

**Item 1 – Cover Page**

**GUGGENHEIM INVESTMENTS**

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This Brochure provides information about the qualifications and business practices of Guggenheim Investments. If you have any questions about the contents of this Brochure, please contact us at 212.739.0700. 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.

Guggenheim Investments is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about Guggenheim Investments also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This brochure updates the brochure of the Security Investors, LLC (“SI”), dated as of March 30, 2020.

SI has updated and/or expanded disclosures relating to its business operations, including disclosures regarding expected changes to SI’s current operations and its relationship with affiliates, particularly in the following areas:

- Item 5 – Fees and Compensation
- Item 6 – Performance-Based Fees and Side-By-Side Management
- Item 8 - Methods of Analysis, Investment Strategies, and Risk of Loss
- Item 10 - Other Financial Industry Activities and Affiliations
- Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

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## Item 4 – Advisory Business

Security Investors, LLC, the “Adviser” or “SI,” is a Kansas limited liability company. The Adviser, a direct, wholly owned subsidiary of Rydex Holdings, LLC, does business as Guggenheim Investments, and has previously done business as Security Global Investors and Rydex Investments. The Adviser is an indirect, wholly owned subsidiary of Guggenheim Capital, LLC (“Guggenheim Capital”). Guggenheim Capital is the sole owner of Security Investors, LLC through a series of holding companies, including Guggenheim Manager, Inc.; Guggenheim Partners, LLC (“Guggenheim Partners”); GI Holdco II, LLC; GI Holdco, LLC; GMI GPIMH, LLC; Guggenheim Partners Investment Management Holdings, LLC (“GPIMH”) and Rydex Holdings, LLC. Sage Assets, Inc. holds a minority ownership interest in Guggenheim Capital, LLC. Sammons Equity Alliance, Inc. holds all of the ownership interests in Sage Assets, Inc. Consolidated Investment Services, Inc. owns Sammons Equity Alliance, Inc. Sammons Enterprises, Inc. owns Consolidated Investment Services, Inc. Sammons Enterprises, Inc. Employee Stock Ownership Trust owns Sammons Enterprises, Inc. GreatBanc Trust Company is the Trustee for Sammons Enterprises, Inc. Employee Stock Ownership Trust.

As of December 31, 2020, the Adviser manages approximately \$11,396,546,743 Regulatory Assets Under Management (“RAUM”), on a discretionary basis and no assets on a non-discretionary basis.

The Adviser provides advisory services to pooled investment vehicles that are registered as investment companies (each, a “Registered Fund” and collectively, the “Registered Funds”) under the Investment Company Act of 1940, as amended (“1940 Act”). A Registered Fund’s investment objective, strategies, and any applicable investment restrictions are generally described in that Registered Fund’s Prospectus and Statement of Additional Information, as each may be supplemented from time to time, and may be changed in accordance with the Registered Fund’s Statement of Additional Information and as permitted by law. Registered Funds are not managed in the interest of any particular investor. Prospective investors in a Registered Fund should review the Registered Fund’s Prospectus and Statement of Additional Information to determine whether the Registered Fund is an appropriate investment in light of the potential investor’s individual objectives and risk tolerance. Each Registered Fund is managed in accordance with its investment objective, strategies and restrictions and is not tailored to the individualized needs of any particular Registered Fund shareholder or other fund investor. Therefore, such shareholders and investors must consider whether the Registered Fund, or any other fund, meets their investment objectives and risk tolerance prior to investing. Information about each Registered Fund can be found in its Prospectus and Statement of Additional Information.

Additionally, the Adviser offers investment supervisory services to separately-managed accounts (“SMA”) for institutions, such as insurance companies, other financial institutions, pension and profit sharing plans, U.S. governmental entities, non-U.S. governmental entities, colleges, hospitals, charitable organizations, endowment funds and foundations; and certain individuals and trusts.

Except as otherwise described herein, investments for SMAs are managed in accordance with the client’s investment objectives, strategies, restrictions and guidelines as communicated to the Adviser by the client (or the client’s primary adviser or Program Sponsor).

The description of the Adviser's investment advisory clients above is a summary and not intended to be exhaustive.

## **Item 5 – Fees and Compensation**

### **Management Fees**

For the SMAs, the Adviser generally is paid a monthly or quarterly management fee, which is usually based on assets under management ("AUM") or the net asset value ("NAV") (as defined in each investment management agreement) of all assets held in a client's account. The management fee is equal to a mutually agreed upon annual fee prorated and multiplied by the SMA's AUM or NAV as of each calendar month-end or quarter-end, and typically reduced for periods of less than a complete month and prior to any reduction for such management fee. The management fee is calculated and accrued monthly and is generally payable quarterly or monthly in arrears, subject to any different payment and calculation terms in a client's investment management agreement ("IMA"). Fees are negotiated in different amounts with each client in the Adviser's sole discretion based upon the type of service provided, size of the account, and relationship between the client and the Adviser.

The standard management fee for investment advisory services provided to the Adviser's SMA portfolios generally ranges up to 1.00 percent annually of AUM or NAV. The Adviser offers several different products with varying fees some of which are higher than this, and, as described above, SMA fees are generally negotiable. While the Adviser does not currently receive fees in advance, it is possible that it may do so in the future. If fees have been paid in advance, in the event of a withdrawal, the client would receive a *pro rata* rebate of the allocable portion of the fee not earned by the Adviser during the period.

For Registered Funds, management fees earned by the Adviser are based on the NAV at the end of the applicable period (generally, a month or quarter) and are paid in arrears. Registered Fund fees vary depending on the type of investment strategy employed by a Registered Fund, as described in more detail in the Registered Fund's Prospectus and Statement of Additional Information. The Adviser, voluntarily or pursuant to a written fee waiver/expense reimbursement agreement, waives fees and/or reimburses expenses for certain clients. The Adviser has also entered into investment sub-advisory contracts with sub-advisers to manage certain Registered Fund assets (subject to requirements set forth in the 1940 Act); however, the Adviser is responsible for the fees paid to such sub-advisers.

Certain SMAs or Funds managed by the Adviser or affiliates of the Adviser have negotiated fees that vary depending on the types of assets held in the account. Such a fee structure creates conflicts of interest for the Adviser and the Adviser's affiliates. Specifically, the Adviser will generally have an incentive to invest these accounts in asset types that generate a higher management fee, even though such asset types are often riskier or more speculative than asset types that generate a lower management fee. This incentive will be greater on or before the dates as of when such fees are calculated. Certain SMAs managed by the Adviser's affiliates are non-discretionary and have negotiated fees that arise only from the assets that the client has agreed to purchase. In such cases, the Adviser or the Adviser's affiliates will have an incentive to recommend more or higher fee assets to the non-discretionary client.

## **Additional Fees**

The Adviser and its affiliates receive fees, commissions, remuneration, or profits made in some transactions involving affiliated entities in addition to any management and performance fees. For more information on transactions involving affiliated entities, please see “Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.”

Neither the Adviser, nor any supervised person acting on behalf of the Adviser, accepts compensation for the sale of shares of the Registered Funds. The Adviser and its affiliates will receive commissions, fees, or other remuneration for the sale of other securities to client accounts or Registered Funds. Please see “Item 10 - Other Financial Industry Activities and Affiliations – Other Potential Conflicts and Material Relationships with Affiliated Entities.”

## **Expenses**

Expenses charged to and borne by SMAs generally include management fees, all costs and expenses related to the SMA’s portfolio investments and all other costs and expenses agreed to between the client and the Adviser, such as indemnification expenses. Costs and expenses typically borne by a SMA relating to its portfolio investments include: brokerage commissions and other trading execution and settlement related costs and fees; custody fees; interest incurred on borrowings, if any; and dividends paid on securities sold short. Please see Item 12 for a discussion of the Adviser’s brokerage practices.

Costs and expenses borne by more than one SMA client will be allocated in accordance with the Adviser’s methodologies for expense allocation. The Adviser’s expense methodologies seek to allocate expenses in a manner that generally reflects each client’s relative consumption of resources, relative allocation of benefits and/or other equitable considerations that may be appropriate under the circumstances; however, the allocation of expenses involves subjective determinations, which involve conflicts of interest. For example, in some instances expenses are allocated pro rata among clients participating in an investment (e.g., based on cash/capital available for investment, net assets or other methodology determined by the Adviser to be appropriate), but in other instances expenses are allocated on a non-pro rata basis. Moreover, allocations of expenses typically rely on then-available information, estimates and assumptions, which the Adviser believes are reasonable and appropriate, but may be imprecise and subject to subsequent modification. While the Adviser believes that its allocation methodology is reasonable, other allocation methodologies exist that yield different results.

Costs and expenses that are borne by Registered Funds (in addition to investment advisory fees) which are incidental or related to the maintenance of an account or the buying, selling and holding of investments may include, but are not necessarily limited to: (1) custodial charges; (2) brokerage fees, commissions and other related transaction costs and expenses; (3) governmental charges, taxes and duties; (4) transfer fees, registration fees, interest expenses, and other expenses associated with buying, selling or holding investments; (5) withholding taxes payable and required to be withheld by issuers or their agents; and (6) acquired fund fees and expenses associated with investments in affiliated and unaffiliated pooled investment vehicles, including investments in other Registered Funds. Registered Fund costs and expenses are described in more detail in a Registered Fund’s Prospectus and Statement of Additional Information.

Registered Funds will also from time to time adopt one or more of the following: (i) a distribution plan pursuant to Rule 12b-1 of the 1940 Act that allows such Registered Funds to pay distribution fees out of net assets on an annual basis to Guggenheim Funds Distributors, LLC (“GFD”), an affiliate of the Adviser, and other firms that provide distribution-related expenses, or (ii) a shareholder servicing plan that provides that such Registered Funds pay financial intermediaries for shareholder services out of net assets on an annual basis. These arrangements would increase such Registered Funds’ operating expenses.

In the event an expense is attributable to multiple Registered Funds and/or SMAs, the Adviser’s expense allocation process includes making an initial allocation of such expense among all relevant accounts prior to determining whether any such Registered Funds and/or SMAs are restricted or prohibited from bearing the expense (e.g., due to expense caps or restrictions in relevant documentation). If the Adviser determines that one or more Registered Funds and/or SMAs are restricted or prohibited from bearing the expense, the Adviser will generally determine to bear the portion of the expense that was initially allocated to such accounts and to then allocate the remainder of such expense as appropriate to other Registered Funds and/or SMAs that do not have such restrictions or prohibitions.

The bearing of costs and expenses by Registered Funds and/or SMAs as described in this section will directly or indirectly benefit the Adviser or other clients of the Adviser that do not bear such costs and expenses, particularly those that later invest in the same or similar assets, sectors, and/or issuers as the Registered Funds and/or SMAs bearing such costs and expenses. For example, in managing the accounts of certain clients, the Adviser from time to time takes into account relevant information obtained by service providers previously paid for by certain Registered Funds and/or SMAs. These service providers include, among others, valuation agents (e.g., for pricing support of a related issuer or security) and certain legal and accounting expenses (e.g., documents serving as precedent for a future similar situation). In addition, the Adviser will, from time to time, provide information acquired or derived from these service providers to other clients for various reasons without seeking compensation for such information. Registered Funds and/or SMAs that initially bear such expenses are not expected to be later reimbursed by clients who benefit from such expenses.

A similar process is involved with respect to expenses that are attributable to both clients of the Adviser and clients of the Adviser’s affiliates. Cross-adviser expenses may exist where the Adviser and its affiliates pursue the same or similar assets for client accounts or where the Adviser and its affiliates have collective arrangements with service providers. Cross-adviser expenses will first be allocated to each adviser and then to the adviser’s clients in accordance with such adviser’s expense allocation policies and procedures. If affiliated advisers’ policies and procedures differ, there will be differences in the expenses borne by clients of each adviser, and certain clients will therefore be treated more favorably depending on the adviser providing services to such clients.

SI and its affiliates and personnel expect from time to time to receive discounted services from certain service providers who also provide services to the Registered Funds and/or SMAs. SI and its affiliates and personnel expect to receive discounts negotiated with such service providers because SI and its affiliates intend to negotiate for such services on a group-wide bases. No discounts received by SI and its affiliates and personnel for such services will offset or reduce the management fee or any other compensation received by SI.

Guggenheim Securities, LLC (“Guggenheim Securities”) and GFD are affiliates of the Adviser, and GFD receives a fee from the Adviser based on a percentage of assets of particular Registered Funds as compensation

for marketing services provided by GFD. In certain circumstances the Adviser also pays similar fees to unaffiliated entities.

Some of the Adviser's employees or its affiliates' employees (and others who act in the capacity of a consultant or advisor) from time to time also are employed, or engaged in an operating capacity by, or serve as a director for, one or more portfolio companies or entities in which the Adviser or one of its affiliates has invested on behalf of its advisory clients. The services provided by such persons in such capacity are separate and apart from the Adviser's investment advisory services to its advisory clients. Such persons have received, and may in the future receive cash compensation, stock options and/or restricted stock as well as other compensation in their capacity as directors or employees of a portfolio company. Any such amounts (including, without limitation, salaries, additional investment rights and similar cash and non-cash compensation and incentives) received, directly or indirectly, by such persons in respect of such portfolio companies will not reduce the management fee otherwise payable by advisory clients to the Adviser or its affiliates and will be borne by the portfolio companies. Therefore, such amounts will indirectly be borne by the advisory clients as applicable invested in the portfolio company and not by the Adviser. Further, conflicts of interest arise between the duties owed (if any) by such persons to such portfolio companies and to the Adviser's clients (and/or between the Adviser's advisory clients and affiliated advisers' advisory clients), particularly where there is a divergence of interests between the Adviser's advisory clients (and/or between the Adviser's advisory client and advisory clients of the Adviser's affiliates) who are equity holders and/or debt holders of a portfolio company and such other of the portfolio company's equity holders or debt holders. The Adviser seeks to ensure that such conflicts of interest are appropriately resolved taking into consideration all of the circumstances in a given situation. To the extent permitted by law in the applicable jurisdiction, appropriate resolution has included and may in the future include, without limitation, one or more of the following measures: (a) a waiver of fiduciary duties owed to the portfolio company; (b) an agreement that such persons may only consider the interest of the Adviser's advisory clients (and if applicable advisory clients of the Adviser's affiliates); (c) an agreement that such persons need not present investment opportunities to the portfolio company; (d) disclosure of the conflict to the board of the portfolio company; and/or (e) recusal from conflicted votes or decisions regarding the portfolio company. In the event of an irreconcilable conflict of interest between Adviser's advisory clients and advisory clients of the Advisers' affiliates with respect to the direction of a Board decision or vote by an employee of the Adviser or the Adviser's affiliates who serves as a director of a portfolio company in which both the Adviser's advisory clients and advisory clients of the Adviser's affiliates are equity holders and/or debt holders as applicable, the Adviser's or affiliated adviser's employee shall vote according to the decision of the advisory clients holding the majority investment in the portfolio company.



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

### **Performance-Based Fees**

Although the Adviser does not charge a performance or incentive fee, certain of its portfolio managers who are also employees of certain affiliated investment advisers advise accounts with respect to which the advisory fee is based entirely or partially on performance. The simultaneous management of clients that pay performance-based fees and clients that pay only management fees or performance-based fees that are calculated in a different manner creates a conflict of interest as the portfolio manager will have an incentive to favor clients with the potential to generate greater fees.

Performance-based compensation arrangements reward the portfolio manager for positive performance. Such performance-based compensation arrangements create an incentive to favor accounts that pay higher fees over other accounts in the allocation of investment opportunities. For instance, a portfolio manager will face a potential conflict of interest when allocating scarce investment opportunities, which creates an incentive to allocate opportunities to client accounts that pay performance-based fees as opposed to client accounts that pay smaller or no performance-based fees. In addition, SI personnel whose compensation varies based on the performance of client accounts or investments face similar conflicts of interest as they have an incentive to favor accounts or investments for which they are able to receive additional compensation.

The Adviser seeks to mitigate the above conflicts of interest through the Adviser's and its affiliates' allocation and best execution policies and procedures, which are designed to help ensure their portfolio managers act in the best interests of its clients in accordance with their fiduciary duties.

### **Valuation**

As noted above, the Adviser's fees are often based on the value of the assets held in the client account. While the Adviser is not involved in valuing its clients' portfolio investments, an affiliate of the Adviser, Guggenheim Partners Investment Management, LLC ("GPIM"), an affiliate, does play a role in the valuation of certain portfolio investments held by the Adviser's clients. When pricing a security, GPIM attempts, in good faith and in accordance with applicable laws, to determine the fair value of the security or other assets. For separately managed accounts, unless otherwise agreed to with a client, GPIM generally relies on prices provided by a broker-dealers or third-party pricing services for valuation purposes. However, when quotations from these sources are not readily available or are believed by GPIM to be unreliable, the security or other assets will be valued by GPIM or an affiliate in accordance with applicable valuation procedures. Pricing for Registered Funds is generally determined in accordance with the Registered Funds' valuation procedures by the Registered Funds' administrator, their valuation committee and with assistance from GPIM under certain circumstances.

When GPIM values securities, GPIM values securities and assets in client accounts according to its valuation policies. In certain circumstances, GPIM will value an identical asset differently than other affiliated subsidiaries of Guggenheim Partners value the same asset, because such other entities have information regarding valuation techniques and models or other information that they do not share with GPIM. This is particularly the case in

respect of difficult-to-value assets. Where appropriate, GPIM values an identical asset differently in different client accounts, for example because different client accounts are subject to different valuation guidelines pursuant to their respective governing agreements (or may be subject to different valuation policies) or different third-party vendors perform valuation functions for the client accounts.

GPIM evaluates the performance of certain mandates against index benchmarks. At times, a GPIM or Adviser-managed account will hold the same securities that the applicable index holds. GPIM has and occasionally will value those securities differently than the index provider values them, because GPIM and index providers sometimes use different pricing methodologies. In this situation, performance relative to the index benchmark would be affected due to the use of different pricing methodologies, as opposed to security selection or portfolio management.

GPIM faces conflicts with respect to such valuations because they affect the Adviser's compensation. To the extent the Adviser's fees are based on the value of client accounts, the Adviser, an affiliate of GPIM, would benefit by receiving a fee based on the impact, if any, of an increased value of assets in an account. In addition, to the extent GPIM utilizes third-party vendors to perform particular functions, these vendors have interests and incentives that differ from those of the client accounts. In order to mitigate such conflicts of interest, GPIM maintains a Valuation Policy and an oversight committee to monitor GPIM's valuation determinations in accordance with its fiduciary duties.

### **Side-By-Side Management**

Certain portfolio managers employed by the Adviser or its affiliates manage, and may in the future manage, multiple accounts, including SMAs and Registered Funds, according to the same or similar investment strategies and have made and sold, and may in the future seek to make or sell, investments in the same securities, instruments, sectors or strategies. This side-by-side management of multiple accounts creates conflicts, particularly in circumstances where the availability or liquidity of investment opportunities is limited. Some investments (such as commercial mortgage loans, products structured for insurance company investment requirements, private equity, hedge funds, venture capital and/or other equity interests) have been, and will in the future be, offered to some but not all clients when appropriately within client investment guidelines, including unaffiliated and affiliated insurance companies (as described below in "Item 10 – Other Financial Industry Activities and Affiliations – Other Potential Conflicts and Material Relationships with Affiliated Entities").

The Adviser faces conflicts of interest because the Adviser has an incentive to favor particular accounts over others that are less lucrative in the allocation of investments (e.g., because such accounts have the same or similar investment strategies or otherwise compete for investment opportunities, have potentially conflicting investment strategies or investments, or have differing ability to engage in short sales and economically similar transactions). These conflicts arise when, for example, a portfolio manager allocates investment opportunities that he/she believes could more likely result in favorable performance, engages in cross trades or executes conflicting or competing investments.

In addition, in certain circumstances, the Adviser's actions for one client account will affect other client accounts, and the Adviser's actions for one or more client accounts will affect, or be affected by, actions of the Adviser's affiliates or related persons who hold interests in a particular portfolio company, either directly or

through an account managed by the Adviser. For additional information about these situations, please see respectively, “Item 11, Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – Conflicts Resulting from Investment Management Activities” and “Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – Participation or Interest in Client Transactions”.

To address these conflicts, the Adviser’s policies and procedures require that investment decisions for client accounts advised by the Adviser or its affiliates will be made independently from those of other client accounts and with specific reference to the individual needs and objectives of each client account, without consideration of the Adviser’s or its employees’ or affiliates’ pecuniary or investment interests. In particular, under the Adviser’s policies and procedures investment opportunities will be allocated in a manner that the Adviser believes is consistent with its obligations as an investment adviser. The Adviser’s policies and procedures relating to allocation of investment opportunities are described further in the “Allocation” section below. For additional information relating to the Adviser’s general processes to mitigate potential conflicts of interest, see “Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – General Process Regarding Potential Conflicts”. Investment groups within the Adviser are subject to these and/or other similar policies and procedures that are consistent with the Adviser’s obligations as an investment adviser and that address circumstances that are unique to their businesses. Accordingly, particular client accounts have received, and will in the future receive, an allocation in a given transaction when other client accounts do not. Where such differences in allocations occur, account investments and performance will differ from client to client.

### **Allocation**

The Adviser maintains multiple trading facilities, each of which have separate trade aggregation and allocation processes. The Adviser has procedures in place that seek to aggregate trade orders in a manner that is consistent with its duty to: (1) seek best execution of client orders; (2) treat all clients fairly and equitably over time; and (3) not systematically advantage or disadvantage any single client or group of clients.

