P. (“Wolverine Holdings”); and Wolverine Trading Partners, Inc. (“WTP”).

Mr. Gust and Mr. Bellick founded Wolverine Trading in 1994 and WAM in 2001, and may be deemed to control WTP, the general partner of Wolverine Holdings. Wolverine Holdings may be deemed to control, directly or indirectly, each of WAM, Wolverine Trading, WEX, and Wolverine Trading UK Limited. As a result, Mr. Gust and Mr. Bellick maintain significant indirect ownership interests in each of WAM, Wolverine Trading, WEX, and Wolverine Trading UK Limited. Mr. Cavicke is the Chief Legal Officer for WAM, Wolverine Trading, WEX, Wolverine Holdings, and WTP, as well as the Chief Compliance Officer of WAM, and Wolverine Trading UK Limited. Ms. Kula is the Chief Financial Officer for WAM, Wolverine Trading, WEX, Wolverine Holdings, and WTP.

Wolverine Trading is an active market participant and market-maker and may compete with the WAM Funds for investment opportunities. To mitigate and/or eliminate this and other conflicts of interest, procedures have been put in place to ensure Wolverine Trading’s trading operations do not have access to WAM’s trading orders and vice versa. In addition, as a market-maker, Wolverine Trading may take positions which are opposite of those taken by WAM on behalf of the WAM Funds. The markets generally used by WAM require all trades be routed on an anonymous basis. Nevertheless, WAM will not knowingly direct the WAM Funds to be a counterparty in a transaction with Wolverine Trading.

In general, any conflicts of interest that arise between the WAM Funds, on the one hand, and a management person or affiliate of WAM, on the other hand, will be discussed and resolved on a case-by-case basis by representatives of WAM and senior management of such other affiliates. Any such discussion will consider the relevant parties' interests, the circumstances giving rise to the conflict, and WAM's fiduciary obligation to its clients. Any potential investor in the WAM Funds should be aware conflicts would not necessarily be resolved in favor of the WAM Funds' interests.

WAM uses its affiliate, WEX, among other broker-dealers, to execute transactions on behalf of the WAM Funds. This creates a conflict of interest because WAM may have an incentive to trade more frequently on behalf of the WAM Funds to generate commissions for its affiliate, WEX. This practice is commonly known as churning.

In no case will WAM cause the WAM Funds to pay fees to WEX more than what it believes to be reasonable for the services provided. The fees the WAM Funds pay to WEX are commensurate with, and in many cases lower than, the rates other broker-dealers charge to execute similar transactions. For a more detailed discussion on WAM's brokerage practices, please refer to Item 12.

**iv) Recommend or Selected Investment Advisers**

Not applicable

**Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

WAM maintains a policy of strict compliance with the highest standards of ethical business conduct and the provisions of applicable rules and federal securities laws, including rules and regulations the SEC enacted. WAM's Code of Ethics has been adopted pursuant to SEC Rule 204A-1 and is designed to ensure compliance with WAM's standards of business conduct, to ensure clients' interests are always placed first, and any conflicts of interests are avoided or mitigated. Neither WAM nor any WAM employee should ever benefit at the WAM Funds' expense. WAM's Code of Ethics provides for, among other things, safeguarding investor information, prohibiting insider trading, procedures dealing with gifts and political contributions, procedures regarding outside business activities, and reporting of personal securities holdings and transactions. Upon request, WAM will provide its Code of Ethics to investors and prospective investors in the WAM Funds.

Though unlikely, it is possible WAM may purchase securities for the WAM Funds in which WAM's affiliates have a material financial interest. Information barriers are maintained between WAM and its affiliates so WAM's investment personnel are not contemporaneously aware of the positions held by its affiliates. In the unlikely event this situation arose, WAM would not be aware of the fact it holds positions in which an affiliate has a material interest until meaningful time has passed. Therefore, the possible existence of such a fact would not be a factor in WAM's investment decision process.

WAM's supervised persons are permitted to maintain their own individual personal brokerage accounts and WAM's supervised persons or affiliates may invest in the same securities in which WAM invests on behalf of the WAM Funds. This presents a potential conflict of interest



whereby WAM's supervised persons or affiliates could potentially "front run" (*i.e.*, trade ahead of WAM's client accounts) the WAM Funds for their own personal benefit. To avoid or mitigate such conflicts while permitting its employees to invest their personal assets, WAM has developed robust procedures surrounding employee personal trading.

The overarching principle governing the Code of Ethics' procedures regarding personal trading is knowledge of the WAM Funds' trading activity or investment positions must not be used in any way for the benefit of WAM's employees or affiliates. WAM's Code of Ethics strictly prohibits front running and "piggybacking" (*i.e.*, following a client's order). WAM maintains a restricted list including certain securities (*e.g.*, securities for which WAM may have received material non-public information) in which employees are restricted from trading. WAM requires Compliance pre-clear all self-directed personal trades, except for mutual fund and Treasury securities trades. Requests to trade an issuer with a market capitalization below a certain floor are automatically rejected. WAM's Code of Ethics requires WAM employees hold positions in their personal brokerage accounts for a minimum of 30 calendar days. The 30-day hold policy prevents employees from engaging in short-swing transactions in their personal accounts. Short-swing transactions occur when a purchase and sale in the same security occurs within 30 calendar days. The 30-day hold policy is a substantial deterrent to employees trading in their personal brokerage accounts based on their knowledge of the investment activity in the WAM Funds. WAM closely monitors employees' personal trading activity for the following to detect patterns and prevent abusive behavior or violations of the Code of Ethics:

- Frequent and/or short-term trades in any security;
- Trading opposite of client trades;
- Trading ahead of clients; and
- Trading which appears to be based on material non-public information.

Any personal trading which appears abusive may result in further inquiry by the CCO and/or sanctions, up to and including dismissal. While WAM does not expressly prohibit employees from trading in securities for their personal accounts on or around the same time as a the WAM Funds, WAM believes the pre-clearance requirement, WAM's 30-day hold policy, and the robust monitoring procedures to mitigate any potential conflict of interest with respect to personal trading are all inclusive, detailed, and adequately prevent abuse of the Code of Ethics.

WAM and its supervised persons may, in the future, manage other funds and accounts, and are not obligated to devote any specific amount of their business time to client affairs. WAM is not required to accord exclusivity or priority to its clients, including the WAM Funds, in relation to any investment opportunities. WAM's clients do not have a right of first refusal, co-investment, or other rights with respect to any investment opportunity.

If WAM provides advice to other private funds or clients, it will adopt policies and procedures to allocate investment opportunities and execute and/or aggregate orders on an equitable basis over time. However, there can be no assurance the WAM Funds will participate in any

particular investment opportunity on an equal or *pro rata* basis with other investment funds and accounts.

## **Item 12 - Brokerage Practices**

When trading securities, WAM seeks to obtain the best available execution. When routing orders on behalf of client accounts, WAM considers: the price of the securities; commission rates; the size and difficulty of orders; the reliability, integrity, financial condition, general execution, and operational capabilities of competing broker-dealers; and the brokerage and research services other broker-dealers provide.

WAM uses its affiliate, WEX, and other, unaffiliated broker-dealers, to execute transactions on behalf of its clients. WAM will not cause its clients to pay WEX fees in which exceed what WAM believes are reasonable when considering the factors described above. WAM further anticipates WEX's brokerage fees will be commensurate with the rates charged by other broker-dealers for to execute similar transactions.

WAM currently does not have any formal "soft dollar" arrangements with any brokers. However, from time to time, WAM may cause the WAM Funds to pay commissions for executing transactions which are higher than commissions another broker-dealer would charge for such brokerage services. As a result, the WAM Funds may be deemed to be paying for research and other services with "soft" dollars. These services may include: advice, either direct or through publications or writings, as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers and sellers of securities; furnishing analyses and reports concerning issuers, securities, or industries; and providing information on economic factors and trends. WAM may use such services in connection with its investment decision-making process with respect to one or more other accounts managed by WAM and may not be used exclusively with respect to the client who incurred such charges. Such arrangements, however, will not fall outside of the safe harbor for fiduciaries' use of soft dollar payments established by Section 28(e) of the Securities Exchange Act of 1934, as amended.

### **Trade Errors**

While carrying out activities on behalf of the WAM Funds, errors in executing specific trading instructions will occur. Some examples of trading errors include: (i) buying or selling an investment instrument at a price or quantity inconsistent with specific trading instructions a particular strategy generates; or (ii) buying rather than selling a particular investment instrument (and vice versa). WAM will only be obligated to reimburse the WAM Funds for trade errors resulting from WAM's fraud, gross negligence, willful misconduct, or bad faith.

### **Brokerage for Client Referrals**

WAM maintains substantially all the assets of the WAM Funds with one or more prime brokers and other financial institutions selected by WAM. WAM is not committed to continuing its relationship with any prime broker for any period, and, at WAM's discretion, the WAM Funds may employ additional or different custodians and/or prime brokers. Prime brokers routinely provide capital introduction services to their private investment fund clients such as the WAM Funds. As an ancillary benefit (*i.e.*, no additional cost) of using a particular prime broker, WAM may periodically

receive investor referrals with respect to the WAM Funds. WAM does not consider capital introduction services a material factor when selecting prime brokers and WAM does not believe receiving capital introduction services creates a material conflict of interest.

#### Allocation of Opportunities

Wolverine Trading is an active market participant and may compete with the WAM Funds for positions. Wolverine Trading may take positions which are opposite of those the WAM Funds take. To eliminate conflicts of interest, WAM will not knowingly direct the WAM Funds to be a counterparty in a transaction with Wolverine Trading.

WAM may provide advice and enter transactions which vary materially among the WAM Funds and other investment funds and accounts they may manage. WAM is not required to accord exclusivity or priority to the WAM Funds with respect to any investment opportunities. The WAM Funds will not have a right of first refusal, co-investment, or other right with respect to any investment opportunity. Should WAM provide advice to other investment funds, it will adopt policies and procedures to allocate investment opportunities and execute and/or aggregate orders on an equitable basis over time. There can be no assurance the WAM Funds will participate in any particular investment opportunity on an equal or *pro rata* basis with these other investment funds and accounts.