The Adviser advises clients with similar investment strategies. The Adviser has in the past and may in the future combine orders on behalf of an account with orders for other accounts for which it or its principals have trading authority, or in which it or its principals have an economic interest. When it does, the Adviser will allocate the securities or proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants. The Adviser believes combining orders in this way will, over time, be advantageous to all participants. However, the average price could be less advantageous to an account than if an account had been the only account effecting the transaction or had completed its transaction before the other participants. Because of the Adviser’s or an affiliate’s interest in some of the accounts, there are circumstances in which an account’s transactions may not, under certain laws and regulations, be combined with those of some of the Adviser and its affiliates’ other clients, and an account could obtain less advantageous execution than such other clients.

The Adviser has implemented policies and procedures that govern the allocation of investment opportunities among clients in a fair and equitable manner, taking into account the needs and investment objectives of the clients as well as prevailing market conditions. In such circumstances, if an investment opportunity would be appropriate for more than one client, the Adviser will be required to choose among those clients in allocating the opportunity, or to allocate less of the opportunity to a client than it would ideally allocate if it did not have

to allocate to multiple clients. In addition, the Adviser often determines that an investment opportunity is appropriate for a particular account, but not for another. There can be no assurance that a particular investment opportunity will be allocated in any particular manner.

At times, in order to minimize execution costs for clients, trades in the same security transacted on behalf of more than one client of the Adviser or the Adviser's affiliates are aggregated (i.e., blocked or bunched), subject to the aggregation being in the best interests of the participating clients and the firm's obligation to seek best execution. In particular, the Adviser will direct Guggenheim Investments to aggregate trades between the Adviser's clients and the Adviser's affiliate's clients, unless the Adviser believes that doing so would conflict or otherwise be inconsistent with its duty to seek best execution for its clients and/or the terms of the respective investment advisory contracts and other agreements and understandings relating to the clients for which trades are being aggregated. When the Adviser believes that it can effectively obtain best execution, for its clients by aggregating trades, it will do so for all clients participating in the trade for which aggregated trades are consistent with the respective investment advisory contracts, investment guidelines, and other agreements and understandings relating to the clients.

In certain circumstances, the Adviser also trades securities on a rotational basis. Under the rotation procedures, orders will be aggregated with orders of other clients of the same trade, but such orders will not be aggregated with orders for other clients of the Adviser. The Adviser uses this trade rotation procedure to ensure that all clients are treated in fair and equitable manner over time. Under the procedure, the Adviser's clients are divided into a number of separate groups. The groups are assigned an order as part of a daily rotation, in which the transactions will be executed, and execution for one group will be completed before execution for the next group will begin. Orders will be executed by a broker chosen in accordance with the Adviser's normal brokerage selection policy. Once the rotation has been completed and the entire order has been allocated, the first client is moved to the bottom of the list for the next rotation. Due to the sequential execution of orders for different groups of clients under this trade rotation procedure, it is possible that clients in one group will receive a different price for a transaction in the same security than clients of other groups. Trade rotation may not be used in certain unusual and non-recurring situations.

Certain clients of the Adviser follow the same or similar strategies at the same or different times as those being followed by the Adviser's other clients. Because different portfolio construction processes are used for different types of accounts, allocation of trading opportunities may not be granted to certain accounts with similar strategies where the portfolio manager in good faith determines that such opportunity may not be appropriate for certain such accounts.

When a trade is to be executed for a single client of the Adviser and the trade is not in the best interests of other clients of the Adviser or the Adviser's affiliates at the time of the transaction, then the trade will be executed only for that client. Other instances in which client orders will not be aggregated between the Adviser's clients and affiliates' clients include, but are not limited to, the following:

- Traders and/or portfolio managers determine that the aggregation is not appropriate due to market conditions;
- Portfolio managers effect the transactions through an approved client-requested directed-brokerage arrangement (i.e. the same security/investment with different brokers), making aggregation unfeasible; or

- A client directs a purchase or sale transaction not in the best interests of other clients at the time of the transaction.

In the event trades are aggregated on behalf of Adviser and affiliates' clients, the aggregated transactions will be allocated in a manner consistent with the allocation process described below.

Aggregated transactions then are allocated among the participating client accounts of the Adviser after taking into consideration the specific objectives and constraints for each account, which could include, but are not limited to, the following: risk tolerance; rating constraints; maturity constraints; issue size; yield; purchase price; existing exposure of the investment vehicle; minimum trade allocation; minimum position holding size; sector allocation limits; duration; convexity; strategy; lot size; market conditions; investment guideline considerations; and account-specific legal and regulatory constraints. In addition, the Adviser will consider the strategies, liquidity requirements, investment phase of the account (i.e. ramping-up or taking gains/losses for tax purposes) and cash available in each account when making an allocation decision.

The application of the relevant factors can result in non-*pro rata* allocations, and some client accounts (including client accounts in which the Adviser or its affiliates or related persons, or their respective officers, directors or employees, including portfolio managers or senior managers of the Adviser, have an interest) will receive an allocation when other client accounts do not. As noted above in "Side-By-Side Management" of this Item 6, some investments will be offered to some but not all clients when appropriately within client investment guidelines, including unaffiliated and affiliated insurance companies.

The Adviser generally seeks to allocate transactions on an objective basis and in a manner designed to assure that no participating client is favored over any other participating client. If an investment is suitable and desirable for more than one account, an initial allocation study will be determined based upon demand ascertained from the portfolio managers. With respect to fixed income and private equity assets, this initial allocation study is overseen by the Central Allocation Group and shall generally reflect a *pro rata* participation in the investment opportunity among the participating accounts that expressed demand. Final allocation decisions are made or verified independently by the Central Allocation Group which is comprised of employees reporting up to the Adviser's Chief Risk Officer ("CRO"). With respect to public equity securities and public equity-related securities the allocation shall generally reflect a *pro rata* participation in the investment opportunity among participating accounts. Please also see "IPO/New Issue Allocation Policies" below.

Circumstances have and may in the future arise in which particular factors are approved for consideration in making allocation decisions. In some circumstances, relevant Adviser employees, together with the Central Allocation Group, the Chief Compliance Officer ("CCO"), CRO and General Counsel may approve other factors to be considered in determining a fair allocation, including follow-on investments and minimum investment thresholds. In situations where the amount of fixed income or private equity assets to be purchased is too limited for all eligible clients to share (even on an allocated basis), such transactions will be allocated among eligible clients in accordance with the Central Allocation Group's determination, made in good faith, to make a fair and equitable allocation which can include the use of a rotation process. When a security is limited to a single purchaser, the Central Allocation Group will use a rotation process to allocate the opportunity to an eligible client.

The Central Allocation Group is responsible for ensuring fair allocation of fixed income and private equity trades among eligible clients within the parameters established above. The Central Allocation Group will often seek input and suggestions from Portfolio Management with regards to proposed allocations and also on the reasonableness of allocations. The Central Allocation Group makes or verifies the final allocation decision for fixed income and private equity trades and will analyze and record the allocation of fixed income or private equity orders among clients.

In certain situations, in which an investment opportunity would be appropriate for one or more of the Adviser's clients (based on the criteria described above), it may be necessary or appropriate for the Adviser to obtain prior written consent from each client to place the investment in the client's account. If the Adviser is unable to obtain prior written consent from one or more clients, the Adviser generally will allocate the investment opportunity only to the client(s) from whom the Adviser is able to obtain prior written client consent provided in a timely manner. The investments generally will be allocated to those clients that provide timely approval, in accordance with their investment guidelines, available cash, and other factors provided herein.

### **IPO/New Issue Allocation Policies**

The Adviser's allocations of initial public offerings or new issues ("IPOs/New Issues") are effected consistent with fiduciary duties and in accordance with the general allocation policies and procedures outlined above under "Allocation." The application of the relevant factors can result in non-*pro rata* allocations, and particular client accounts (including client accounts in which the Adviser or its affiliates or related persons, or their respective officers, directors or employees, including portfolio managers or senior managers of the Adviser, have an interest) will receive an allocation when other client accounts do not in such situations. Allocations will be adjusted under specific circumstances, such as situations of scarcity where *pro rata* allocations would result in *de minimis* positions or odd lots. Furthermore, some client accounts may not be eligible to participate in an IPO/New Issue based on the relevant IMA, investment guidelines, or fund governing documents, or for other reasons. For example, the investment guidelines for a certain client account may prohibit IPOs/New Issues or accounts can sometimes be owned by persons restricted from participating in IPOs/New Issues pursuant to Financial Industry Regulatory Authority Rules 5130 and/or 5131, as amended, as supplemented and interpreted from time to time, or other applicable laws or rules or prudent policies in any jurisdiction.

### **Discretionary v. Non-Discretionary Accounts**

The Adviser provides non-discretionary investment advisory services where the Adviser provides a client with a model portfolio or advises a client regarding purchasing, selling, holding, valuing, or exercising rights with respect to particular investments, but does not have discretion to execute purchases or sales on behalf of the client accounts without the specific instruction of the client. From time to time, the Adviser may provide such non-discretionary investment advisory services to an account that also receives discretionary investment advisory services from the Adviser. The Adviser may advise clients in the future with respect to the same or similar securities in discretionary and non-discretionary client accounts, and in some cases the same client would have an interest in such securities through both discretionary and non-discretionary client accounts. There are often timing differences resulting from the transmission of advice to non-discretionary client accounts for consideration and the client's determination of whether to act on the advice. As a result, the Adviser has executed, and may in the future, execute trades in investments for discretionary client accounts in advance of

the Adviser receiving communications from non-discretionary client accounts about those investments. In other cases, the Adviser could decide to separate advice in discretionary and non-discretionary accounts. For example, in connection with non-discretionary client accounts, the Adviser could have information with respect to pending purchases or sales or relating to a non-discretionary client's business and financial position. In the event that the Adviser considers such information to be of a sensitive nature, the Adviser will at times, on a case-by-case basis, elect to implement internal policies and procedures (including where appropriate, the use of informational barriers) to manage the flow of such information within the Adviser, which would prevent the transmission or affect the timing of transmission of advice to some accounts.

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

The Adviser provides investment advisory services to SMAs, Registered Funds, and unregistered funds and may provide investment advisory services to private funds. The Registered Funds include open-end registered funds. The Adviser's SMA clients may include institutions, such as insurance companies, other financial institutions, pension and profit sharing plans, U.S. and non-U.S. governmental entities, colleges, hospitals, charitable organizations, endowment funds and foundations; and certain individuals and trusts.

For its SMA clients, the Adviser generally requires a minimum account size of \$100 million for its fixed income strategies and \$25 million for equity strategies, subject to reduction in the Adviser's discretion.

The Adviser's Registered Fund clients have separate suitability and other requirements, and minimum investment amounts, as set forth in the applicable Registered Fund's Prospectus and Statement of Additional Information.

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

Investing in securities and other instruments involves risk of loss that clients should be prepared to bear.

The Adviser tailors the investment strategies used on behalf of a client to meet a specific client's investment objectives. Each account is managed with the goal of achieving the investment objective of the client, as agreed upon by the Adviser and the client in the relevant IMA, in the case of a SMA or the Registered Fund's Prospectus and Statement of Additional Information, as applicable. With respect to the SMAs, client investment guidelines can be amended, by agreement of the client and the Adviser.

The Adviser uses a variety of techniques including fundamental, technical and quantitative analysis to manage such products and multiple sources of information to facilitate such analysis. The Adviser invests in a wide range of investments depending on a particular product's objectives, strategies, policies, applicable law and other relevant factors.

In addition, the Adviser relies on research, economic theory, quantitative methods, and capital markets data provided by certain affiliates. The Adviser's use of these services provided by its affiliated entities presents a conflict of interest, as the Adviser has an incentive to use its affiliates' services. In this regard, it should be noted

that a small portion of all of such services used by the Adviser is provided by the Adviser's affiliates, and the Adviser relies upon a wide range of sources for such services.

The Adviser also uses the services of third-party market service data providers.

The Adviser manages client assets using a variety of disciplines within fixed income and equity strategies, including but not limited to:

- *U.S. Value Equity Strategies:* These strategies use a blend of quantitative and fundamental analysis to identify securities that appear favorably priced and have the potential to appreciate in value. The Adviser regularly evaluates the metrics and data underlying the quantitative model and, from time to time, may make adjustments for a variety of reasons, including, without limitation, to account for changing market, financial or economic conditions. These strategies primarily invest in value-oriented companies. Value-oriented companies are companies that appear to be undervalued relative to assets, earnings, growth potential or cash flows.
- *StylePlus Strategies:* These strategies seek to deliver long-term growth of capital in excess of that produced by the total return of the target index for each strategy. The Adviser seeks to add alpha above the target index by leveraging the Adviser and its affiliates' competencies in fixed income and systematic stock selection. To accomplish this, the StylePlus strategy may increase its allocation to quantitative selection models when stock picking opportunities in the market are viewed to be high. When stock selection opportunities are viewed as less attractive, the strategy may increase its allocation to derivatives based on the target index, backed by a diversified portfolio of fixed income instruments. In this way, the Adviser believes it will deliver the target index return plus an alpha component commensurate with the total return achieved by the active fixed income portfolio.
- *World Equity Income Strategies:* These strategies employ a rigorous and disciplined methodology that seeks to generate income and higher risk-adjusted returns primarily by focusing on higher dividend-yielding stocks and generally targeting volatility below that of the capitalization weighted benchmark. The strategies seek to outperform the MSCI World Index (Net) on a risk-adjusted basis and utilize optimized portfolios in an attempt to provide the highest certainty of outperformance and achieve the target return. Historical returns are used to construct the risk model. Country and sector exposures normally stay relatively close the benchmark, and liquidity is an important consideration in the portfolio construction process.
- *Fixed Income Strategies:* These strategies may be designed to meet client-specific risk/reward objectives which generally include performance relative to a benchmark and duration targets by investing primarily in fixed income securities, including but not limited to a variety of asset backed securities including collateralized loan obligations, residential mortgage-backed and/or commercial mortgage-backed securities, investment grade corporate bonds, high-yield investments, bank loans, municipal bonds, treasury bonds, preferred stock, agencies, cash and cash equivalents, sovereigns and derivatives across a broad range of sectors. Derivatives may be used to hedge various risk components and/or to express a directional view.



In general, fixed income securities are subject to interest rate, market, credit, spread and liquidity risks. Interest rate risk relates to changes in a security's value as a result of changes in interest rates generally. Spread risk relates to changes in the risks or perceived risks of an issuer, country or region. Credit risk relates to the ability of an issuer to make payments of principal and interest. Market risk is event or systemic risk to capital markets. Liquidity risk relates to the ability to sell securities at or near the mark in different environments.

In addition, investments in corporate bonds are subject to risks related to an issuer's financial condition, ability to meet its obligations, and willingness or ability to make principal payments or declare distributions. The value of corporate bonds may be subject to steep declines or increased volatility due to increases in interest rates and inflation. Investments in asset-backed securities bear the risks of exhaustion of credit support or enhancement and a shift in the market perception of credit worthiness. Asset-backed securities may include but are not limited to securities backed by non-real-estate loans such as auto, credit card, corporate bank loans or home equity loans which present risks related to the underlying collateral and the laws governing the underlying collateral. In addition to the risks shared with asset-backed securities, residential mortgage-backed securities present risks due to the unique economic conditions surrounding them, including increased interest rates and lower home prices. In the past, residential mortgage loans have experienced, and may again in future periods experience, increased rates of delinquency, foreclosure, bankruptcy and loss. In addition to the risks shared with asset-backed securities, commercial mortgage-backed securities may bear significantly greater price and yield volatility than traditional fixed-income securities. During periods of declining interest rates, prepayments can be expected to accelerate, and such prepayments will shorten these securities' weighted average life and may change their projected return. Conversely, in a rising interest rate environment, a declining prepayment rate will extend the weighted average life of these securities which generally would cause their values to fluctuate more widely in response to changes in interest rates and credit spreads. Treasury and agency bonds are subject to the risks of changes in their value resulting from changes in US interest rates as well as market and credit risk associated with the US government. Sovereigns are subject to the risks posed by changes in the interest rates and credit and market risk associated with currency and government of their domicile as well as inherent political /government risk. Derivatives may pose risks in addition to and greater than those associated with investing directly in securities or other investments, including risks relating to imperfect correlations with underlying investments or the strategies' other portfolio holdings, high price volatility, lack of availability, counterparty credit, liquidity, valuation, legal restrictions, and mark to market requirements. Their use is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. Finally, some of our strategies may incorporate the use of leverage, through borrowings or instruments such as derivatives. The use of leverage may cause the strategy to be more volatile and riskier than if it had not been leveraged.

- *Long/Short Equity Strategies:* The strategies are managed using a multi-stage proprietary evaluation process to generate an expected return for individual stocks that guide the generation of long/short portfolios. The process uses fundamentally-based, forward-looking forecasts of equity cash flows to generate return expectations for individual stocks. Then, the expected returns for the universe of stocks are further evaluated using quantitative techniques to estimate the market's implied valuation of broad market risk factors (such as company size, enterprise valuation, profitability, sector) as well as the

company-specific risks unique to each company. Finally, a portfolio is constructed within total risk and exposure guidelines that buys long the stocks (or derivatives that give exposure to stocks) that give the portfolio both the broad risk characteristics and company-specific risks that are perceived to be undervalued and sells short stocks (or derivatives that give exposure to stocks) for which those characteristics are perceived to be overpriced. “Alpha” refers to the potential to achieve returns that are favorable relative to the amount of market risk taken. The Adviser may invest in cash or cash-type securities (high-quality, short-term debt securities issued by corporations, financial institutions, the U.S. government or foreign governments) as a temporary defensive position to avoid losses during adverse market conditions. Taking a temporary defensive position could reduce the benefit to the strategy if the market goes up. In this case, the strategy may not achieve its investment goal.

- *Quantitative Strategies:* These strategies are quantitative in nature, meaning statistical analysis and mathematical techniques are generally utilized to structure portfolios to meet specific risk/reward objectives, overall risk, and tracking error targets. The Adviser may use quantitative methods to construct portfolios that correlate highly with the performance (or inverse performance) of their respective benchmarks or market sectors, on a leveraged or unleveraged basis. Quantitative methods may also be used to model return expectations and select securities based on measurable security characteristics contained in accounting and market data. Statistical techniques and qualitative considerations may be used to determine the optimal mix of assets for each portfolio. For the Rydex Funds, the Adviser places particular emphasis on controlling risk relative to each portfolio’s benchmark or market sector in order to maintain consistency and predictability. Depending on the investment strategy, a broad range of securities, instruments and investment vehicles are utilized in the management of the products, including but not limited to equities, fixed income securities, and exchange-traded and over-the-counter derivatives. The Adviser’s quantitative strategies include the following:
  - *Multi-Hedge Strategies:* The Adviser seeks to develop and implement investment strategies designed to achieve the fund’s objective by evaluating quantitative and qualitative inputs to determine the optimal mix of strategies. The Adviser places particular emphasis on controlling risk at the strategy and portfolio levels. Based on market observations and internal and external research, the Adviser employs directional and non-directional strategies which can be categorized into traditional hedge fund styles, including but not limited to Equity Long/Short, Equity Market Neutral, Global Macro, Merger Arbitrage, and Fixed Income Strategies. These strategies are then combined with the objective of creating returns which are differentiated from those of traditional equities and bonds over longer time periods. The Adviser utilizes several proprietary quantitative models and market insights in allocating among its investment strategies with the intent of generating capital appreciation while managing risk.
  - *Managed Futures Strategy:* The Managed Futures strategy seeks to achieve absolute returns. The strategy intends to invest in multiple proprietary and third-party investment strategies that seek to identify and profit from upcoming movements in any combination of global fixed income, currency, commodity, or equity markets. The strategies may be quantitative or fundamental in nature and may use market data and macroeconomic analysis to determine positions. The proprietary strategies may range from broad strategies that seek to provide exposure to all markets

to focused strategies that seek to provide exposure to a single asset class, sector, or market. The Adviser will employ both quantitative and qualitative methods to assess and manage the level of risk, and to seek to improve returns over time. The estimated risk of each position as measured by volatility, relative strengths of signals, certain macroeconomic views of the Adviser, and other factors, may be used to determine the relative size of positions.

## **Investment Risks**

The investment activities of the Adviser involve a significant degree of risk of loss that you should be prepared to bear. This section contains a summary of the primary risks associated with the Adviser's investment activities. However, it is not possible to identify all of the risks associated with investing, and the particular risks applicable to a client (*e.g.*, SMA or Registered Fund) will depend on the nature of a client's investment strategy or strategies and the types of investments held by the client.

While the Adviser seeks to manage accounts so that risks are appropriate to the return potential for the strategy, it is often not possible or desirable to fully mitigate risks. Any investment includes the risk of loss and there can be no guarantee that a particular level of return or objective will be achieved.

Clients and shareholders/investors should be aware that certain mandates are limited to certain types of investments (*e.g.*, small and mid-cap equity securities) and are not diversified. The Adviser's investment activities are generally not intended to provide a complete investment program and the Adviser expects that the assets it manages do not represent all of a client's or shareholder's/investor's assets. Clients and shareholders/investors are responsible for appropriately diversifying their assets to guard against the risk of loss. Investors in the Registered Funds are urged to consult the relevant Registered Fund's Prospectus and Statement of Additional Information for further information related to the specific risks of an investment in that Registered Fund.

**Asset-Backed and Mortgage-Backed Securities Risk** – Certain clients may have exposure to asset-backed securities, including residential mortgage-backed securities, commercial mortgage-backed securities, and other structured finance investments. Clients investing in these securities generally receive payments that are part interest and part return of principal. These payments may vary based on the rate at which the underlying borrowers pay off their loans. Some asset-backed securities, including mortgage-backed securities, may have structures that make their performance based on changes in interest rates and other factors difficult to predict, causing their prices to be volatile. In particular, during periods of falling interest rates, asset-backed securities are more likely to be called or prepaid, which can result in client accounts having to reinvest proceeds in other investments at a lower interest rate or less advantageous terms, which would adversely affect the client account. These instruments are particularly subject to interest rate, credit and liquidity and valuation risk. The terms of many structured finance investments and other instruments are tied to interbank reference rates (referred to collectively as the "London Interbank Offered Rate" or "LIBOR"), which function as a reference rate or benchmark for many underlying collateral investments, securities and transactions. It is anticipated that LIBOR ultimately will be discontinued, which may cause increased volatility and illiquidity in the markets for instruments with terms tied to LIBOR or other adverse consequences, such as decreased yields and reduction

in value, for these instruments. These events may adversely affect client accounts and their investments in such instruments.

**Commercial Mortgage-Backed Securities** - Investments in commercial mortgage-backed securities (“CMBS”) are backed by commercial mortgage loans that may be secured by office properties, retail properties, hotels, mixed use properties or multi-family apartment buildings and are particularly subject to the credit risk of the borrower and the tenants of the properties securing the commercial mortgage loans. CMBS are subject to the risks of asset-backed securities generally and particularly subject to credit risk, interest rate risk, and liquidity and valuation risk. Economic downturns and other events that limit the activities of and demand for commercial retail and office spaces (such as the current economic and public health crisis) adversely impact the value of such securities.

**Residential Mortgage-Backed Securities** - Residential mortgage-backed securities may be particularly sensitive to changes in interest rates given that rising interest rates tend to extend the duration of fixed-rate mortgage-backed securities. As a result, a rising interest rate environment can cause the prices of mortgage-backed securities to be increasingly volatile, which may adversely affect the client’s holdings of mortgage-backed securities. In light of the current interest rate environment, the client’s investments in these securities may be subject to heightened interest rate risk. Investments in non-agency residential mortgage-backed securities are subject to increased interest rate risk and other risks, such as credit and liquidity and valuation risks.

**Borrowing Risk** - Certain client accounts may borrow money for several purposes, including investment purposes (i.e., to purchase additional portfolio securities). The client’s borrowings, which would be in the form of loans from banks, may be on a secured or unsecured basis and at fixed or variable rates of interest. The client’s ability to obtain leverage through borrowings is dependent upon its ability to establish and maintain an appropriate line of credit. Borrowing also will cost the client interest expense and other fees. The cost of borrowing may reduce the client’s return. In addition to any more stringent terms imposed by a lender, the 1940 Act requires the client to maintain continuous asset coverage of not less than 300% with respect to all borrowings. This would allow the client to borrow for such purposes an amount equal to as much as 33 1/3% of the value of its total assets. The client will borrow only if the value of the client’s assets, including borrowings, is equal to at least 300% of all borrowings, including the proposed borrowing. If at any time the client should fail to meet this 300% coverage requirement, within three business days, the client will seek to reduce its borrowings to meet the requirement. The client may be required to dispose of portfolio investments on unfavorable terms if market fluctuations reduce its asset coverage to less than 300%.

**Capitalization Securities Risk** - A client’s investment may have significant exposure to securities in a particular capitalization range, e.g., large-, mid- or small-cap securities. As a result, a client may be subject to the risk that the predominate capitalization range represented in a client’s portfolio may underperform other segments of the equity market or the equity market as a whole. If the client’s account has net short exposure to the components in its portfolio or underlying index it is subject to the risk that the predominate capitalization range represented in the client’s portfolio or underlying index may outperform other segments of the equity market or the equity market as a whole. Larger, more established companies may be unable to respond quickly to new competitive challenges such as changes in technology and many not be able to attain the high growth rate of smaller companies, especially during extended periods of economic expansion. In addition, in

comparison to securities of companies with larger capitalizations, securities of small and medium-capitalization companies may experience greater price volatility (especially during periods of economic uncertainty), greater spreads between their bid and ask prices, significantly lower trading volumes, and cyclical or static growth prospects. Small and medium-capitalization companies often have limited product lines, markets or financial resources, and may therefore suffer setbacks. These securities may not pay dividends. Securities of smaller companies may present additional risks because their earnings are less predictable, and their securities are often less liquid than those of larger, more established companies. Small-cap companies may also be more vulnerable to adverse business or market developments. These risks are likely to be greater for micro-cap companies. The Adviser is not required to sell an investment if the investment falls out of or can no longer be characterized as being a part of, a certain capitalization range.

**Collateralized Loan Obligations and Collateralized Debt Obligations Risk** - Collateralized loan obligations (“CLOs”) bear many of the same risks as other forms of asset-backed securities, including interest rate risk, credit risk and default risk. As they are backed by pools of loans, CLOs also bear similar risks to investing in loans directly. CLOs issue classes or “tranches” that vary in risk and yield. CLOs may experience substantial losses attributable to loan defaults. Losses caused by defaults on underlying assets are borne first by the holders of subordinate tranches. The client’s investment in CLOs may decrease in market value when the CLO experiences loan defaults or credit impairment, the disappearance of a subordinate tranche, or market anticipation of defaults and investor aversion to CLO securities as a class.

Collateralized debt obligations (“CDOs”) are structured similarly to CLOs and bear the same risks as CLOs including interest rate risk, credit risk and default risk. CDOs are subject to additional risks because they are backed by pools of assets other than loans including securities (such as other asset-backed securities), synthetic instruments or bonds and may be highly leveraged. Like CLOs, losses incurred by a CDO are borne first by holders of subordinate tranches. Accordingly, the risks of CDOs depend largely on the type of underlying collateral and the tranche of CDOs in which the client invests. For example, CDOs that obtain their exposure through synthetic investments entail the risks associated with derivative instruments. The terms of many structured finance investments, including CLOs and CDOs, are tied to LIBOR, which functions as a reference rate or benchmark for many underlying collateral investments, securities and transactions. It is anticipated that LIBOR will be discontinued, which may cause increased volatility and illiquidity in the markets for instruments with terms tied to LIBOR or other adverse consequences, such as decreased yields and reduction in value, for these instruments. These events may adversely affect client account and their investments in such instruments.

**Commercial Paper Risk** - The value of the client’s investment in commercial paper, which is an unsecured promissory note that generally has a maturity date between one and 270 days and is issued by a U.S. or foreign entity is susceptible to changes in the issuer’s financial condition or credit quality. Investments in commercial paper are usually discounted from their value at maturity. Commercial paper can be fixed-rate or variable rate and can be adversely affected by changes in interest rates.

**Commodity Exposure Risk**—The Adviser’s clients may have investment exposure to the commodities markets and one or more sectors of the commodities markets, which may subject the Adviser’s clients to greater volatility than investments in traditional securities, such as stocks and bonds. Volatility in the commodities markets may be caused by changes in overall market movements, commodity index volatility, domestic and foreign political and economic events and policies, war, acts of terrorism, changes in domestic or foreign interest

rates and/or investor expectations concerning interest rates, domestic and foreign inflation rates, investment and trading activities of mutual funds, hedge funds and commodities funds, and factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and other regulatory developments, or supply and demand disruptions. The prices of energy, industrial metals, precious metals, agriculture and livestock sector commodities may fluctuate widely due to factors such as changes in value, supply and demand and governmental regulatory policies. Because the Adviser's client's performance may be linked to the performance of volatile commodities, clients should be willing to assume the risks of potentially significant fluctuations in the value of their account. The Advisor anticipates that certain clients will have significant exposure to oil and other energy-related commodities. As a result, the client's performance is subject to the volatility of global oil prices, and the risk that oil supply and demand, capital expenditures on exploration and production, energy conservation efforts, the prices of alternative fuels, exchange rates and technological advances may adversely affect the client's performance.

**Compounding Risk** - In addition to the correlation risks described under "Correlation Risk," the client's returns are subject to the effects of compounding, which generally will cause the client's account performance to not correlate to the performance of the benchmark over periods greater than a single day, before accounting for fees and client expenses. Compounded returns are the result of reinvesting daily returns over periods greater than a single day. The client's compounded returns for periods greater than a single day will be different than the performance of the benchmark over the same period. The effects of compounding on the performance of the client will be more pronounced when the underlying index experiences increased volatility, the greater the leverage employed by the client, and over longer holding periods.

Compounding affects the performance of all investments over time but has a more significant effect on a leveraged index fund because the magnified changes in performance produced by the use of leverage lead to greater increases and decreases in the daily returns which are then compounded over time. The effects of compounding, therefore, have a more significant effect on the client's account because it seeks to match a multiple of the performance of the underlying index on a daily basis.

**Convertible Securities Risk** - Convertible securities may be subordinate to other securities. The total return for a convertible security depends, in part, upon the performance of the underlying security into which it can be converted. The value of convertible securities tends to decline as interest rates increase. Convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar quality.

**Correlation Risk** - A number of factors may affect a client's ability to achieve a high degree of correlation with its benchmark, including instances in which the client does not hold or have exposure to each component security of the underlying index and the effect of compounding on the client's returns, and there can be no guarantee that a client will achieve a high degree of correlation. Failure to achieve a high degree of correlation may prevent a client from achieving its investment objective. The client does not attempt to, and should not be expected to, provide returns which are a multiple or an inverse multiple of the returns of the underlying index for periods other than a single day. The risk of the client not achieving the daily investment objective will be more acute when the underlying index has an extreme one-day movement approaching 50%. In addition, as a result of compounding, the client's performance for periods greater than one day is likely to be either greater than or less than the performance or inverse of the performance of the underlying index times the stated multiple in the client's investment objective, before accounting for fees and expenses.

**Counterparty Credit Risk** – The Adviser makes investments in financial instruments and over-the-counter (“OTC”)-traded derivatives involving counterparties to gain exposure to a particular group of securities, index, asset class or other reference asset without actually purchasing those securities or investments, to hedge a position or for other investment purposes. Through these investments and related arrangements (e.g., prime brokerage or securities lending arrangements or derivative transactions), the client’s account is exposed to credit risks that the counterparty may be unwilling or unable to make timely payments or otherwise to meet its contractual obligations. If the counterparty becomes bankrupt or defaults on (or otherwise becomes unable or unwilling to perform) its payment or other obligations, the client’s account may not receive the full amount that it is entitled to receive or may experience delays in recovering the collateral or other assets held by, or on behalf of, the counterparty. If this occurs, the value of the client’s account will decrease.

**Credit Risk** - A client’s account could lose money if the issuer or guarantor of a fixed-income or other debt instrument or a counterparty to a derivatives transaction or other transaction is unable or unwilling, or perceived to be unable or unwilling, to pay interest or repay principal on time, defaults or otherwise fails to meet its obligations. Actual or perceived changes in economic, social, public health, financial or political conditions in general or that affect a particular type of instrument, issuer, guarantor or counterparty can reduce the ability of the party to meet its obligations, which can affect the credit quality, liquidity and/or value of an instrument. The value of an instrument also may decline for reasons that relate directly to the issuer, guarantor or counterparty, such as management performance, financial leverage and reduced demand for goods and services. The issuer, guarantor or counterparty could also suffer a rapid decline in credit rating, which would adversely affect the volatility of the value and liquidity of the instrument. Credit ratings may not be an accurate assessment of liquidity or credit risk.

**Currency Risk** - A client’s indirect and direct exposure to foreign currencies subjects a client to the risk that those currencies will decline in value relative to the U.S. dollar, or, in the case of short positions, that the U.S. dollar will decline in value relative to the currency being hedged. Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates and the imposition of currency controls or other political, economic and tax developments in the U.S. or abroad. A client also may incur transaction costs in connection with conversions between various currencies. The Adviser’s foreign currency hedging transactions and techniques may not be effective and, in certain cases, may adversely affect a client’s account. In addition, the Adviser’s ability to engage in these transactions and techniques may be limited under certain circumstances.

**Cyber Security, Market Disruptions and Operational Risk** - Cyber incidents, which can be perpetrated by a variety of means, may result in actual or potential adverse consequences for critical information and communications technology, systems and networks that are vital to the operations of client or service providers. A cyber incident or sudden market disruption could adversely impact a client or service providers by, among other things, interfering with the processing of shareholder transactions or other operational functionality, impacting the ability to calculate the net asset value or other data, causing the release of private or confidential information, impeding trading, causing reputational damage, and subjecting a client to fines, penalties or financial losses or otherwise adversely affecting the operations, systems and activities of clients, their service providers and market intermediaries. These types of adverse consequences could also result from other operational disruptions or failures arising from, for example, processing errors, human errors, and other

technological issues. In each case, the ability to calculate the net asset value correctly, in a timely manner or process trades or shareholder transactions may be adversely affected, including over a potentially extended period. The clients and service providers may directly bear these risks and related costs.

The Adviser and its service providers are currently impacted by quarantines and similar measures being enacted by governments in response to COVID-19, which are obstructing the regular functioning of business workforces (including requiring employees to work from external locations and their homes). Accordingly, the risks described above are heightened under current conditions.

**Depository Receipt Risk** - A client may hold the securities of non-U.S. companies in the form of ADRs. The underlying securities of the ADRs in a client's portfolio are subject to fluctuations in foreign currency exchange rates that may affect the value of the client's portfolio. In addition, the value of the securities underlying the ADRs may change materially when the U.S. markets are not open for trading. Investments in the underlying foreign securities also involve political and economic risks distinct from those associated with investing in the securities of U.S. issuers.

**Derivatives Risk** - Investments in derivatives may pose risks in addition to and greater than those associated with investing directly in securities or other investments, including risks relating to leverage, imperfect correlations with underlying investments or the other portfolio holdings, high price volatility, lack of availability, counterparty credit, liquidity, valuation and legal restrictions. Their use is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. If the Adviser is incorrect about its expectations of market conditions, the use of derivatives could also result in a loss, which in some cases may be unlimited. In addition, the use of derivatives may cause the client to realize higher amounts of short-term capital gains (generally taxed at ordinary income tax rates) than if the client had not used such instruments. Some of the derivatives in which the client invests may be traded (and privately negotiated) in the OTC market. OTC derivatives are subject to heightened counterparty, credit liquidity and valuation risks.

**Forward Foreign Currency Exchange Contracts Risk**—A forward foreign currency exchange contract is an OTC obligation to purchase or sell a specific currency at a future date at a price set at the time of the contract. Foreign currency transactions can be affected unpredictably by intervention (or the failure to intervene) by U.S. or foreign governments or central banks, or by currency controls or political developments. Such events may prevent or restrict the Adviser's ability to enter into foreign currency transactions, force the Adviser to exit a foreign currency transaction at a disadvantageous time or price or result in penalties for the client's account, any of which may result in a loss to the client. A contract to sell a foreign currency would limit any potential gain that might be realized if the value of the currency increases. Suitable hedging transactions may not be available in all circumstances. Engaging in forward foreign currency exchange contracts will subject the client to counterparty credit risk and any failure to perform by a counterparty could result in a loss to the client.

**Futures Contracts Risk** - Futures contracts are exchange-traded contracts that call for the future delivery of an asset at a certain price and date, or cash settlement of the terms of the contract. Risks of futures contracts may be caused by an imperfect correlation between movements in the price of the instruments and the price of the underlying assets. In addition, there is the risk that the client may not be able to enter into a closing transaction because of an illiquid market. Exchanges can limit the number



of positions that can be held or controlled by the Adviser, thus limiting the ability to implement certain strategies. Futures markets are highly volatile, and the use of futures may increase the volatility of the net asset value of a client's account. Futures also are subject to leverage and liquidity risks.

**Options Risk** - Options and options on futures contracts give the holder of the option the right, but not the obligation, to buy (or to sell) a position in a security or in a contract to the writer of the option, at a certain price. Options are subject to correlation risk because there may be an imperfect correlation between the options and securities markets for underlying instruments that could cause a given transaction to fail to achieve its objectives. The successful use of options depends on the Adviser's ability to correctly predict future price fluctuations and the degree of correlation between the markets for options and the underlying instruments. Exchanges can limit the number of positions that can be held or controlled by the client or the Adviser, thus limiting the ability to implement the client's strategies. Options also are particularly subject to leverage risk and can be subject to liquidity risk.

**Swap Agreements Risk** - Swap agreements are contracts among the client and a counterparty to exchange the return of the pre-determined underlying investment (such as the rate of return of the underlying index). Swap agreements may be negotiated bilaterally and traded OTC between two parties or, for certain standardized swaps, must be exchange-traded through a futures commission merchant and/or cleared through a clearinghouse that serves as a central counterparty. Risks associated with the use of swap agreements are different from those associated with ordinary portfolio securities transactions, due in part to the fact they could be considered illiquid and many swaps trade on the OTC market. Swaps are particularly subject to counterparty credit, correlation, valuation, liquidity and leveraging risks. While exchange trading and central clearing are intended to reduce counterparty credit risk and increase liquidity, they do not make swap transactions risk-free. Additionally, applicable regulators have adopted rules imposing certain margin requirements, including minimums, on OTC swaps, which may result in the Fund and its counterparties posting higher margin amounts for OTC swaps, which could increase the cost of swap transactions to the client and impose added operational complexity.

**Dividend-Paying Stock Risk** - As a category, dividend-paying stocks may underperform non-dividend paying stocks (and the stock market as a whole) over any period of time. In addition, issuers of dividend-paying stocks may have discretion to defer or stop paying dividends for a stated period of time. If the dividend-paying stocks held by the client reduce or stop paying dividends, the client's ability to generate income may be adversely affected.

**Dollar Roll Transaction Risk** - The Adviser may enter into dollar roll transactions, in which the Adviser sells a mortgage-backed or other security for settlement on one date and buys back a substantially similar security for settlement at a later date. Dollar rolls involve a risk of loss if the market value of the securities that the Adviser is committed to buy declines below the price of the securities the Adviser has sold.

**Early Closing Risk** - The client is subject to the risk that unanticipated early closings of securities exchanges and other financial markets may result in the client's inability to buy or sell securities or other financial instruments on that day and may cause a client to incur substantial trading losses.

**Emerging Markets Risk** – The client’s investments in or exposure to emerging markets are subject to a greater level of those risks associated with investing in or being exposed to developed foreign markets, as emerging markets are considered to be less developed than developing countries. Furthermore, investments in or exposure to emerging markets are generally subject to additional risks, including the risks associated with trading in smaller markets, lower volumes of trading, and being subject to lower levels of government regulation and less extensive and transparent accounting, auditing, recordkeeping, financial reporting and other requirements.

**Equity Securities Risk** - Equity securities include common stocks and other equity and equity-related securities (and securities convertible into stocks). The prices of equity securities generally fluctuate in value more than other fixed-income investments, may rise or fall rapidly or unpredictably and may reflect real or perceived changes in the issuing company’s financial condition and changes in the overall market or economy. A decline in the value of equity securities held by the client will adversely affect the value of the client’s investment. Common stocks generally represent the riskiest investment in a company and dividend payments (if declared) to preferred stockholders generally rank junior to payments due to a company’s debtholders. A client may lose a substantial part, or even all, of its investment in a company’s stock. The client is subject to the risk that the value of the equity securities and equity-based derivatives in the client’s account will decline due to volatility in the equity market caused by general market and economic conditions, perceptions regarding particular industries represented in the equity market, or factors relating to specific companies to which the client has investment exposure.

**Exchange Traded Notes (“ETNs”) Risk** - ETNs are senior, unsecured, unsubordinated debt securities issued by an underwriting bank that are designed to provide returns that are linked to a particular benchmark less investor fees. ETNs have a maturity date and, generally, are backed only by the creditworthiness of the issuer. The value of an ETN may be influenced by time to maturity, level of supply and demand for the ETN, volatility and lack of liquidity in underlying markets, changes in the applicable interest rates, changes in the issuer’s credit rating and economic, legal, political or geographic events that affect the referenced investment. The Adviser’s decision to sell ETN holdings also may be limited by the availability of a secondary market. ETNs are also subject to counterparty credit risk and fixed income risk.

**Extension Risk** - Certain debt instruments, including mortgage- and other asset-backed securities, are subject to the risk that payments on principal may occur at a slower rate or later than expected. In this event, the expected maturity could lengthen, and the client’s investment may sharply decrease in value and the client’s income from the investment may quickly decline. These types of instruments are particularly subject to extension risk, and offer less potential for gains, during periods of rising interest rates. In addition, the Adviser may be delayed in its ability to reinvest income or proceeds from these instruments in potentially higher yielding investments, which would adversely affect the client.

**Floating and Variable Rate Securities Risk** —Floating and variable rate securities provide for a periodic adjustment in the interest rate paid on the securities. The rate adjustment intervals may be regular and range from daily up to annually, or may be based on an event, such as a change in the prime rate. Floating and variable rate securities may be subject to greater liquidity risk than other debt securities, meaning that there may be limitations on the client’s ability to sell the securities at any given time. Such securities also may lose value.