#### **Item 13 - Review of Accounts**

Though diversification and risk control are integral and fundamental components of the overall risk management of the WAM Funds' portfolio, WAM's risk management processes should not be considered as any assurance substantial or total losses will not be incurred.

There are numerous risks WAM does not monitor, and those risks which WAM does monitor may be greater than WAM forecasted, especially in unusual market conditions resulting in such risk management processes not preventing major losses. There are also numerous risks which WAM has no ability to control. Significant or complete losses may result from these risks or other reasons despite WAM's risk management processes.

The Risk Committee, consisting of the Chief Investment Officer, Chief Research Officer, and a Portfolio Manager with previous experience in risk management, oversees risk management for the WAM Funds. WAM monitors its clients' holdings on a continuous basis. Execution and trade processing data is fed through a single account such that monitoring of trades is centralized and the risks related to unauthorized trading are reduced. All positions are reconciled between WAM and the clients' custodians and administrators daily.

The following written reports are periodically delivered to WAM Funds' investors:

- Monthly Risk Report – provides a portfolio recap, NAV return figures, summary risk metrics, and portfolio and exposure summary by strategy;
- Quarterly Investor Reports – provides a detailed analysis of each strategy in the portfolio with allocation, return attribution, and narrative;
- Annual Audited Financial Statements; and

- Monthly Investor Statements sent by the WAM Funds' Administrator.

#### **Item 14 - Client Referrals and Other Compensation**

WAM does not currently engage promoters or placement agents to market the WAM Funds but may do so in the future.

WAM trades securities through several broker-dealers. WAM may receive certain economic benefits from broker-dealers which it would not receive if it did not transact through the broker-dealers. These benefits may include but are not limited to: access to an electronic communication network for order entry and account information; receipt of proprietary research; and participation in broker-dealer sponsored research and capital introduction services. WAM understands the benefits received through its relationship with broker-dealers (including its prime brokers) generally do not depend on the number of transactions directed to, or amount of assets custodied by, the broker-dealers.

#### **Item 15 - Custody**

As managing member of the U.S. feeder fund and investment manager of the offshore feeder fund and master fund, WAM is deemed to have custody of the WAM Funds' assets. WAM maintains substantially all its clients' assets with one or more prime brokers and other financial institutions. Under prime brokerage agreements between WAM and each of its prime brokers, each prime broker will clear and settle securities transactions effected through various brokerage firms. The prime brokers will generally maintain custody of certain of the WAM Funds' securities. In certain instances, other brokers executing transactions for the WAM Funds may maintain custody of the WAM Funds' assets. A portion of the WAM Funds' portfolio may be invested in derivative instruments, where the counterparty may not necessarily be prime broker. With respect to securities traded in certain markets, the prime brokers may transfer the funds to its sub-custodians and/or agents, including its affiliates, located in the countries where the securities are traded. Sub-custodians and agents will maintain custody of the securities until they are sold, and uninvested proceeds will be transferred back to the prime broker.

WAM may employ additional or different prime brokers and/or custodians, as relevant in its discretion. As noted above in "Review of Accounts – Item 13," WAM Funds' investors periodically receive written reports from WAM regarding their accounts and annual audited financial statements.

#### **Item 16 - Investment Discretion**

WAM has full discretion and authority, without prior approval of any officer or other agent, to invest all or a portion of the WAM Funds' assets. Pursuant to the investment management agreement entered with each WAM Fund, WAM has been designated as the WAM Funds' agent and attorney-in-fact, with full power and authority and without the need for further approval of the WAM Funds to take any and all actions WAM, in its discretion, shall deem advisable to carry out its trading strategies with respect to the WAM Funds.

WAM's discretion is subject to restrictions outlined in the relevant confidential information memorandum or any other written agreement between WAM and the WAM Funds.

### **Item 17 - Voting Client Securities**

WAM's investment management agreement with each WAM Fund expressly authorizes WAM to vote proxies. WAM's investment strategies are generally not dependent on the outcome of such proxies. Proxies are considered assets of the WAM Funds and must be voted with diligence, care, and loyalty to maximize their value. WAM will vote on matters such as corporate strategic direction, ownership structures which enhance shareholder value without diluting management accountability to shareholders, and/or present compensation plans which are commensurate with enhanced performance and market practices.

WAM's clients may not direct proxy votes. If proxy voting causes a conflict of interest, WAM endeavors to resolve all conflicts in an equitable manner for all of its investors to the extent possible under the prevailing facts and circumstances. The WAM Funds' investors may obtain the results of voting by requesting the results from WAM.

### **Item 18 - Financial Information**

Item 18 of Form ADV Part 2 requires investment advisers to disclose any financial condition reasonably likely to impair their ability to meet contractual commitments to clients. At the present time, WAM has no information relevant to this Item.

### **Item 19 – Requirements for State-Registered Advisers**

Not applicable