**Foreign Issuer Exposure Risk** – The Adviser may invest in securities of foreign companies directly, or in financial instruments, that are indirectly linked to the performance of foreign issuers, such as ADRs. The client's investments in foreign securities and foreign issuers are subject to additional risks in comparison to U.S. securities and U.S. issuers, including currency fluctuations, adverse political and economic developments, unreliable or untimely information, less liquidity, limited legal recourse and higher transactional costs.

**Geographic Concentration Risk** - Clients that are less diversified across countries or geographic regions are generally riskier than more geographically diversified funds. A client that focuses on a single country or a specific region is more exposed to that country's or region's economic cycles, currency exchange rates, stock market valuations and political risks, among others, compared with a more geographically diversified fund. The economies and financial markets of certain regions, such as Asia or Eastern Europe, can be interdependent and may be adversely affected by the same events. In addition, many of these countries and regions have recently experienced economic downturns, making their markets more volatile than U.S. markets. Current conditions have had a global impact, but have exacerbated the economic, political, and social risks of certain countries and regions to a greater extent than others.

**Growth Stocks Risk** – Growth stocks typically invest a high portion of their earnings back into their business and may lack the dividend yield that can cushion stock prices in market downturns. Growth stocks are particularly sensitive to these types of market risks given increased globalizing and interconnectedness of markets, and the ability of an Investment Manager to execute investment decisions for a client account (and thus, liquidity may be affected). Such volatility or illiquidity could impair the client's profitability or result in losses. There is no assurance that a client's account will achieve its investment objective.

**Hedging Risk**—The Adviser may, but is not required to, make investments or engage in transactions that are designed to hedge an investment held by a client. There can be no assurance that the Adviser's hedging investments or transactions will be effective. Hedging investments or transactions involve costs and may reduce a client's gains or result in losses, which may adversely affect the value of a client's portfolio.

**High Yield and Unrated Securities Risk** - The client's exposure to higher yielding, below investment grade and unrated high-risk debt securities (which also may be known as "junk bonds") may present additional risks because these securities may be less liquid, and therefore more difficult to value accurately and sell at an advantageous price or time and present more credit risk than investment grade bonds. The price of high yield securities tends to be subject to greater volatility due to issuer-specific factors, such as operating results and outlook and to real or perceived adverse economic and competitive industry conditions. This exposure may be obtained through investments in other investment companies. Based on a client account's investment strategies, a significant portion of the client account's investments can be comprised of high yield and unrated securities and thus particularly prone to the foregoing risks, which may result in losses to the client account.

**Hybrid Instruments Risk** - Hybrid instruments combine the characteristics of securities, futures and options. Typically, a hybrid instrument combines a traditional stock, bond or commodity with an option or forward contract. Generally, the principal amount, amount payable upon maturity or redemption, or interest rate of a hybrid is tied to the price of some security, commodity, currency or securities index, or another interest rate or some other economic factor. Hybrid instruments can be used as an efficient means of pursuing a variety of investment goals, including currency hedging and increased total return. The risks of such investments would reflect the risks of investing in futures, options and securities, including volatility and illiquidity. Such securities

may bear interest or pay dividends at below market (or even relatively nominal) rates. Under certain conditions, the redemption value of such an investment could be zero.

**Increasing Government and Other Public Debt Risk**—Government and other public debt, including municipal obligations in which a client account invests, can be adversely affected by large and sudden changes in local and global economic conditions that result in increased debt levels. Although high levels of government and other public debt do not necessarily indicate or cause economic problems, high levels of debt may create certain systemic risks if sound debt management practices are not implemented. A high debt level may increase market pressures to meet an issuer's funding needs, which may increase borrowing costs and cause a government or public or municipal entity to issue additional debt, thereby increasing the risk of refinancing. A high debt level also raises concerns that the issuer may be unable or unwilling to repay the principal or interest on its debt, which may adversely impact instruments held by the client that rely on such payments. Governmental and quasi-governmental responses to the current economic situation are increasing government and other public debt, which especially heighten these risks. Unsustainable debt levels can decline the valuation of currencies, and can prevent a government from implementing effective counter-cyclical fiscal policy during economic downturns or can generate or contribute to an economic downturn. The consequences of high public debt, including its future impact on the economy and securities markets, may not be known for some time.

**Industry Concentration Risk** – A client's account may concentrate its investments (*i.e.*, invest more than 25% of its net assets) in a limited number of issuers conducting business in the same industry or group of related industries. To the extent the client's account does so, the client's account is more vulnerable to adverse market, economic, regulatory, political or other developments affecting such industry or group of related industries than a client that invests its assets more broadly. The industries in which certain client's assets are concentrated in are securities issued by companies in the:

***Aerospace & Defense Industry.*** The Aerospace & Defense Industry includes manufacturers of civil or military aerospace and defense equipment, parts or products, including defense electronics and space equipment. Companies in the Aerospace & Defense Industry rely to a large extent on government demand for their products and services and may be significantly affected by changes in legislative or government regulations and spending policies, as well as economic conditions and industry consolidation. The aerospace industry, in particular, has recently been affected by adverse economic conditions and industry consolidation. In addition, deregulation has substantially diminished the U.S. government's role within the airline industry. Competition, labor relations and the price of fuel also can affect the Aerospace & Defense Industry. The Aerospace & Defense Industry is a separate industry within the Industrials Sector. The industries in which the underlying index components, and thus the client's assets, may be concentrated will vary as the composition of the underlying index changes over time.

***Biotechnology Industry.*** The Biotechnology Industry includes companies primarily engaged in the research, development, manufacturing and/or marketing of products based on genetic analysis and genetic engineering. The prices of the securities of companies in the Biotechnology Industry may fluctuate widely due to patent considerations, intense competition, rapid technological change and obsolescence, and regulatory requirements of the Food and Drug Administration, the Environmental Protection Agency, state and local governments, and foreign regulatory authorities. Legislative or

regulatory changes and increased government supervision also may affect companies in the Biotechnology Industry. The Biotechnology Industry is a separate industry within the Health Care Sector.

***Banks Industry.*** The Banks Industry includes large, geographically diverse banks with a national footprint as well as smaller regional banks whose businesses are derived primarily from conventional banking operations and have significant business activity in retail banking and small and medium corporate lending. Government regulations may limit both the amounts and types of loans and financial commitments companies in the Banks Industry can make, the interest rates and fees they can charge, and the amount of capital they must maintain, all of which may affect profitability. Credit losses resulting from financial difficulties of borrowers also can negatively affect the performance of banking companies. In addition, the prices of the securities of companies in the Banks Industry may fluctuate widely due to the broadening of regional and national interstate banking powers, the reduction in the number of publicly-traded banking companies, and general economic conditions that could create exposure to credit losses. Legislative or regulatory changes and increased government supervision also may affect companies in the Banks Industry. The Banks Industry is a separate industry within the Financials Sector.

***Beverages Industry.*** The Beverages Industry includes producers of alcoholic (*e.g.*, beers, malt liquors and wine) and non-alcoholic (*e.g.*, sodas and mineral waters) beverages. The Food Products Industry includes producers of agricultural products and packaged foods, including dairy products, fruit juices, meats, poultry, fish and pet foods. The Beverages Industry and Food Products Industry are highly competitive and can be significantly affected by demographic and product trends, competitive pricing, fads, marketing campaigns, environmental factors, consumer preferences, nutritional and health concerns, federal, state and local food inspection and processing controls, consumer product liability claims, possible product tampering and the availability and expense of liability insurance. Legislative or regulatory changes and increased government supervision also may affect companies in the Beverages Industry and Food Products Industry. The Beverages Industry and Food Products Industry are separate industries within the Consumer Staples Sector.

***Chemicals Industry.*** The Chemicals Industry includes companies that manufacture and produce industrial and basic chemicals (*e.g.*, plastics, synthetic fibers and films), fertilizers, pesticides and other agricultural chemicals, industrial gases, specialty chemicals (*e.g.*, advanced polymers and adhesives) and other diversified chemicals. The prices of securities of companies in the Chemicals Industry may fluctuate widely due to intense competition, product obsolescence, and raw materials prices. In addition, companies in the Chemicals Industry may be subject to risks associated with the production, handling, and disposal of hazardous chemicals. Legislative or regulatory changes and increased government supervision also may affect companies in the Chemicals Industry. The Chemicals Industry is a separate industry within the Materials Sector.

***Communications Equipment Industry.*** The Communications Equipment Industry includes manufacturers of communication equipment and products, including, local area networks (LANs), wide area networks (WANs), routers, telephones, switchboards and exchanges. The prices of the securities of companies in the Communications Equipment Industry may fluctuate widely due to competitive pressures, increased sensitivity to short product cycles and aggressive pricing, heavy

expenses incurred for research and development of products or services that prove unsuccessful, problems related to bringing products to market, and rapid obsolescence of products. Legislative or regulatory changes and increased government supervision also may affect companies in the Communications Equipment Industry. The Communications Equipment Industry is a separate industry within the Information Technology Sector.

***Diversified Telecommunication Services Industry.*** The Diversified Telecommunication Services Industry includes providers of communications and high-density data transmission services, primarily through a high bandwidth/fiber-optic cable network, and operators and companies providing fixed-line telecommunications networks and other fixed-line telecommunications services. The prices of the securities of companies in the Diversified Telecommunication Services Industry may fluctuate widely due to both federal and state regulations governing rates of return and services that may be offered, fierce competition for market share, and competitive challenges in the U.S. from foreign competitors engaged in strategic joint ventures with U.S. companies, and in foreign markets from both U.S. and foreign competitors. In addition, recent industry consolidation trends may lead to increased regulation of telecommunications companies in their primary markets. Legislative or regulatory changes and increased government supervision also may affect companies in the Diversified Telecommunication Services Industry. The Diversified Telecommunication Services Industry is a separate industry within the Communication Services Sector.

***Electric Utilities and Multi-Utilities Industries.*** The Electric Utilities Industry includes companies that produce or distribute electricity, including both nuclear and non-nuclear. The Multi-Utilities Industry includes utility companies engaged in Electric Utility, Gas Utility and/or Water Utility core operations as well as other diversified activities. The prices of securities in the Electric Utilities Industry and Multi-Utilities Industry may fluctuate significantly due to supply and demand, governmental regulation and environmental issues, economic conditions generally affecting electric and utilities companies, competitive pressures due to deregulation in the electric and utilities industries, increased sensitivity to the cost of energy production; and environmental factors such as conservation of natural resources or pollution control. Legislative or regulatory changes and increased government supervision also may affect companies in the Electric Utilities Industry and Multi-Utilities Industry. The Electric Utilities Industry and Multi-Utilities Industry are separate industries within the Utilities Sector.

***Energy Equipment and Services Industry.*** The Energy Equipment and Services Industry includes drilling contractors or owners of drilling rigs that contract their services for drilling wells and manufacturers of equipment, including drilling rigs and equipment, and providers of supplies and services to companies involved in the drilling, evaluation and completion of oil and gas wells. The prices of securities of companies in the Energy Equipment & Services Industry may fluctuate widely due to supply and demand for a specific product or service, the price of oil and gas, exploration and production spending, world events and economic conditions. Natural disasters also may affect companies in the Energy Equipment & Services Industry. In addition, companies involved in the Energy Equipment & Services Industry are at risk of civil liability from accidents resulting in injury, loss of life or property, pollution or other environmental damage claims. Disruptions in energy services may significantly impact companies in the Energy Equipment & Services Industry. Legislative or regulatory changes and increased government supervision also may affect companies in the Energy

Equipment & Services Industry. The Energy Equipment & Services Industry is a separate industry within the Energy Sector.

***Energy Equipment and Services Industry.*** The Equity Real Estate Investment Trusts (REITs) Industry is a separate industry within the Real Estate Sector that includes companies or trusts engaged in the acquisition, development, ownership, leasing, management and operation of: hotel and resort properties (hotel & resort REITs); office properties (office REITs); properties serving the health care industry, including hospitals, nursing homes and assisted living properties (health care REITs); residential properties, including multi-family homes, apartments, manufactured homes and student housing properties (residential REITs); shopping malls, outlet malls and neighborhood and community shopping centers (retail REITs); and other specialized properties including storage and other properties that do not generate a majority of their revenues and income from real estate rental and leasing operations (specialized REITs). For information regarding the Fund's investments in the Equity Real Estate Investment Trusts (REITs) Industry and real estate investment trusts, see "Sector Risk" and "Real Estate Investment Trust (REIT) Risk" below.

***Health Care Equipment & Supplies Industry.*** The Health Care Equipment & Supplies Industry includes manufacturers of health care equipment and devices, including medical instruments, drug delivery systems, cardiovascular and orthopedic devices, and diagnostic equipment. It also includes manufacturers of health care supplies and medical products, including eye care products, hospital supplies, and safety needle and syringe devices. The prices of the securities of companies operating in the Health Care Equipment & Supplies Industry may fluctuate widely due to government regulation and approval of health care products and services, which can have a significant effect on their price and availability. The types of products or services produced or provided by these companies also may quickly become obsolete. In addition, liability for products that are later alleged to be harmful or unsafe may be substantial, and may have a significant impact on a health care company's market value and/or share price. Legislative or regulatory changes and increased government supervision also may affect companies in the Health Care Equipment & Supplies Industry. The Health Care Equipment & Supplies Industry is a separate industry within the Health Care Sector.

***Hotels, Restaurants & Leisure Industry.*** The Hotels, Restaurants & Leisure Industry includes owners and operators of casinos and gaming facilities, hotels, resorts and cruise-ships, other leisure facilities (e.g., sport and fitness centers, stadiums, golf courses and amusement parks) and restaurants, bars, pubs, fast-food or take-out facilities. The Hotels, Restaurants & Leisure Industry is highly competitive and relies heavily on consumer spending for success. The prices of securities of companies in the Hotels, Restaurants & Leisure Industry may fluctuate widely due to general economic conditions, consumer spending and the availability of disposable income, changing consumer tastes and preferences and consumer demographics. Companies involved in the Hotels, Restaurants and Leisure Industry may be affected by the availability and expense of liability insurance. In addition, restaurants may be affected by nutritional and health concerns, and federal, state and local food inspection and processing controls. Legislative or regulatory changes and increased government supervision also may affect companies in the Hotels, Restaurants & Leisure Industry. The Hotels, Restaurants & Leisure Industry is a separate industry within the Consumer Discretionary Sector.

***Interactive Media & Services Industry.*** The Interactive Media & Services Industry includes companies engaged in content and information creation or distribution through proprietary platforms, where revenues are derived primarily through pay-per-click advertisements, including search engines, social media and networking platforms, online classifieds, and online review companies. The prices of the securities of companies in the Interactive Media & Services Industry are closely tied to the performance of the overall economy and may be affected by changes in general economic growth, consumer confidence and consumer spending. Changes in demographics and consumer tastes also may affect the success of companies in the Interactive Media & Services Industry. In addition, legislative or regulatory changes and increased government supervision may affect companies in the Interactive Media & Services Industry. The Interactive Media & Services Industry is a separate industry within the Communication Services Sector.

***Internet & Direct Marketing Retail Industry.*** The Internet & Direct Marketing Retail Industry includes companies that provide retail services primarily on the Internet, through mail order, and TV home shopping retailers. The Internet & Direct Marketing Retail Industry relies heavily on consumer spending and the prices of securities of companies in the Internet & Direct Marketing Retail Industry may fluctuate widely due to general economic conditions, consumer spending and the availability of disposable income, changing consumer tastes and preferences and consumer demographics. Legislative or regulatory changes and increased government supervision also may affect companies in the Internet & Direct Marketing Retail Industry. The Internet & Direct Marketing Retail Industry is a separate industry within the Consumer Discretionary Sector.

***Metals & Mining Industry.*** The Metals & Mining Industry includes producers of aluminum, gold, iron and steel, and related products, as well as companies engaged in the production, extraction or mining of copper ore, silver and other metals (including precious metals) and minerals. The prices of the securities of companies in the Metals & Mining Industry may fluctuate widely due to events relating to international political and economic developments, energy conservation, the success of exploration projects, commodity prices, and taxes. Investments in companies in the Metals & Mining Industry may be speculative and may be subject to greater price volatility than investments in other types of companies. Legislative or regulatory changes and increased government supervision also may affect companies in the Metals & Mining Industry. The Metals & Mining Industry is a separate industry within the Materials Sector.

***Oil, Gas & Consumable Industry.*** The Oil, Gas & Consumable Fuels Industry includes companies engaged in oil and gas exploration and production (including integrated oil and gas exploration), oil and gas refining and marketing, oil and gas storage and transportation, and production and mining of coal and consumable fuels. The prices of the securities of companies in the Oil, Gas & Consumable Fuels Industry may fluctuate widely due to supply and demand for a specific product or service, the price of oil and gas, exploration and production spending, world events, and economic conditions. Natural disasters and changes in exchange rates and interest rates also may affect companies in the Oil, Gas & Consumable Fuels Industry. In addition, the policies of the Organization of Petroleum Exporting Countries ("OPEC"), changes in relationships among OPEC members and between OPEC and oil-importing nations, the regulatory environment, taxation policies, and the economies of the key energy consuming countries also may affect the prices of the securities in the Oil, Gas & Consumable



Fuels Industry. Legislative or regulatory changes and increased government supervision also may affect companies in the Oil, Gas & Consumable Fuels Industry. The Oil, Gas & Consumable Fuels Industry is a separate industry within the Energy Sector.

***Pharmaceuticals Industry.*** The Pharmaceuticals Industry includes companies engaged in the research, development or production of pharmaceuticals, including veterinary drugs. The prices of the securities of companies in the Pharmaceuticals Industry may fluctuate widely, particularly when products are up for regulatory approval or under regulatory scrutiny. The prices of securities of pharmaceutical companies also may be affected by effects from world events and economic conditions and market, economic and political risks of countries where the companies are located or do business. Legislative or regulatory changes and increased government supervision also may affect companies in the Pharmaceuticals Industry. The Pharmaceuticals Industry is a separate industry within the Health Care Sector. The industries in which the underlying index components, and thus the client's assets, may be concentrated will vary as the composition of the underlying index changes over time.

***Road & Rail Industry.*** The Road & Rail Industry includes companies providing goods and passenger rail and land transportation. The prices of the securities of companies in the Road & Rail Industry may fluctuate widely due to their cyclical nature, occasional sharp price movements which may result from changes in the economy, fuel prices, labor agreements, and insurance costs, the recent trend of government deregulation, and increased competition from foreign companies, many of which are partially funded by foreign governments and which may be less sensitive to short-term economic pressures. Legislative or regulatory changes and increased government supervision also may affect companies in the Road & Rail Industry. The Road & Rail Industry is a separate industry within the Industrials Sector.

***Semiconductors & Semiconductor Equipment Industry.*** The Semiconductors and Semiconductor Equipment Industry includes manufacturers of semiconductor equipment, semiconductors and related products, including equipment used in the solar power industry and manufacturers of solar modules and cells. Companies in the Semiconductors and Semiconductor Equipment Industry rely heavily on technology. The prices of the securities of companies in the Semiconductors and Semiconductor Equipment Industry may fluctuate widely due to competitive pressures, increased sensitivity to short product cycles and aggressive pricing, heavy expenses incurred for research and development of products or services that prove unsuccessful, problems related to bringing products to market, and rapid obsolescence of products. Legislative or regulatory changes and increased government supervision also may affect companies in the Semiconductors and Semiconductor Equipment Industry. The Semiconductors and Semiconductor Equipment Industry is a separate industry within the Information Technology Sector.

***Software Industry.*** The Software Industry includes companies engaged in developing and producing software designed for specialized applications and systems and database management software and manufacturers of home entertainment and educational software used primarily in the home. The prices of the securities of issuers in the Software Industry may fluctuate widely due to competitive pressures, increased sensitivity to short product cycles and aggressive pricing, heavy expenses incurred for research and development of products or services that prove unsuccessful, challenges related to bringing products to market, and rapid obsolescence of products. In addition, many software

companies rely on a combination of patents, copyrights, trademarks and trade secret laws to establish and protect their proprietary rights in their products and technologies. There can be no assurance that the steps taken by software companies to protect their proprietary rights will be adequate to prevent misappropriation of their technology or that competitors will not independently develop technologies that are substantially equivalent or superior to such companies' technology. Legislative or regulatory changes and increased government supervision also may affect companies in the Software Industry. The Software Industry is a separate industry within the Information Technology Sector.

***Specialty Retail Industry.*** The Specialty Retail Industry includes owners and operators of retail stores specialized in apparel and accessories, computer and electronics, home improvement, automotive, home furnishings and other specialty retail stores. The Specialty Retail Industry is highly competitive and relies heavily on consumer spending for success. The prices of securities of companies in the Specialty Retail Industry may fluctuate widely due to general economic conditions, consumer spending and the availability of disposable income, changing consumer tastes and preferences and consumer demographics. In addition, many companies are thinly capitalized, and are dependent upon a relatively few number of business days to achieve their overall results. Legislative or regulatory changes and increased government supervision also may affect companies in the Specialty Retail Industry. The Specialty Retail Industry is a separate industry within the Consumer Discretionary Sector.

***Technology Hardware, Storage & Peripherals Industry.*** The Technology Hardware, Storage & Peripherals Industry includes companies engaged in the manufacture of cellular phones, personal computers, servers, electronic computer components and peripherals. The Technology Hardware, Storage & Peripherals Industry includes data storage components, motherboards, audio and video cards, monitors, keyboards, printers, and other peripherals. The prices of the securities of companies in the Technology Hardware, Software & Peripherals Industry may fluctuate widely due to competitive pressures, aggressive pricing, technological developments, changing domestic demand, and the ability to attract and retain skilled employees. In addition, the market for products produced by software companies is characterized by rapidly changing technology, rapid product obsolescence, and cyclical market patterns. Legislative or regulatory changes and increased government supervision also may affect companies in the Technology Hardware, Storage & Peripherals Industry. The Technology Hardware, Storage & Peripherals Industry is a separate industry within the Information Technology Sector.

**Interest Rate Risk** - Fixed-income and other debt instruments are subject to the possibility that interest rates could change. Changes in interest rates may adversely affect the client's investments in these instruments, such as the value or liquidity of, and income generated by, the investments. Interest rates may change as a result of a variety of factors, and the change may be sudden and significant, with unpredictable impacts on the financial markets and the client's investments. Fixed-income and other debt instruments with longer durations are more sensitive to changes in interest rates and, thus, subject to more volatility than similar instruments with shorter durations. Generally, when interest rates increase, the values of fixed-income and other debt instruments decline and when interest rates decrease, the values of fixed-income and other debt instruments rise. During periods of rising interest rates, because changes in interest rates on adjustable rate securities may lag behind changes in market rates, the value of such securities may decline until their interest rates reset to market rates. During periods of declining interest rates, because the interest rates on adjustable rate securities

generally reset downward, their market value is unlikely to rise to the same extent as the value of comparable fixed rate securities. During periods when interest rates are low or negative, a client account's yield and performance may be adversely affected and the client account may be unable to maintain positive returns. The risks associated with rising interest rates are heightened given the current low interest rate environment. Changes in government or central bank policy, including changes in tax policy or changes in a central bank's implementation of specific policy goals, may have a substantial impact on interest rates, and could have an adverse effect on prices for fixed income securities and on the performance of the client's account. There can be no guarantee that any particular government or central bank policy will be continued, discontinued or changed, nor that any such policy will have the desired effect on interest rates.

**Investments by Investing Funds and Other Large Shareholders**—The client is subject to the risk that a large investor, including certain other investment companies, purchases or redeems a large percentage of client shares at any time. As a result, the client's performance or liquidity may be adversely affected as the client tends to hold a large proportion of its assets in cash and may have to sell investments at disadvantageous times or prices to meet large redemption requests.

**Investment in Investment Vehicles Risk** —Investing in other investment vehicles, including exchange-traded funds ("ETFs"), closed-end funds, affiliated short-term fixed income funds and other mutual funds, subjects the client to those risks affecting the investment vehicle, including the possibility that the value of the underlying securities held by the investment vehicle could decrease or the portfolio becomes illiquid. Moreover, the client and its shareholders will incur its pro rata share of the underlying vehicles' expenses, which will reduce the client's performance. In addition, investments in an ETF are subject to, among other risks, the risk that the ETF's shares may trade at a discount or premium relative to the net asset value of the shares and the listing exchange may halt trading of the ETF's shares.

**Investment in Loans Risk** - The Adviser may invest in loans directly or indirectly through assignments or participations. Investments in loans, including loan syndicates and other direct lending opportunities, involve special types of risks, including credit risk, interest rate risk, counterparty risk, prepayment risk and extension risk. Loans may offer a fixed or floating interest rate. Loans are often below investment grade and may be unrated. The client's investments in loans can also be difficult to value accurately and may be more susceptible to liquidity risk than fixed-income instruments of similar credit quality and/or maturity. The client is also subject to the risk that the value of any collateral for the loan may be insufficient or unavailable to cover the borrower's obligations should the borrower fail to make payments, become insolvent, or otherwise default. Transactions in loans are often subject to long settlement periods and often require consent from borrowers and/or an agent acting for the lenders, thus potentially limiting the ability of the client to invest sale proceeds in other investments and to use proceeds to meet its current redemption obligations. Client accounts thus are subject to the risk of selling other investments at disadvantageous times or prices or taking other actions necessary to raise cash to meet client redemptions. Participations in loans may subject the client to the credit risk of both the borrower and the seller of the participation and may make enforcement of loan covenants, if any, more difficult for the client as legal action may have to go through the seller of the participation (or an agent acting on its behalf). Covenants contained in loan documentation are intended to protect lenders and investors by imposing certain restrictions and other limitations on a borrower's operations or assets and by providing certain information and consent rights to lenders. In addition to operational covenants, loans and other debt obligations often contain financial covenants which require a borrower to satisfy certain financial

tests at periodic intervals or to maintain compliance with certain financial metrics. The client is invested in or is exposed to loans and other similar debt obligations that are sometimes referred to as “covenant-lite” loans or obligations, which generally are loans or other similar debt obligations that lack financial maintenance covenants or possess fewer or contingent financial maintenance covenants and other financial protections for lenders and investors. These “covenant-lite” loans or obligations typically are particularly subject to the risks associated with investments in loans as described above

**Investment Technique Risk**—Some investment techniques of the Adviser, such as its use of derivatives to seek to achieve its investment objective, may be considered aggressive. These instruments may increase the volatility of the client’s account and may involve a small investment of cash relative to the magnitude of the risk assumed. Such investment techniques may not consistently produce desired results and may be limited by legislative, regulatory, or tax developments.

**Issuer Specific Risk**—The value of a security may increase or decrease for a number of reasons which directly relate to the issuer. For example, the perceived poor management performance, financial leverage or reduced demand of an issuer’s goods or services may contribute to a decrease in the value of a security. A decrease in the value of the securities, held by the client, of an issuer or guarantor of a debt instrument may cause the value of the client’s investment to decrease.

**Large-Capitalization Securities Risk** - A client is subject to the risk that large-capitalization securities may underperform other segments of the equity market or the equity market as a whole. Larger, more established companies may be unable to respond quickly to new competitive challenges such as changes in technology and may not be able to attain the high growth rate of smaller companies, especially during extended periods of economic expansion.

**Leverage Risk** – The Adviser’s use of leverage, through borrowings or instruments such as derivatives and repurchase agreements, may cause the client’s account to be more volatile and riskier than if it had not been leveraged.

**LIBOR Replacement Risk**—The terms of many investments, financings or other transactions in the U.S. and globally have been historically tied to the interbank reference rates (referred to collectively as the “London Interbank Offered Rate” or “LIBOR”), which function as a reference rate or benchmark for such investments, financings or other transactions. LIBOR may be a significant factor in determining payment obligations under derivatives transactions, the cost of financing of client investments or the value or return on certain other client investments. As a result, LIBOR may be relevant to, and directly affect, a client’s performance.

On July 27, 2017, the Chief Executive of the Financial Conduct Authority (“FCA”), the United Kingdom’s financial regulatory body and regulator of LIBOR, announced that after 2021 it will cease its active encouragement of banks to provide the quotations needed to sustain LIBOR due to the absence of an active market for interbank unsecured lending and other reasons. However, subsequent announcements by the FCA, the LIBOR administrator and other regulators indicate that it is possible that certain LIBORs may continue beyond 2021 and the most widely used LIBORs may continue until mid-2023. It is anticipated that LIBOR ultimately will be officially discontinued or the regulator will announce that it is no longer sufficiently robust to be representative of its underlying market around that time. Various financial industry groups have begun planning for that transition and certain regulators and industry groups have taken actions to establish alternative

reference rates (e.g., the Secured Overnight Financing Rate, which measures the cost of overnight borrowings through repurchase agreement transactions collateralized with U.S. Treasury securities and is intended to replace U.S. dollar LIBORs with certain adjustments). However, there are challenges to converting certain contracts and transactions to a new benchmark and neither the full effects of the transition process nor its ultimate outcome is known.

The transition process might lead to increased volatility and illiquidity in markets for instruments with terms tied to LIBOR. It could also lead to a reduction in the interest rates on, and the value of, some LIBOR-based investments and reduce the effectiveness of hedges mitigating risk in connection with LIBOR-based investments. Although some LIBOR-based instruments may contemplate a scenario where LIBOR is no longer available by providing for an alternative rate-setting methodology and/or increased costs for certain LIBOR-related instruments or financing transactions, others may not have such provisions and there may be significant uncertainty regarding the effectiveness of any such alternative methodologies. Instruments that include robust fallback provisions to facilitate the transition from LIBOR to an alternative reference rate may also include adjustments that do not adequately compensate the holder for the different characteristics of the alternative reference rate. The result may be that the fallback provision results in a value transfer from one party to the instrument to the counterparty. Additionally, because such provisions may differ across instruments (e.g., hedges versus cash positions hedged), LIBOR's cessation may give rise to basis risk and render hedges less effective. As the usefulness of LIBOR as a benchmark could deteriorate during the transition period, these effects and related adverse conditions could occur prior to the end of some LIBOR tenors in 2021 or the remaining LIBOR tenors in mid-2023. There also remains uncertainty and risk regarding the willingness and ability of issuers to include enhanced provisions in new and existing contracts or instruments, notwithstanding significant efforts by the industry to develop robust LIBOR replacement clauses. The effect of any changes to, or discontinuation of, LIBOR on a client's account will vary depending, among other things, on (1) existing fallback or termination provisions in individual contracts and the possible renegotiation of existing contracts and (2) whether, how, and when industry participants develop and adopt new reference rates and fallbacks for both legacy and new products and instruments. A client's investments may also be tied to other interbank offered rates and currencies, which also will face similar issues. In many cases, in the event that an instrument falls back to an alternative reference rate, including the Secured Overnight Financing Rate, the alternative reference rate will not perform the same as LIBOR because the alternative reference rates do not include a credit sensitive component in the calculation of the rate. The alternative reference rates are generally secured by U.S. treasury securities and will reflect the performance of the market for U.S. treasury securities and not the inter-bank lending markets. In the event of a credit crisis, floating rate instruments using alternative reference rates could therefore perform differently than those instruments using a rate indexed to the inter-bank lending market.

Various pending legislation, including in the U.S. Congress and the New York state legislature, may affect the transition of LIBOR-based instruments as well by permitting trustees and calculation agents to transition instruments with no LIBOR transition language to an alternative reference rate selected by such agents. Those legislative proposals include safe harbors from liability, which may limit the recourse a client account may have if the alternative reference rate does not fully compensate a client account for the transition of an instrument from LIBOR. It is uncertain whether such legislative proposals will be signed into law.

These developments could negatively impact financial markets in general and present heightened risks, including with respect to a client's investments. As a result of this uncertainty and developments relating to the transition process, a client's investments may be adversely affected.

**Liquidity and Valuation Risk** - In certain circumstances, it may be difficult for the client to purchase and sell a particular investment within a reasonable time at a fair price, or the price at which it has been valued by the Adviser for purposes of a Fund client's NAV, causing the client to be less liquid and unable to realize what the Adviser believes should be the price of the investment. While the client intends to invest in liquid securities and financial instruments, under certain market conditions, such as when trading in a particular investment has been halted temporarily by an exchange because the maximum price change of that investment has been realized, it may be difficult or impossible for the client to liquidate such investments. In addition, the ability of the client to assign an accurate daily value to certain investments may be difficult, and the Adviser may be required to fair value the investments. Valuation of portfolio investments may be difficult, such as during periods of market turmoil or reduced liquidity, and for investments that may, for example, trade infrequently or irregularly. In these and other circumstances, an investment may be valued using fair value methodologies, which are inherently subjective, reflect good faith judgments based on available information and may not accurately estimate the price at which the client could sell the investment at that time. These risks are heightened for fixed-income and other debt instruments because of the current low interest rate environment. Based on its investment strategies, a significant portion of the client's investments can be difficult to value and potentially less liquid and thus particularly prone to the foregoing risks.

**Management Risk** – Certain clients may be actively managed, which means that investment decisions are made based on investment views. There is no guarantee that the investment views will produce the desired results or expected returns, causing the client to fail to meet its investment objective or underperform its benchmark index or funds with similar investment objectives and strategies. Furthermore, active and frequent trading that can accompany active management, also called “high turnover,” may have a negative impact on performance. Active and frequent trading may result in higher brokerage costs or mark-up charges, which are ultimately passed on to a client. Active and frequent trading may also result in adverse tax consequences.

**Market Risk** – The value of, or income generated by, the investments held by the client may fluctuate rapidly and unpredictably and the client account may incur losses as a result of factors affecting individual companies or issuers or particular industries. In addition, developments related to economic, political, social, public health, market or other conditions may cause volatility in financial markets and reduced liquidity in equity, credit and/or debt markets, which could adversely impact client accounts and their investments. Under such conditions, if a client account seeks a redemption the client account could be forced to sell portfolio securities or other assets at unfavorable prices in an effort to generate sufficient cash to meet the client redemption. . A client account's investments may underperform the general securities markets or other types of securities. Governmental authorities and regulators have enacted and continue to enact significant fiscal and monetary policy changes designed to support financial markets, which present heightened risks to markets and client account investments and are resulting in low interest rates and in some cases, negative yields, and such risks could be even further heightened if these actions are discontinued, disrupted, reversed or are ineffective in achieving their desired outcomes. It is unknown how long current circumstances will persist, whether they will reoccur in the future and whether efforts to support the economy and financial markets will be successful

**Mid-Capitalization Securities Risk** - A client is subject to the risk that mid-capitalization securities may underperform other segments of the equity market or the equity market as a whole. Securities of medium-capitalization companies may experience more price volatility, greater spreads between their bid and ask prices, lower trading volumes, and cyclical or static growth prospects. Medium-capitalization companies often have limited product lines, markets or financial resources, and may therefore be more vulnerable to adverse developments than larger capitalization companies.

**Municipal Securities Risk** - Municipal securities are subject to a variety of risks, including credit, interest, prepayment, liquidity, and valuation risks. In addition, municipal securities can be adversely affected by (i) unfavorable legislative, political or other developments or events, including natural disasters and public health conditions, and (ii) changes in the economic and fiscal conditions of issuers of municipal securities or the federal government (in cases where it provides financial support to such issuers). Municipal securities may be fully or partially backed by the taxing authority or revenue of a local government, the credit of a private issuer, or the current or anticipated revenues from a specific project, which may be adversely affected as a result of economic and public health conditions. To the extent a client invests a substantial portion of its assets in municipal securities issued by issuers in a particular state, municipality or project, the client will be particularly sensitive to developments and events adversely affecting such state or municipality or with respect to a particular project. Certain sectors of the municipal bond market have special risks that can affect them more significantly than the market as a whole. Because many municipal instruments are issued to finance similar projects (such as education, health care, transportation and utilities), conditions in these industries can significantly affect the overall municipal market. Municipal securities that are insured may be adversely affected by developments relevant to that particular insurer, or more general developments relevant to the market as a whole. Municipal securities can be difficult to value and be less liquid than other investments, which may affect performance or the ability to meet redemption requests.

**Non-Diversification Risk** – The client is considered non-diversified and can invest a greater portion of its assets in securities of individual issuers than a diversified client. As a result, changes in the market value of a single issuer's securities could cause greater fluctuations in the value of client shares than would occur in a diversified fund. The client may become diversified for periods of time solely as a result of changes in the composition of the underlying index (*e.g.*, changes in the relative market capitalization or index weights of one or more index component stocks).

**OTC Trading Risk** – Certain of the derivatives in which the client may invest may be traded (and privately negotiated) in the OTC market. While the OTC derivatives market is the primary trading venue for many derivatives, it is largely unregulated and provides for less transparency than a national securities or commodities exchange. As a result, and similar to other privately negotiated contracts, the client is subject to counterparty credit risk with respect to such derivatives contracts.

**Passive Investment Risk** - For clients that are not actively managed, the Adviser does not attempt to take defensive positions in declining markets. Therefore, a client may be subject to greater losses in a declining market than a client that is actively managed.

**Pooled Investment Vehicles Risk** – A client may invest in the securities of pooled vehicles that are not investment companies and, thus, not required to comply with the provisions of the 1940 Act. As a shareholder of such vehicles, a client will not have all of the investor's protections afforded by the 1940 Act. Such pooled vehicles may be required to comply with the provisions of other federal securities laws, such as the Securities Act of 1933. These pooled vehicles typically hold commodities, such as gold or oil, currency, or other property that is itself not a security. If a client invests in, and thus, is a shareholder of, a pooled vehicle, the client will indirectly bear the proportionate share of the fees and expenses paid by the pooled vehicle, including any applicable advisory fees, in addition to both the management fees payable directly by the Fund to the Adviser and the other expenses that the Fund bears directly in connection with its own operations. In addition, a client's investment in pooled investment vehicles may be considered illiquid and subject to the restrictions on illiquid investments.

**Portfolio Turnover Risk** - Periodic rebalancing of the client's holdings pursuant to a daily investment objective may lead to a greater number of portfolio transactions than experienced by other mutual funds. Such frequent and active trading may lead to significantly higher transaction costs because of increased broker commissions associated with such transactions.

**Preferred Securities Risk** - Preferred stock represents an equity interest in a company that generally entitles the holder to receive, in preference to the holders of other stocks such as common stocks, dividends and a fixed share of the proceeds resulting from a liquidation of the company. Preferred stocks may pay fixed or adjustable rates of return. Preferred stock is subject to issuer-specific and market risks applicable generally to equity securities. In addition, a company's preferred stock generally pays dividends only after the company makes required payments to holders of its bonds and other debt. For this reason, the value of preferred stock will usually react more strongly than bonds and other debt to actual or perceived changes in the company's financial condition or prospects.

**Prepayment and Extension Risk** - Prepayment risk is the risk that the principal on mortgage-backed securities, other asset-backed securities or any debt security with an embedded call option may be prepaid at any time, which could reduce the security's yield and market value. In the case of prepayment risk, if the investment is converted, prepaid or redeemed before maturity, the portfolio manager may not be able to invest the proceeds in other investments providing as high a level of income, resulting in a reduced yield. The rate of prepayments tends to increase as interest rates fall, which could cause the average maturity of the portfolio to shorten. Conversely, extension risk is the risk that an unexpected rise in interest rates will extend the life of a mortgage- or asset-backed security beyond the prepayment time. If investments are locked in at a lower interest rate for a longer period of time, the Adviser may be unable to capitalize on securities with higher interest rates or wider spreads. Certain debt instruments, including loans and mortgage and other asset-backed securities, are subject to the risk that payments on principal may occur more quickly or earlier than expected. In this event, the client might be forced to forego future interest income on the principal repaid early and to reinvest income or proceeds at generally lower interest rates, thus reducing the client's yield. These types of instruments are particularly subject to prepayment risk, and offer less potential for gains, during periods of declining interest rates.



**Public Health Emergencies; COVID-19 Risks** - Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, ebola and the current outbreak of COVID-19 (as discussed below), have and are resulting in market disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to a client.

The ultimate impact of COVID-19 — and any resulting decline in economic and commercial activity — on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, although ongoing and potential additional materially adverse effects, including a further global or regional economic downturn (including a recession) of indeterminate duration and severity, are possible. The extent of COVID-19's impact will depend on many factors, including the ultimate duration and scope of the public health emergency and the restrictive countermeasures being undertaken, as well as the effectiveness of other governmental, legislative and financial and monetary policy interventions (including the effectiveness of vaccines and the implementation of vaccination programs) designed to mitigate the crisis and address its negative externalities, all of which are evolving rapidly and may have unpredictable results. Even if and as the spread of the COVID-19 virus itself is substantially contained and economies are able to “re-open,” it will be difficult to assess what the longer-term impacts of an extended period of unprecedented economic dislocation and disruption will be on future macro- and micro-economic developments, the health of certain industries and businesses, and commercial and consumer behavior.

**Qualified Financial Contracts Risk** - Qualified financial contracts include agreements relating to swaps, currency forwards and other derivatives as well as repurchase agreements and securities lending agreements. Beginning in 2019, regulations adopted by prudential regulators will require that certain qualified financial contracts entered into with certain counterparties that are part of a U.S. or foreign banking organization designated as a global-systemically important banking organization to include contractual provisions that delay or restrict the rights of counterparties to exercise certain close-out, cross-default and similar rights under certain conditions. Qualified financial contracts are subject to a stay for a specified time period during which counterparties will be prevented from closing out a qualified financial contract if the counterparty is subject to resolution proceedings and prohibit the Adviser from exercising default rights due to a receivership or similar proceeding of an affiliate of the counterparty. Implementation of these requirements may increase credit and other risks to the client.

**Quantitative Investing Risk** - There is no guarantee that a quantitative model or algorithm used by the Adviser, and the investments selected based on the model or algorithm, will produce the desired results. The client may be adversely affected by imperfections, errors or limitations in the construction and implementation of the model or algorithm and the Adviser's ability to properly analyze or timely adjust the metrics or update the data underlying the model or features of the algorithm. Other quantitative methods and techniques used by the Adviser, and the investments selected based on these methods and techniques, are also subject to these types of risks.

**Real Estate Investments Risk**—The client may invest in securities of real estate companies and companies related to the real estate industry, including real estate investment trusts (“REITs”), which are subject to the same risks as direct investments in real estate. The real estate industry is particularly sensitive to economic downturns.

**Real Estate Investment Trust Risk** – In addition to the risks pertaining to real estate investments more generally, real estate investment trusts (“REITs”) are subject to additional risks. The value of a REIT can depend on the structure of and cash flow generated by the REIT. Market conditions or events affecting the overall real estate and REIT markets, such as declining property values or rising interest rates, could have a negative impact on the real estate market and the value of REITs in general. REITs whose investments are concentrated in a limited number or type of properties, investments or narrow geographic area are subject to the risks affecting those properties or areas to a greater extent than a REIT with less concentrated investments. REITs are also subject to certain provisions under federal tax law. In addition, REITs may have expenses, including advisory and administration expenses, and the client will incur its pro rata share of the underlying expenses.

**Redemption Risk**—The Adviser may need to sell portfolio securities or other assets to meet redemption requests. A client could experience a loss when selling portfolio securities or other assets to meet redemption requests if there is (i) significant redemption activity by shareholders, including, for example, when a single investor or few large investors make a significant redemption of shares, (ii) a disruption in the normal operation of the markets in which the Adviser buys and sells portfolio securities or other assets or (iii) the inability of the Adviser to sell portfolio securities or other assets because such assets are illiquid. In such events, the Adviser could be forced to sell portfolio securities or other assets at unfavorable prices in an effort to generate sufficient cash to pay redeeming shareholders. The Adviser may suspend redemptions or the payment of redemption proceeds when permitted by applicable regulations.

**Regulatory and Legal Risk** - U.S. and non-U.S. governmental agencies and other regulators regularly implement additional regulations and legislators pass new laws that affect the investments held by a client account, the strategies used by the accounts or the level of regulation or taxation applying to a client account (such as regulations related to investments in derivatives and other transactions). These regulations and laws impact the investment strategies, performance, costs and operations of a client accounts.

**Repurchase Agreement and Reverse Repurchase Agreements Risk** - The client’s investment in repurchase agreements may be subject to market and credit risk with respect to the repurchase agreement counterparty and underlying collateral securing the repurchase agreements. Investments in repurchase agreements also may be subject to the risk that the market value of the underlying obligations may decline prior to the expiration of the repurchase agreement term. In the event of the insolvency of the counterparty to a repurchase agreement or reverse repurchase agreement, recovery of the repurchase price owed to the client or, in the case of a reverse repurchase agreement, the securities or other assets sold by the client, may be delayed. Because reverse repurchase agreements may be considered to be the practical equivalent of borrowing funds, they constitute a form of leverage. If the client reinvests the proceeds of a reverse repurchase agreement at a rate lower than the cost of the agreement, entering into the agreement will lower the client’s yield.

**Restricted Securities Risk** - Restricted securities generally cannot be sold to the public and may involve a high degree of business, financial and liquidity risk, which may result in substantial losses to the client.

**Sector Risk** - The client is subject to the Sector Risks described below.

**Communication Services Sector Risk.** The Communication Services Sector includes companies that facilitate communication and offer related content and information through various mediums. It

includes telecom and media & entertainment companies including producers of interactive gaming products and companies engaged in content and information creation or distribution through proprietary platforms. The client's account is subject to the risk that the securities of such issuers will underperform the market as a whole due to legislative or regulatory changes, adverse market conditions and/or increased competition affecting the Communication Services Sector. The performance of companies operating in the Communication Services Sector has historically been closely tied to the performance of the overall economy, and also is affected by economic growth, consumer confidence, attitudes and spending. Increased sensitivity to short product cycles and aggressive pricing, challenges in bringing products to market and changes in demographics and consumer tastes also can affect the demand for, and success of, communication services products and services in the marketplace.

***Consumer Discretionary Sector Risk.*** The manufacturing segment of the Consumer Discretionary Sector includes automotive, household durable goods, leisure equipment and textiles and apparel. The services segment includes hotels, restaurants and other leisure facilities, media production and services, and consumer retailing and services. The client is subject to the risk that the securities of such issuers will underperform the market as a whole due to legislative or regulatory changes, adverse market conditions and/or increased competition affecting the Consumer Discretionary Sector. The performance of the companies operating in the Consumer Discretionary Sector has historically been closely tied to the performance of the overall economy, and also is affected by economic growth, consumer confidence, attitudes, and spending. Changes in demographics and consumer tastes also can affect the demand for, and success of, consumer products and services in the marketplace. Moreover, the Consumer Discretionary Sector encompasses those business that tend to be the most sensitive to economic cycles.

***Consumer Staples Sector Risk.*** The Consumer Staples Sector includes manufacturers and distributors of food, beverages and tobacco and producers of non-durable household goods and personal products. It also includes food and drug retailing companies as well as hypermarkets and consumer super centers. The client is subject to the risk that the securities of such issuers will underperform the market as a whole due to legislative or regulatory changes, adverse market conditions and/or increased competition affecting the Consumer Staples Sector. The performance of companies operating in the Consumer Staples Sector has historically been closely tied to the performance of the overall economy, and also is affected by consumer confidence, demands and preferences, and spending. In addition, companies in the Consumer Staples Sector may be subject to risks pertaining to the supply of, demand for, and prices of raw materials.

***Energy Sector Risk.*** The Energy Sector includes companies operating in the exploration and production, refining and marketing, and storage and transportation of oil and gas and coal and consumable fuels. It also includes companies that offer oil and gas equipment and related services. The client is subject to the risk that the securities of such issuers will underperform the market as a whole due to legislative or regulatory changes, adverse market conditions and/or increased competition affecting the Energy Sector. The performance of companies operating in the Energy Sector is closely tied to the price and supply of energy fuels and international political events.

***Financials Sector Risk.*** The Financials Sector includes companies involved in banking, thrifts and mortgage finance, specialized finance, consumer finance, asset management and custody banks, investment banking and brokerage, and insurance. It also includes the Financial Exchanges and Data and Mortgage Real Estate Investment Trusts (“REITS”) sub-industries. Certain Financials Sector issuers serve as counterparties with which the Registered Fund may enter into derivatives agreements or other similar contractual arrangements. The client is subject to the risk that the securities of such issuers will underperform the market as a whole due to legislative or regulatory changes, adverse market conditions and/or increased competition affecting the Financials Sector, which may adversely affect a company's ability to fulfill its obligations as a financial counterparty. Companies operating in the Financials Sector are subject to extensive government regulation, which may limit the financial commitments they can make and the interest rates and fees they can charge. Profitability is largely dependent on the availability and cost of capital funds and may fluctuate significantly when interest rates change due to increased competition.

***Health Care Sector Risk.*** The Health Care Sector includes health care providers and services, companies that manufacture and distribute health care equipment and supplies, and health care technology companies. It also includes companies involved in the research, development, production and marketing of pharmaceuticals and biotechnology products. The client is subject to the risk that the securities of such issuers will underperform the market as a whole due to legislative or regulatory changes, adverse market conditions and/or increased competition affecting the Health Care Sector. The prices of the securities of companies operating in the Health Care Sector are closely tied to government regulation and approval of their products and services, which can have a significant effect on the price and availability of those products and services.

***Industrials Sector Risk.*** The Industrials Sector includes manufacturers and distributors of capital goods such as aerospace and defense, building projects, electrical equipment and machinery and companies that offer construction and engineering services. It also includes providers of commercial and professional services including printing, environmental and facilities services, office services and supplies, security and alarm services, human resource and employment services, and research and consulting services. It also includes companies that provide transportation services. The client is subject to the risk that the securities of such issuers will underperform the market as a whole due to legislative or regulatory changes, adverse market conditions and/or increased competition affecting the Industrials Sector. The prices of the securities of companies operating in the Industrial Sector may fluctuate due to the level and volatility of commodity prices, the exchange value of the dollar, import controls, worldwide competition, liability for environmental damage, depletion of resources, and mandated expenditures for safety and pollution control devices.

***Information Technology Sector Risk.*** The Information Technology Sector includes companies that offer software and information technology services, manufacturers and distributors of technology hardware and equipment such as communications equipment, cellular phones, computers and peripherals, electronic equipment and related instruments and semiconductors. The client is subject to the risk that the securities of such issuers will underperform the market as a whole due to legislative or regulatory changes, adverse market conditions and/or increased competition affecting the Information Technology Sector. The prices of the securities of companies operating in the Information Technology

Sector are closely tied to market competition, increased sensitivity to short product cycles and aggressive pricing, and problems with bringing products to market.

**Materials Sector Risk.** The Materials Sector includes companies that manufacture chemicals, construction materials, glass, paper, forest products and related packaging products, and metals, minerals and mining companies, including producers of steel. The client is subject to the risk that the securities of such issuers will underperform the market as a whole due to legislative or regulatory changes, adverse market conditions and/or increased competition affecting the Materials Sector. The prices of the securities of companies operating in the Materials Sector may fluctuate widely due to the level and volatility of commodity prices, the exchange value of the U.S. dollar, import controls, worldwide competition, liability for environmental damage, depletion of resources, and mandated expenditures for safety and pollution control devices.

**Real Estate Sector Risk.** The Real Estate Sector contains companies operating in real estate development and operation. It also includes companies offering real estate related services and REITs. The client is subject to the risk that the securities of such issuers will underperform the market as a whole due to legislative or regulatory changes, adverse market conditions and/or increased competition affecting the Real Estate Sector. The performance of companies operating in the Real Estate Sector has historically been cyclical and particularly sensitive to the overall economy and market changes, including declines in the value of real estate or, conversely, saturation of the real estate market, economic downturns and defaults by borrowers or tenants during such periods, increases in competition, limited availability of mortgage funds or other limits to accessing the credit or capital markets, and changes in interest rates.

**Utilities Sector Risk.** The Utilities Sector comprises utility companies such as electric, gas and water utilities. It also includes independent power producers and energy traders and companies that engage in generation and distribution of electricity using renewable sources. The client is subject to the risk that the securities of such issuers will underperform the market as a whole due to legislative or regulatory changes, adverse market conditions and/or increased competition affecting the Utilities Sector. The prices of the securities of companies operating in the Utilities Sector are closely tied to government regulation and market competition.

**Sector Emphasis Risk**—If the client invests a significant amount of its assets in any one sector, the client's performance will depend to a greater extent on the overall condition of the sector and there is increased risk that the client will lose value if conditions adversely affect that sector. The prices of securities of issuers in a particular sector may be more susceptible to fluctuations as a result of changes in economic, public health, or business conditions, government regulations, availability of basic resources or supplies, or other events that affect that industry or sector more than securities of issuers in other sectors. To the extent the client is heavily invested in a particular sector, the share price may be more volatile than the value of shares of a mutual fund that invests in a broader range of sectors.

**Securities Lending Risk** - Securities lending involves a risk that the borrower may fail to return the securities or deliver the proper amount of collateral, which may result in a loss to a client. In the event of bankruptcy of the borrower, a client could experience losses or delays in recovering the loaned securities.

**Shareholder Trading Risk** - Registered Fund clients may be used as a tool for certain investors that employ trading strategies involving frequent trading. Such trading strategies may lead to increased portfolio turnover in a Registered Fund, higher transaction costs, and the possibility of increased short-term capital gains (which will be taxable to shareholders as ordinary income when distributed to them) and/or long-term capital gains. Large movements of assets into and out of a Registered Fund due to active or frequent trading also may adversely affect the Registered Fund's ability to achieve its investment objective.

**Short Sales and Short Exposure Risk** - Short selling a security involves selling a borrowed security with the expectation that the value of that security will decline so that the security may be purchased at a lower price when returning the borrowed security. A short exposure through a derivative exposes a client to a counterparty credit and leverage risks. The risk for loss on a short sale or other short exposure, which, in some cases, may be theoretically unlimited, is greater than a direct investment in the security itself because the price of the borrowed security may rise, thereby increasing the price at which the security may be purchased. Government actions also may affect the client's ability to engage in short selling.

**Small-Capitalization Securities Risk** - A client may be subject to the risk that small-capitalization securities may underperform other segments of the equity market or equity market as a whole. Securities of small-capitalization companies may experience much more price volatility, greater spreads between their bid and ask prices and significantly lower trading volumes than securities issued by larger, more established companies. Accordingly, it may be difficult for a client to sell small-capitalization securities at a desired time or price. Small-capitalization companies tend to have inexperienced management as well as limited product and market diversification and financial resources. Small-capitalization companies have more speculative prospects for future growth, sustained earnings and market share than larger companies, and may be more vulnerable to adverse economic, market or industry developments than mid- or larger-capitalization companies.

**Sovereign Debt Risk** - The debt securities issued by sovereign entities may decline as a result of default or other adverse credit event resulting from a sovereign debtor's unwillingness or inability to repay principal and pay interest on a timely manner, which may be affected by a variety of factors, including cash flow situation, the extent of its reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the sovereign debtor's policy toward international lenders, and the political constraints to which a sovereign debtor may be subject. Sovereign debt risk is increased for emerging market issuers.

**Special Purpose Acquisition Companies**—A client account may invest in stock, warrants, rights and other securities of special purpose acquisition companies (“SPACs”) or similar special purpose entities in a private placement transaction or as part of a public offering. A SPAC, sometimes referred to as “blank check company,” is a private or publicly traded company that raises investment capital for the purpose of acquiring or merging with an existing company. The shares of a SPAC are typically issued in “units” that include one share of common stock and one right or warrant (or partial right or warrant) conveying the right to purchase additional shares of common stock. At a specified time, the rights and warrants may be separated from the common stock at the election of the holder, after which time each security typically is freely tradeable. Private companies can combine with a SPAC to go public by taking the SPAC's place on an exchange as an alternative

to making an initial public offering. As an alternative to obtaining a public listing through a traditional IPO, SPAC investments carry many of the same risks as investments in IPO securities. These may include, but are not limited to, erratic price movements, greater risk of loss, lack of information about the issuer, limited operating and little public or no trading history, and higher transaction costs. Please refer to the discussions of risks related to investments in “Equity Securities” for additional information concerning risks associated with IPOs.

Investments in SPACs also have risks peculiar to the SPAC structure and investment process. Until an acquisition or merger is completed, a SPAC generally invests its assets, less a portion retained to cover expenses, in U.S. government securities, money market securities and cash and does not typically pay dividends in respect of its common stock. To the extent a SPAC is invested in cash or similar securities, this may impact a client account’s ability to meet its investment objective. SPAC shareholders may not approve any proposed acquisition or merger, or an acquisition or merger, once effected, may prove unsuccessful. If an acquisition or merger is not completed within a pre-established period (typically, two years), the remainder of funds invested in the SPAC are returned to its shareholders. While a SPAC investor may receive both stock in the SPAC, as well as warrants or other rights at no marginal cost, those warrants or other rights may expire worthless or may be repurchased or retired by the SPAC at an unfavorable price. A client account may also be delayed in receiving any redemption or liquidation proceeds from a SPAC to which it is entitled. An investment in a SPAC is typically subject to a higher risk of dilution by additional later offerings of interests in the SPAC or by other investors exercising existing rights to purchase shares of the SPAC. SPAC investments are also subject to the risk that a significant portion of the funds raised by the SPAC may be expended during the search for a target acquisition or merger. Because SPACs only business is to seek acquisitions, the value of their securities is particularly dependent on the ability of the SPAC’s management to identify and complete a profitable acquisition or merger target. Among other conflicts of interest, the economic interests of the management, directors, officers and related parties of a SPAC can differ from the economic interests of public shareholders, which may lead to conflicts as they evaluate, negotiate and recommend business combination transactions to shareholders. For example, since the sponsor, directors and officers of a SPAC may directly or indirectly own interests in a SPAC, the sponsor, directors and officers may have a conflict of interest in determining whether a particular target business is an appropriate business with which to effectuate a business combination. This risk may become more acute as the deadline for the completion of a business combination nears. In addition, the requirement that a SPAC complete a business combination within a prescribed time frame may give potential target businesses leverage over the SPAC in negotiating a business combination, and may limit the time the SPAC has in which to conduct due diligence on potential business combination targets, which could undermine the SPAC’s ability to complete a business combination on terms that would produce value for its shareholders. Some SPACs pursue acquisitions and mergers only within certain market sectors or regions, which can increase the volatility of their prices. Conversely, other SPACs may invest without such limitations, in which case management may have limited experience or knowledge of the market sector or region in which the transaction is contemplated. Moreover, interests in SPACs may be illiquid and/or be subject to restrictions on resale, which may remain for an extended time, and may only be traded in the over-the-counter market. If there is no market for interests in a SPAC, or only a thinly traded market for interests in a SPAC develops, a Fund may not be able to sell its interest in a SPAC, or may be able to sell its interest only at a price below what the Fund believes is the SPAC interest’s value.

**Special Situation Investments/Securities in Default Risk**—Investments in the securities and debt of distressed issuers or issuers in default involve far greater risk than investing in issuers whose debt obligations are being met and whose debt trades at or close to its “par” or full value because the investments are highly speculative with respect to the issuer’s ability to make interest payments and/or to pay its principal obligations in full and/or on time.

**Stable Price Per Share Risk** — The assets of Registered Fund that are money market funds are valued using the amortized cost method, which enables the Registered Fund to maintain a stable price of \$1.00 per share. Although the Registered Fund is managed to maintain a stable price per share of \$1.00, there is no guarantee that the price will be constantly maintained, and it is possible to lose money. A client could lose money by investing in the Registered Fund. Although the Registered Fund seeks to preserve the value of the client’s investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the Registered Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Adviser and its affiliates have no legal obligation to provide financial support to the Registered Fund, and client should not expect that the Adviser or its affiliates will provide financial support to the Registered Fund at any time. In the event any money market fund fails to maintain a stable NAV, other money market funds, including the Registered Fund, could face a universal risk of increased redemption pressures, potentially jeopardizing the stability of their NAVs.

**Structured Notes Risk** – A client may invest in structured notes, which are debt obligations that also contain an embedded derivative component with characteristics that adjust the obligation’s risk/return profile. Structured notes are typically privately negotiated transactions between two or more parties. A client bears the risk that the issuer of the structured note will default or become bankrupt which may result in the loss of principal investment and periodic interest payments expected to be received for the duration of its investment in the structured notes. In the case of structured notes on credit default swaps, a client also is subject to the credit risk of the corporate credit instruments underlying the credit default swaps. If one of the underlying corporate credit instruments defaults, the client may receive the security or credit instrument that has defaulted, or alternatively a cash settlement may occur, and the client’s principal investment in the structured note would be reduced by the corresponding face value of the defaulted security. The market for structured notes may be, or suddenly can become, illiquid. The other parties to the transaction may be the only investors with sufficient understanding of the derivative to be interested in bidding for it. Changes in liquidity may result in significant, rapid, and unpredictable changes in the prices for structured notes. In certain cases, a market price for a credit-linked security may not be available. The collateral for a structured note may be one or more credit default swaps, which are subject to additional risks. See “Swap Agreements” for a description of additional risks associated with credit default swaps.

**Temporary Defensive Investment Risk** - Under adverse or unstable market conditions or abnormal circumstances, the Adviser could invest some or all of its assets in cash, derivatives, fixed-income instruments, government bonds, money market instruments, repurchase agreements or securities of other investment companies. The Adviser may be unable to pursue or achieve its investment objective during that time and temporary investments could reduce the benefit from any upswing in the market.

**Tender Option Bonds Risk** - Tender option bonds are created by depositing municipal bonds into a trust and issuing two classes of trust interests-floating rate certificates and inverse floating rate certificates (also



known as residual interest tender option bonds or inverse floaters). Investments in tender option bonds, residual interest tender option bonds and inverse floaters expose a client to the same risks as investments in derivatives, as well as risks associated with leverage, especially the risk of increased volatility. An investment in these securities typically will involve greater risk than an investment in a municipal fixed rate security, including the risk of loss of principal. Distributions on residual interest tender option bonds and inverse floaters will bear an inverse relationship to short-term municipal security interest rates. Distributions on the residual interests and inverse floaters paid to a client will be reduced or, in the extreme, eliminated as short-term municipal interest rates rise and will increase when short-term municipal interest rates fall. Residual interest tender option bonds and inverse floaters generally will underperform the market for fixed rate municipal securities in a rising interest rate environment. The federal income tax treatment of certain other aspects of these investments, including the proper tax treatment of tender option bonds, is, in some cases, not certain. Additionally, the Dodd-Frank Act, including the Volcker Rule, among other regulatory changes, may affect the ability of bank-sponsored tender option bonds to continue to operate or remain cost-effective investments for the client.

**To Be Announced (“TBA”) Transactions Risk** - The client may enter into “To Be Announced” (“TBA”) transactions to purchase or sell mortgage-backed securities for a fixed price at a future date. For example, in a TBA transaction, a seller agrees to deliver a mortgage-backed security to the client at a future date, but the seller does not specify the particular security to be delivered. Instead, the client agrees to accept or sell any security that meets specified terms. TBA purchase commitments involve a risk of loss if the value of the securities to be purchased declines prior to settlement date or if the counterparty may not deliver the securities as promised. Selling a TBA involves a risk of loss if the value of the securities to be sold goes up prior to settlement date. Recently finalized FINRA rules include mandatory margin requirements that will require the client to post collateral in connection with its TBA transactions, which could increase the cost of TBA transactions to the client and impose added operational complexity.

**Tracking Error Risk** - The Adviser may not be able to cause a client’s performance to match that of the benchmark, either on a daily or aggregate basis. Factors such as expenses, imperfect correlation between a client’s investments and those of the underlying index, rounding of share prices, changes to the composition of the underlying index, regulatory policies, high portfolio turnover rate, and the use of leverage all contribute to tracking error. Tracking error may cause a client’s performance to be less than the client expects.

**Trading Halt Risk** – The client typically will hold futures contracts and short-term options. The major exchanges on which these contracts are traded, such as the Chicago Mercantile Exchange, have established limits on how much the trading price a futures contract or option may decline over various time periods within a day, and may halt trading in a contract that exceeds such limits. If a trading halt occurs, a client may temporarily be unable to purchase or sell certain securities, futures contracts or options. Such a trading halt near the time a Registered Fund prices its shares may limit the Adviser’s ability to use leverage and fully invest its assets, which could increase tracking error (for client accounts that seek to correlate to the performance of a benchmark) and adversely affect performance, and may prevent the client from achieving its investment objective.

**U.S. Government Securities Risk** – The U.S. government and its agencies and instrumentalities do not guarantee the market value of their securities, which may fluctuate in value and are subject to investment risks, and certain U.S. government securities may not be backed by the full faith and credit of the U.S. government.

The value of U.S. government obligations may be adversely affected by changes in interest rates. It is possible that the issuers of some U.S. government securities will not have the funds to timely meet their payment obligations in the future and there is a risk of default. For certain agency and government-sponsored entity issued securities (“GSE”), there is no guarantee the U.S. government will support the agency or GSE if it is unable to meet its obligations. U.S. government securities are subject to the risks associated with fixed-income and debt securities, particularly interest rate risk and credit risk.

**Value Stocks Risk** - Investments in value stocks are subject to the risk that their intrinsic values may never be realized by the market or that their prices may go down. While the clients’ investments in value stocks may limit downside risk over time, a client may, as a trade-off, produce more modest gains than riskier stock funds.

**When Issued, Forward Commitment and Delayed-Delivery Transactions Risk** - When-issued, forward-commitment and delayed-delivery transactions involve a commitment to purchase or sell specific securities at a predetermined price or yield in which payment and delivery take place after the customary settlement period for that type of security. When purchasing securities pursuant to one of these transactions, payment for the securities is not required until the delivery date. However, the purchaser assumes the rights and risks of ownership, including the risks of price and yield fluctuations and the risk that the security will not be issued as anticipated.

**Zero Coupon Securities Risk and Payment-In-Kind Securities Risk** - Zero coupon and payment-in-kind securities pay no cash interest income and usually are sold at substantial discount from their value at maturity. Zero coupon and payment-in-kind securities are subject to greater market value fluctuations from changing interest rates than debt obligations of comparable maturities that make current cash-pay interest payments.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment strategy. Prospective and existing investors are encouraged to consult their own financial advisors and legal and tax professionals on an initial and continuous basis in connection with the selection of and investment in a particular strategy or product. In addition, due to the dynamic nature of investments and markets, strategies may be subject to additional and different risk factors not discussed herein.

## **Item 9 – Disciplinary Information**

None.

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

The Adviser is part of a larger group of affiliated companies engaged in the financial services business. The Adviser and its affiliates and their respective officers, directors, partners, employees, and consultants (collectively, “Guggenheim Entities”), provide their clients with a broad array of investment management, insurance, broker-dealer, investment banking, and other services.

## **Affiliated Broker-Dealers**

Guggenheim Securities, GFD and Guggenheim Investor Services, LLC (“GIS”) are affiliates of the Adviser and are registered broker-dealers (Guggenheim Securities, GFD and GIS together, the “Affiliated Broker-Dealers”). Affiliated Broker-Dealers from time to time will engage in transactions with GPIM, an affiliated adviser, or SI.

Certain officers of the Adviser are also registered representatives of GFD.

The Adviser serves as investment adviser for Registered Funds offered to potential investors by certain of the Affiliated Broker-Dealers, for which the Affiliated Broker-Dealers are paid a sales charge, placement-agent fee, commission or other compensation. Guggenheim Securities also periodically acts as underwriter, initial purchaser, placement agent, financial advisor, arranger and/or structuring advisor with respect to a securities offering or loan and will generally receive a fee from the securities issuer or seller or from the loan borrower, as applicable. In addition, Guggenheim Securities Credit Partners, LLC (“GSCP”), an affiliate of Guggenheim Securities, from time to time provides bridge or other financing to potential borrowers, or provides arranging, structuring, administrative agent or similar services to potential borrowers, and will generally receive a fee from the loan borrower for such services. GIS periodically provides structuring and documenting services to issuers and borrowers of unregistered securities and will generally receive a fee from the securities issuer or borrower for these services.

After Guggenheim Corporate Funding, LLC (“GCF”), an affiliate of the Adviser, becomes registered as a broker-dealer, GCF expects to periodically provide structuring and other non-investment-advisory services to (a) issuers in structuring and documenting the new issuance of unregistered securities and (b) to borrowers in structuring and documenting loan financings, in each case in connection with, respectively, the placement of such securities with or funding of such loans by clients of GPIM and/or GCF (and, in certain circumstances, with or by third party institutions). GCF will generally receive a fee from the securities issuer or borrower for these services. GPIM may refer potential issuers or borrowers, which could include both operating companies and special purpose vehicles managed by the Adviser, its affiliates or third parties, to GCF for the purposes described above. GCF may in the future also, to the extent requested by GPIM, act as agent or intermediary in secondary market sales of existing illiquid investments held by one or more GPIM clients seeking to sell their positions in open market or negotiated transactions. The Adviser does not expect to directly engage GCF for the services described herein.

The Adviser and its affiliates have purchased, and in the future may be offered and may purchase investment opportunities for their clients in transactions for which one or more of their affiliates, Guggenheim Securities, GSCP, GIS or GCF (an affiliate of the Adviser that has filed an application for registration as a broker-dealer with FINRA), is involved, and would have an incentive to purchase such investments where such affiliate will receive a fee. Some transactions, depending on the nature of the transaction and Guggenheim Securities’ involvement, are considered Principal Transactions under Section 206(3) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), or require client consent under the relevant client’s investment guidelines, IMA or Registered Fund Prospectus and Statement of Additional Information. The fees received by Guggenheim Securities, GSCP, GIS, and/or GCF from the securities issuer or seller or the loan borrower, as applicable, with respect to such transactions are in addition to management fees received by the Adviser from the client accounts to which the Adviser allocates the investments. The Adviser maintains processes to

mitigate such potential conflicts of interest – See “Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – General Process Regarding Potential Conflicts” for more information.

GFD and/or Guggenheim Securities also provide certain administrative, operations, and infrastructure services to the Adviser and its affiliates. The Adviser is also affiliated with other broker-dealers, none of which are material to the Adviser’s business.

### **Commodity Pool Operator, National Futures Association**

The Adviser is registered as a commodity pool operator (“CPO”) with the Commodity Futures Trading Commission (“CFTC”) and is a member of the National Futures Association. Certain management persons of the Adviser are registered with the CFTC as associated persons of the Adviser. Generally, the Adviser provides services as a CPO only to commodity pools operating pursuant to CFTC regulations that provide exemptions from regulation or operational exemptions, so that the Adviser is exempt from certain or most CFTC disclosure, reporting and recordkeeping requirements applicable to registered CPOs with respect to such pools.

### **Management Persons; Policies and Procedures**

Certain of the Adviser’s management persons also hold positions with the affiliates described above and in this Item 10. In certain of these positions, those management persons of the Adviser have some responsibility with respect to the business of these affiliates and the overall compensation these management persons receive is often based, in part, upon the profitability of other parts of Guggenheim Partners, as well as Guggenheim Partners itself. Consequently, in carrying out their roles at the Adviser and these other entities, these management persons are subject to the same or similar conflicts of interest that exist between the Adviser and these affiliates. The Adviser has established a variety of restrictions, policies, procedures, and disclosures designed to address potential conflicts that arise between the Adviser, its management persons and its affiliates. These policies and procedures include information barriers designed to prevent the flow of information between the Adviser, personnel of the Adviser and other affiliates; policies and procedures relating to brokerage selection, trading with affiliates or investing in products managed or sponsored by affiliates; and allocation and trade sequencing policies applicable to client accounts. For additional information relating to the Adviser’s general processes to mitigate potential conflicts of interest, see “Item 6 – Performance-Based Fees and Side-By-Side Management – Allocation” and “Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – General Process Regarding Potential Conflicts”.

### **Other Potential Conflicts and Material Relationships with Affiliated Entities**

The Adviser makes investments for some client accounts that result in advisory fees, commissions, fees, or other remuneration paid to the Adviser or one of its affiliates, such as (a) Guggenheim Securities, (b) GFIA, (c) GCF (d) Guggenheim Partners Europe Limited (“GPE”), an Investment Business Firm under Regulation 11 of European Communities, Markets in Financial Instruments Directive and a “Participating Affiliate” of the

Adviser (See “Investment Adviser Affiliates” in this Item 10 for more information), (e) GPIM, (f) GIS, and (g) GSCP. Such investments have included, and may in the future include, (i) investments that the Adviser or one of its affiliates originated, arranged or placed, (ii) investments in which the Adviser’s affiliate provided investment banking, financial advisory or similar services to a party involved in the transaction to which the investment relates (such as acquisition financing in a transaction in which the Adviser’s affiliate represented the buyer or seller), (iii) investments where the Adviser or its affiliates provided other services to a transaction participant or other third party, (iv) investments where the Adviser or one of its affiliates acts as the collateral agent, administrator, originator, manager, or other service provider, and (v) investments that are secured or otherwise backed by collateral that could include assets originated, sold or financed by the Adviser or its affiliates, investment funds or pools managed by the Adviser or its affiliates or assets or obligations managed by the Adviser or its affiliates. Such commission, fees or other remuneration have also arisen, and may in the future arise, in financings involving multiple staged transactions (for instance, a commitment transaction to back-stop a credit facility intended to be funded in a syndicated transaction), in which fees are earned by such affiliates relating to structuring and other services on the earlier transaction (e.g., the commitment), but not paid unless and until the second transaction is completed (e.g., the syndication). The Adviser in such circumstances has allocated, and may in the future allocate, the earlier transaction and later transaction to different client accounts, in accordance with its allocation process as described above.

As permitted under applicable law and in client agreements or the Registered Fund’s Prospectus and Statement of Additional Information, the Adviser and its affiliates generally will retain any commissions, fees, or other remuneration, arising from the investments described above. Except as required, such commissions, fees, or other remuneration generally will not reduce the management or other fees the Adviser receives from its advisory clients, though in some circumstances, the Adviser directly or indirectly waives or rebates all or part of any fees with respect to particular affiliated or related party transactions for some, but not all, of its clients pursuant to an agreement or other arrangement with each such client. Some of the Adviser’s affiliated advisers’ affiliates are also its clients and/or invest in funds managed by the Adviser or its affiliates. The affiliated advisers typically will rebate to certain of the affiliates any transaction fees that it or its affiliates receive, in proportion to such client-affiliate’s or investor-affiliate’s proportion of the total client investment. Commissions, fees, or other remuneration payable to the Adviser or its affiliates in this transaction present a conflict in that the Adviser has an incentive to purchase such investments to earn, or facilitate its affiliates’ ability to earn, such additional fees or compensation. The Adviser seeks to mitigate this conflict of interest (a) by evaluating the transaction to determine if it appears to be a favorable investment for the participating accounts irrespective of such fees and relative to other non-related investment opportunities, (b) by allocating opportunities to invest in such transactions in accordance with the Adviser’s allocation policy, as described in “Item 6 – Performance-Based Fees and Side-By-Side Management – Allocation” and (c) through the processes described in “Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – General Process Regarding Potential Conflicts”.

To the extent permitted by an IMA, the Adviser has in some circumstances invested, and may in the future invest, client assets in mutual funds and/or private investment funds, including those advised or sub-advised by the Adviser or an affiliate. The client holding such interests is generally subject to two fees for the management of these assets, one to the Adviser and one to the adviser of the underlying fund, which, as noted, may be the Adviser or an affiliate. In other circumstances, the Adviser has made, and in the future may make investments for clients in limited partnerships or similar vehicles to gain exposure to (i) real asset classes such

as aircraft; (ii) asset backed securities; (iii) commercial mortgage backed securities; and (iv) other fixed income structures. Some of these vehicles are managed by affiliates of the Adviser that will be compensated for such management services.

The Adviser's affiliates also receive annual management or administrative fees for certain asset or collateral management services provided to particular investment products (the "Structured Vehicles") in which the Adviser's affiliates have invested, and may in the future invest, client assets. These fees are generally based on either the market value or par value of the underlying collateral, depending upon the structure of the relevant Structured Vehicle.

Where necessary or appropriate for the transactions described above, as provided by the relevant client investment guidelines, IMAs or a Registered Fund's Prospectus and Statement of Additional Information (as applicable), or under Section 206(3) of the Advisers Act, the Adviser will disclose to its clients the nature of such transactions prior to the completion of such transaction and will obtain the clients' consent. For related party transactions sought to be allocated to Registered Funds, the Adviser will follow the requirements of the 1940 Act, and the applicable Registered Fund's procedures. In certain of these cases, the Adviser occasionally engages and appoints an independent party to provide independent analysis or recommendations with respect to decisions pertaining to Registered Funds and other clients.

For more information regarding potential conflicts of interest including participation or interest in client transactions, refer to Item 11.

Sammons Enterprises, Inc., a diversified company with several insurance company subsidiaries (together with its subsidiaries, "Sammons"), holds an economic interest of nearly 29 percent and a voting interest of approximately 47 percent in Guggenheim Capital, the Adviser's ultimate parent company, as of September 30, 2020. Guggenheim Capital holds its interest in the Adviser indirectly through GPIMH, which has a Board of Directors composed of a majority of individuals that are unrelated to Sammons other than through Sammons ownership interest in Guggenheim. As a result of its ownership stake in Guggenheim Capital, Sammons is the largest individual stakeholder of the Adviser by a significant margin and owns indirectly the same percentage of the Adviser that it owns of Guggenheim Capital. Certain of Sammons' wholly owned insurance company and other subsidiaries are advisory clients of, and pay fees to, the Adviser's affiliates. As a result, Sammons is the largest individual source of annual advisory fees paid to certain of the Adviser's affiliates. Sammons also has other relationships with various Guggenheim entities. These relationships create conflicts of interest and an incentive for the Adviser and its affiliates to favor Sammons's interests. For example, the Adviser and its affiliates have invested, and will in the future invest, on behalf of its other clients in issuers in which Sammons has direct and/or indirect interests, which in certain cases include a controlling or significant beneficial interest. In addition, the Sammons accounts and other clients of affiliated advisers have invested, and will in the future invest, in securities at different levels of the capital structure of the same issuer, in some cases at the same time and in other cases at different times. These transactions often benefit Sammons and its affiliates. The Adviser and its affiliates mitigate conflicts of interest in the foregoing and similar situations, including through policies, procedures and controls (i) designed to identify and mitigate conflicts of interest on a transaction-by-transaction basis and (ii) that require investment decisions for all client accounts to be made independently from those of other client accounts. The conflicts are further addressed and mitigated as described below.

In addition, Guggenheim Capital wholly owns Guggenheim Life and Annuity Company, which is also an advisory client of, and pays a substantial amount of annual advisory fees to, an Adviser's affiliate. For more information on affiliated insurance companies, see Part I, Item 7.A. Some officers and directors of Guggenheim Capital and its subsidiaries, other than Adviser personnel, ("Guggenheim Related Persons"), have economic interests or voting interests in companies, including insurance companies, which are advisory clients of, and pay substantial advisory fees to, affiliates' clients. The Adviser and its affiliates have invested and will invest in the future on behalf of other clients in issuers in which these companies or Guggenheim Related Persons have direct and/or indirect interests, which in certain cases include a controlling or significant beneficial interest. These companies and other Adviser and affiliate clients have invested, and will in the future invest, in securities at different levels of the capital structure of the same issuer, in some cases at the same time and in other cases at different times. For more information about potential conflicts of interest related to these relationships and investments in different levels of the capital structure, see "Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading - Participation or Interest in Client Transactions."

Sammons and certain advisory or other clients in which Guggenheim Related Persons have interests have provided, and from time to time expect to provide, significant loans and other financing to the Adviser and its affiliates, both directly and from or through accounts managed by the Adviser and its affiliates or to which the Adviser's affiliates provide certain operational services for a fee. Sammons and such other clients also have economic or voting interests, which often are controlling or otherwise material interests, in issuers in which the Adviser and its affiliates have invested or will invest on behalf of their clients or to which the Adviser and its affiliates have provided or will provide financing on behalf of their clients. Particular Guggenheim Related Persons are also directors or officers of some insurance company clients. These conflicts and potential conflicts are addressed and mitigated as described below.

In addition, a few executives of the Adviser ("Relevant Executives") have indirect economic interests in companies, including insurance companies that are advisory clients of the Adviser's affiliate.

None of these executives have any allocation authority among client portfolios and the potential conflicts are addressed and mitigated as described below.

For further information, see "Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading - Participation or Interest in Client Transactions".

The above relationships pose potential conflicts of interest in transactions that involve both affiliated company advisory clients and other advisory clients, because the Adviser has an incentive to favor affiliated clients. Such conflicts are directly and purposefully mitigated by the Adviser's designed allocation policies and procedures with respect to the allocation of investment opportunities, all more fully described in the response to Item 6, which provide that such investment opportunities must be allocated in a fair and equitable manner and are monitored on a frequent basis to detect and mitigate error. In particular, fixed income investment opportunity allocation decisions are made or verified independently by the Central Allocation Group which is comprised of disinterested employees, reporting up to the Adviser's CRO. With respect to public equity securities and public equity-related securities the allocation shall generally reflect a pro rata participation in the investment opportunity among participating accounts. For more information regarding the Adviser's process for mitigating

potential conflicts, see “Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading - General Process Regarding Potential Conflicts”.

Guggenheim Partners and certain of its executives and other personnel have sponsored, and may in the future sponsor, one or more special-purpose blank check companies that seek to acquire control of one or more businesses through a future merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination (each, a “Related SPAC”). In addition, while these Related SPACs will not be managed by the Adviser, senior personnel of one or more Guggenheim Entities, including some Adviser investment personnel and senior executives, have been and expect to be appointed as directors of the Related SPACs (any such person, a “Guggenheim SPAC Director”). Such personnel may also provide services (including sourcing and managing acquisition targets of or merger candidates for the Related SPAC) or have a role with respect to the Related SPACs (including a financial and/or controlling interest in a Related SPAC sponsor). Such personnel may assume such roles or perform such services, either in their individual capacities or on behalf of Guggenheim Partners. Further, certain affiliates of advisory clients of the Adviser and/or its affiliates will have a direct or indirect financial interest in the sponsor of the Related SPAC and/or another role with the Related SPACs. The involvement of such persons and entities in the Related SPACs raises certain conflicts of interest as more particularly described below.

The Adviser does not provide its clients with investment strategies that seek, like the Related SPACs, to acquire all or substantially all of a private operating company (or a controlling equity and economic interest therein) (“Control Acquisitions”); the Adviser therefore does not expect to offer Adviser clients the opportunity to directly invest in Control Acquisitions even if sourced or identified by Adviser personnel. Instead, Control Acquisitions sourced or identified by personnel of the Guggenheim Entities (including such Adviser personnel) are expected to be offered to the Related SPACs. Certain investment opportunities that could be structured either as a Control Acquisition or as another type of investment or financing that could be suitable for Adviser clients raise additional conflicts of interest.

If Adviser personnel identify investment opportunities that could potentially be suitable for both Adviser clients and one or more Related SPACs, they could have an incentive to structure the investment as a Control Acquisition to favor the relevant Related SPACs. Further, as the Related SPACs will not be Adviser clients, the Adviser and its clients generally will not be offered any opportunities initially identified for the Related SPACs, unless they were identified by Adviser personnel and are not Control Acquisitions (and are eligible investments for such clients). As a result, it is possible that certain investment opportunities that the Adviser would otherwise have pursued for investment by its clients will be unavailable to Adviser clients or the Adviser will be unable to make such investments for its clients. In addition, the relevant Adviser personnel face conflicts in allocating time and services among the Adviser and the Related SPACs.

The Related SPACs and Adviser clients also have the potential to acquire (either directly or indirectly) investments in the same issuer, either at the same level or different levels of the issuer’s capital structure. For example, a Related SPAC may make a Control Acquisition of a company and Adviser clients may hold or acquire debt securities or loans of the same company or its affiliates. For more information about the conflicts associated with investments in the same company see “Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – Participation or Interest in Client Transactions” and “Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – Conflicts Resulting from Investment Management Activities.”



The Related SPACs or their respective employees (including Guggenheim Partners personnel) may come into possession of MNPI about a public company or other company with tradable securities outstanding, such as business plans, earnings projections, or merger and acquisition plans, including when conducting initial diligence of, or entering into more significant discussions regarding, a potential Control Acquisition target, which could impact the ability of Adviser clients to enter into certain transactions. For more information about the conflicts associated with investments in the same company and with possession of MNPI, see “Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – Participation or Interest in Client Transactions.”

Guggenheim Partners expects that one or more Related SPACs will be co-sponsored or co-managed by, or will otherwise involve, third parties, including former employees of Guggenheim Entities (each, a “SPAC Co-Sponsor”) that also sponsor or manage SPACs or investment vehicles that are unrelated to Guggenheim. As such other SPACs or investment vehicles may be eligible investments for Adviser clients, the Adviser will have an incentive to recommend such investments to its clients in order to benefit the SPAC Co-Sponsor.

The Adviser seeks to identify and mitigate the foregoing and other conflicts of interest associated with these Related SPACs through policies and procedures intended to ensure that all Adviser personnel, including those providing services to a Related SPAC, manage Adviser client accounts in a manner that is consistent with their fiduciary obligations and in accordance with applicable law.

### **Investment Adviser Affiliates**

The Adviser is affiliated with GPIM, an investment adviser registered with the SEC. GPIM serves as a sub-adviser to certain Registered Funds, pursuant to a sub-advisory agreement with the Adviser, which was approved by the Registered Funds’ boards of trustees. Certain of the Adviser’s portfolio managers are also employees of GPIM. Additional information about GPIM is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Guggenheim Funds Investment Advisors, LLC (“GFIA”), is an investment adviser registered with the SEC. Certain of the Adviser’s portfolio managers are also employees of GFIA. Additional information about GFIA is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The Adviser is also affiliated with GPE, an investment adviser located in Ireland that is registered with the Irish Financial Service Regulatory Authority. GPE is a “Participating Affiliate” of the Adviser, and provides investment advisory services to the Adviser with respect to European corporate credit opportunities and related matters. As a Participating Affiliate, GPE operates in compliance with requirements and undertakings as prescribed by the SEC (in addition to applicable local laws and regulation). GPE is subject to the Adviser’s supervision, including the Adviser’s Code of Ethics and compliance policies and procedures.

The Adviser is also affiliated with GCF, an investment adviser registered with the SEC. GCF has filed an application for registration as a broker-dealer with FINRA. Certain of the Adviser’s portfolio management personnel are also employees of GCF. Such personnel are transferring to and/or becoming employed solely by GCF and, consequently, such personnel will cease to be portfolio management personnel of the Adviser. Additional information about GCF is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The Adviser is also affiliated with other investment advisers, both registered and unregistered. These affiliated advisers are not material to the Adviser's business.

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

### **Code of Ethics and Personal Trading**

The Adviser has adopted a Code of Ethics ("Code") and Insider Trading Policy to comply with Rule 204A-1 under the Advisers Act. The Code includes procedures and limitations that govern the business conduct and personal securities trading of persons associated with the Adviser. The Code is based upon the principle that the Adviser's employees owe a fiduciary duty to clients to conduct their affairs, including their personal securities transactions and private investments, in a manner intended to avoid: (i) serving their own personal interests ahead of clients; (ii) taking inappropriate advantage of their position with the firm; and (iii) any actual or potential conflicts of interest or any abuse of their position of responsibility.

Additionally, persons associated with the Adviser are subject to policies and procedures regarding confidential and proprietary information, information barriers, private investments, personal loans, outside business activities, gifts and entertainment and political contributions.

Subject to the provisions of the Code described above, the Adviser and its related persons from time to time have bought and sold, and may in the future buy or sell, for their own accounts, securities they buy or sell for, or recommend to, the Adviser's clients. Such trading is performed independently of the trading activities in client accounts. In addition, the Adviser and certain of its related persons and affiliates maintain investments in certain of the Registered Funds the Adviser manages. Related persons also have made and may in the future make investments for their own account in securities that are not offered or available to SMAs or the Registered Funds.

The Code prohibits Access Persons, as that term is defined in the Code, from purchasing or selling certain securities during a blackout period beginning seven (7) calendar days before and ending seven (7) calendar days after a client trades in that security (unless the trade meets an exemption) and prohibits Access Persons from purchasing shares offered in an initial public offering ("IPO") and participating in investment clubs. All violations of the Code must be reported to the Adviser's CCO.

The Adviser and persons associated with the Adviser are not permitted to trade on securities with respect to which any of them obtains material non-public information ("MNPI"), including information obtained from public companies which are clients of the Adviser or its affiliates. If the Adviser receives MNPI about any issuers, such issuers will be placed on the restricted list. The restricted list is a list of issuers in which the Adviser and its employees (and, in some cases, the Adviser's affiliates and their employees) are restricted from trading. For example, securities will be added to the list in the following circumstances:

- Where the Adviser's clients have a concentration of beneficial interest in a security;

- When the Adviser or, in some cases, its affiliates or their respective employees (including the Adviser's personnel providing services to the affiliate) comes into possession of MNPI about a public company, such as business plans, earnings projections, or merger and acquisition plans, including in the case of the Related SPACs when conducting initial diligence of, or entering into more significant discussions regarding, a potential acquisition target;
- When the Adviser enters into a contractual agreement with the company not to trade in the company's securities for a period of time; or
- When the CCO determines that pre-clearance of trading in a security is required or desirable as an internal control to ensure continued compliance with applicable law and regulation.

With limited and specific exceptions, issuers on the restricted list are not traded in the Adviser client or employee personal accounts. Client accounts may be forced to deviate from their stated objectives because an issuer is restricted. Specifically, the restricted list generally prohibits the Adviser from buying or selling the issuer's or an affiliate's securities for SMAs or Registered Funds. If an issuer's securities are in a client account and subsequently that issuer's securities are placed on the restricted list, absent an exception, the Adviser will not trade that issuer's securities in the client's account until those securities are removed from the restricted list. Clients will bear the risk of loss during the period any such securities are on the restricted list. Accordingly, the placement of issuers' securities on the restricted list has the potential to affect the Adviser's exercise of discretion over and the performance of client accounts.

### **Participation or Interest in Client Transactions**

The Adviser, from time to time, initiates or recommends transactions in the securities of companies in which the Adviser's affiliates have a controlling interest.

Under certain circumstances, the Adviser invests client assets in the shares of the Registered Funds. The Adviser is subject to conflicts of interest in doing so and in allocating the assets among the various underlying Registered Funds, both because the fees payable to it by some underlying Registered Funds may be higher than the fees payable by other underlying funds and because the Adviser is also responsible for managing each of the underlying Registered Funds. In such instances, the Adviser will waive advisory fees for the client's account in an amount equal to the client's proportionate share of the fees paid to the Adviser by the Registered Fund, so that the client does not effectively pay two fees to the Adviser. The Adviser also invests in a controlled foreign corporation ("CFC") for certain of the Registered Funds. Since each CFC is a wholly-owned subsidiary of each investing Registered Fund, each investing Registered Fund has a vested financial interest in its respective CFC. However, because each Registered Fund is the sole owner and investor of its respective CFC, no other entity will benefit from the respective CFC's operation.

In some circumstances, the Adviser or its affiliates on behalf of its clients, invests in or provides financing to issuers or borrowers, or otherwise participates in transactions, in which the issuer, borrower or another transaction party (such as a placement agent or arranger) is, or is a subsidiary or affiliate of or is otherwise related to, (a) another Adviser affiliate's client or an investor in the Adviser affiliate's Managed Private Funds (b) a Related Company or other company in which Guggenheim Related Persons, or officers or employees of the Adviser, have investment, financial or other interests, or relationships (including but not limited to

directorships or equivalent roles). In addition, from time to time advisory clients (including affiliated insurance companies and other Related Companies, as described in “Item 10 - Other Financial Industry Activities and Affiliations - Other Potential Conflicts and Material Relationships with Affiliated Entities”) have made or may in the future make loans or otherwise provide financing to the Adviser or its affiliates. Guggenheim Related Persons have also invested in and provided financing to and may in the future invest in or provide financing to, investment vehicles or the sponsors, affiliates, managers or principals thereof (including but not limited to CLOs, sponsors of CLOs or sponsor affiliates) in which the Adviser seeks to invest or provide financing on behalf of its clients.

Conflicts of interest between the Adviser or its related persons and the Adviser’s clients with respect to proposed transactions described above are identified and appropriately managed by Adviser Compliance personnel designated to review transactions in which conflicts of interest may exist, as described under “Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading - General Process Regarding Potential Conflicts” below. Appropriate management includes but is not limited to obtaining specific client consent for the applicable transaction both as required for principal transactions subject to Section 206(3) of the Advisers Act or as required by client investment guidelines, IMAs or a Registered Fund’s Prospectus or Statement of Additional Information, or where otherwise determined necessary or appropriate.

Additional conflicts arise where the Adviser invests client assets in parts of an issuer’s or borrower’s capital structure when the Adviser affiliates or related persons are investing in different parts of the same issuer’s or borrower’s (or its affiliate’s) capital structure (including but not limited to investments in public versus private securities, investments in debt versus equity, or investments in senior versus subordinated debt), or where the same or similar instruments in a given issuer or borrower held by the Adviser’s clients and the Adviser’s affiliates or related persons have different rights or benefits. The following conflicts often arise in such situations (i) Adviser has an incentive to consider the interests of its affiliates or related persons, including any potential adverse effects to its affiliates or related persons, when deciding whether or not to enforce rights on behalf of its clients, (ii) the Adviser has an incentive to invest the Adviser’s client funds in the issuer or borrower to either facilitate or obtain preferable terms for a proposed investment by a the Adviser affiliate or related person in such issuer or borrower, or (iii) the Adviser has an incentive to preserve or protect the value or rights associated with an existing economic interest of a the Adviser affiliate or related person in the issuer or borrower, which may have an adverse effect on the interests of the Adviser’s clients.

The financial interests of the Adviser’s affiliates or related persons in issuers or borrowers create a potential conflict between the economic interests of these affiliates or related persons and the interests of the Adviser’s clients. In addition, to the extent a prospective issuer or borrower (or one of its affiliates) is an affiliate’s client or an affiliate’s advisory client is a lender or financing provider to an Adviser or affiliate’s clients, a potential conflict exists, as the Adviser or its affiliate has an incentive to favor the interests of those clients relative to those of its other clients. However, as discussed below in “General Process Regarding Potential Conflicts”, the Adviser has developed procedures to address potential conflicts of interest involving such transactions.

The Adviser or its affiliates or related persons, or their respective officers, directors or employees, including portfolio managers or senior managers of the Adviser (together “Related Personnel”), also have direct or indirect proprietary or personal investments in and/or have financial or other relationships (including but not limited to directorships or equivalent roles) with some of the Adviser’s clients or other investment vehicles (including but not limited to collateralized debt obligation (“CDO”) or collateral loan obligation (“CLO”))

issuers), including vehicles that are or will be managed by GPIM, GCF or other of the Adviser's affiliates, that create potential conflicts of interest. For example, a potential conflict could exist to the extent that portfolio managers or senior Adviser personnel have indirect personal investments in certain clients or Adviser-managed investment vehicles or when certain client accounts are investment options in the Adviser's employee benefit and/or deferred compensation plans. Where such participations or interests in client accounts or in the Adviser-managed investment vehicles exist, they create an incentive for the Adviser to favor these clients or investment vehicles over other advisory clients. In addition, CLO, CDO or other structured investment vehicles in which the Adviser or its affiliates, or their respective officers, directors or employees, including portfolio managers or senior managers of the Adviser, have indirect equity interests have received and in the future are expected to receive debt funding from the Adviser's clients. Related Personnel also have direct or indirect proprietary or personal investments in and/or have financial or other relationships with financial industry participants or other entities (including trading platforms) that perform services on behalf of, or in connection with, investments made by the Adviser on behalf of its clients. As a result, the Adviser may make investments for some client accounts that result in commissions, fees, or other compensation being paid to Related Personnel. Related Personnel also have a minority, passive, non-control investment in a short-term lending exchange, in which the Adviser on behalf of clients may in the future on behalf of its clients participates from time to time as a short term lender or borrower as part of its cash management strategy. In addition, the volume weighted average of interest rates on overnight unsecured loans on such exchange forms the basis of one or more indices (each, a "Relevant Index") used as reference rates in certain securities and/or other assets in which the Adviser or its affiliates on behalf of its client accounts expects to transact, and the exchange receives direct and/or indirect compensation for transactions on its platform as well as for use of its reference rates. As a result, transactions executed by the Adviser or its affiliates on behalf of certain client accounts are expected to result in compensation directly or indirectly being paid to the exchange, which would indirectly benefit Related Personnel. The Adviser does not expect these transactions to comprise a material portion of overall transactions for such client accounts. In addition, while increased participation by lenders or borrowers on such exchange can affect the interest rates used as reference rates by such exchange, based on initially planned activity, current market dynamics and reasonable expectations of future participation by accounts managed by the Adviser and/or its affiliates on the exchange, it is not anticipated that trading by these accounts on the exchange will have a material impact on any Relevant Index. Therefore, client account participation in transactions on the exchange is not expected to influence the price of securities and/or other assets referencing a Relevant Index.

Potential conflicts of interest between the Adviser or its related persons and the Adviser's clients with respect to the situations described above are identified and appropriately managed by the Adviser Compliance personnel designated to review transactions in which conflicts of interest may exist, as described under "Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading - General Process Regarding Potential Conflicts" below. Appropriate management may include but is not limited to obtaining specific client consent for the applicable transaction both as required by applicable law and regulation, including for principal transactions subject to Section 206(3) of the Advisers Act or as required by client investment guidelines, IMAs or the Registered Fund's Prospectus or Statement of Additional Information, or where otherwise determined necessary or appropriate.

The above potential conflicts of interest are further mitigated by the Adviser's allocation policies and procedures with respect to the allocation of investment opportunities, more fully described in the response to Item 6, which provide that such investment opportunities are allocated in a fair and equitable manner and are monitored on

a frequent basis. In particular, investment opportunity allocation decisions with respect to fixed income and private equity assets are made independently by the Central Allocation Group which is comprised of disinterested the Adviser employees, including the Adviser's CRO. The Adviser has allocation methodologies so that Guggenheim Related Persons and Relevant Executives do not unduly influence final allocation decisions. Additionally, Guggenheim Related Persons are not in any way involved in the Adviser's investment process. Further, the performance of accounts with similar investment strategies or that seek similar investments are reviewed to ensure that such accounts receive consistent treatment, as set forth in "Item 13 - Review of Accounts - Reviews" below. For more information regarding the Adviser's process for mitigating potential conflicts, see "Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading - General Process Regarding Potential Conflicts".

### **Cross Trades and Principal Transactions**

The Adviser from time to time executes cross trades between client accounts in which one client will purchase securities or other financial instruments held by another client, only so long as the transaction is in the best interests of both clients, and the Adviser, or an affiliate, does not receive any compensation in addition to its management fee in connection with the transaction. Cross trades present an inherent conflict of interest because the Adviser represents the interests of both the selling account and the buying account in the same transaction, and the Adviser would, in certain circumstances, have an incentive to treat one counterparty to the cross trade more favorably than the other party. Additionally, the price of a security bought or sold through a cross trade is not certain to be as favorable as it might have been had the trade been executed in the open market, and any benefits of a cross trade will not necessarily be equally distributed among participating clients. The Adviser has policies and procedures to mitigate these potential conflicts of interest and help ensure that internal cross trades are in the best interests of, and appropriate for, all clients involved, and the transactions are consistent with the Adviser's obligation to seek best execution.

The Adviser has developed policies and procedures addressing principal transactions, cross trades, including those with affiliates, and agency cross trades. In particular, where necessary or appropriate, as provided by client investment guidelines, IMAs or governing fund documents (as applicable), or as required by applicable law and regulation - including under Section 206(3) of the Advisers Act - the Adviser discloses to its clients the nature of the transaction prior to the completion of such transaction and obtains the clients' consent. See "General Process Regarding Potential Conflicts" below for more information regarding the Adviser's general processes to mitigate such potential conflicts of interest.

#### **Fixed Income Cross Trades:**

The Adviser seeks to effect fixed income cross trades at a price that is fair to the clients involved. This generally will be the last traded price, a price obtained from an independent third-party source, such as a pricing service, or the average price obtained from three independent dealers, when available and reliable in accordance with the Adviser's valuation policies and procedures. The Adviser's trading desk will typically attempt to identify potential dealers by consulting available databases and utilizing dealer communication tools (e.g. Bloomberg message function), to search for potential dealers from whom the Adviser can obtain a price for the security to be cross-traded. The trading desk may also contact other dealers with whom the Adviser has traded in the past, or who are known to be active in the particular industry sector of the asset in question.

There are circumstances when three independent offers and bids are not available or reliable, or the last traded price is believed not to reflect the market. The quantity and source of any independent quotes from unaffiliated dealers will vary depending on, among other things, market conditions, the dealer's familiarity with the asset class, the type of asset class, and various characteristics of a security (e.g., liquidity, rating, new issuances). Further, the Adviser's trading desk evaluates quotes to consider whether any such bid and/or ask is reflective of the security's value, and whether any such bid and/or ask should be deemed unreliable or an outlier and, therefore excluded as not reflective of an accurate price for the security. In such circumstances, the Adviser can use fewer independent bids and/or offers.

However, there are still instances where no reliable quotes are available. The illiquid nature of the market for leveraged loans and securities that are not publicly traded and that trade infrequently (such as asset-backed securities, mortgage-backed securities, other structured finance securities and particular corporate bonds) often means that the Adviser cannot readily locate dealers willing to provide a quote for such securities and loans, or such a quote is unreliable. If no quotes are available or reliable, the Adviser proactively solicits dealer bids, or effects a cross trade at a price determined using other methods outlined in its security pricing policy and appropriate for the transaction or instrument in question, such as third-party pricing vendors or fair valuation model pricing reviewed by the Adviser's independent Model Validation Group, part of the Risk Department.

On rare occasions, the Adviser may be in possession of restricted information about an asset to be cross-traded that is not reflected in the market-based price for the asset. In accordance with its effort to effect cross trades at prices that are fair to both buyers and sellers, the Adviser takes the restricted information into account when determining a cross trade price. As a result, the cross trade price may be different from the market-based price. The method by which the Adviser determines this price may depend on the facts of each case.

Notwithstanding the methods for determining cross trade pricing above, the Adviser will only execute a fixed income cross trade for a Registered Fund client in accordance with the requirements of Rule 17a-7 under the 1940 Act, the policies of the respective Registered Fund, as well as interpretative guidance issued by regulatory authorities or their staff such as no-action letters. The Adviser will typically not execute cross trades in client accounts subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). The Adviser sometimes uses an affiliated person (such as an affiliated broker or dealer, or an account which is more than 25 percent owned by the Adviser and/or its affiliates) to hold and clear bonds for clients where the use of the affiliated person does not create a conflict of interest. In these transactions, there will be no change in the bond price the Adviser pays or receives, and the price the Adviser's clients pay or receive for the same bonds when the affiliated person provides the bond holding and clearing services. The affiliated person will not receive any spread, mark-up, mark-down or transaction fee from the client for this service, but the Adviser typically reimburses the affiliated person's expenses. When selling bonds, the Adviser similarly may aggregate all, or a portion of, the block at an affiliated person, prior to selling them to a dealer. This practice also may produce the same benefits as when buying securities.

The Adviser will not charge a mark-up/mark-down for fixed income cross trades. From time to time, fixed income cross trades are effected in which one or both sides of the cross trade is an affiliate of the Adviser.

Additionally, from time to time the Adviser effects agency cross trades where the Adviser's client buys a security from or sells a security to a customer of the Adviser's broker-dealer affiliate. The broker-dealer affiliate typically charges a mark-up or commission in these agency cross trades.

### Equity Cross Trades:

Equity Cross Trades will generally be executed at the primary market's closing price but will, on occasion, be executed intra-day at the last traded price. Since exchange-listed equities and ETFs are typically more volatile than fixed income instruments, the Adviser will not engage in Equity Cross Trades for accounts for which consents would be required, either because the buying or selling account is affiliated with the Adviser or because of a contractual restriction in a client's agreement. Instead, the Adviser generally will allocate these securities *pro rata* to participating client accounts, and when necessary execute any excess buy (or sell) orders in the market, allocating those securities *pro rata* among accounts.

The Adviser will only execute an Equity Cross Trade for a Registered Fund client in accordance with the requirements of Rule 17a-7 under the 1940 Act, the policies of the respective fund and interpretative guidance issued by regulatory authorities or their staff such as no-action letters. The Adviser will typically not execute Equity Cross Trades in client accounts subject to the Employee Retirement Income Security Act of 1974 ("ERISA").

The Adviser will not charge a commission to either the buying or selling account for Equity Cross Trades.

### Investment Banking Activities

The Adviser believes that the nature and range of investment banking clients and other customers to whom its affiliate broker-dealer, Guggenheim Securities, renders investment banking, financial advisory and other services is such that it would be inadvisable to exclude such clients or customers from the Adviser's client's portfolio. Accordingly, unless a client advises us to the contrary, it is possible that such account's holdings will include the securities or other financial instruments of corporations or other entities for which Guggenheim Securities performs investment banking and other services, including but not limited to financial advisory or financing services and for which it receives fees. Moreover, the Adviser's clients' portfolios sometimes include the securities of companies in which Guggenheim Securities makes a market. Guggenheim Securities' receipt of fees from such companies creates a conflict of interest for the Adviser as the Adviser will have an incentive to purchase the securities of such companies.

Guggenheim Securities and the Adviser are separated by an information barrier, which generally mitigates any impact of Guggenheim Securities investment banking activities on the Adviser's trading and investment activities in securities or other financial instruments. At times, federal securities laws prevent the Adviser from entering into or recommending specific types of transactions in the securities or other financial instruments of companies for which Guggenheim Securities, as an affiliated broker-dealer, is performing investment banking or other services.

### Conflicts Resulting from Investment Management Activities

The Adviser is an indirect subsidiary of Guggenheim Partners, which is a global, diversified financial services firm. The Guggenheim Entities provide their clients with a broad array of investment management, insurance, broker-dealer, investment banking, and other similar services which create potential and actual conflicts of interest, including, for example, the situations described below.



Some Guggenheim Entities manage long and short portfolios which are advised by the Adviser. The simultaneous management of long and short portfolios creates potential conflicts of interest in portfolio management and trading in that opposite directional positions from time to time have been, and may in the future be taken in client accounts advised by the same the Adviser investment team, and creates potential risks such as (i) the risk that short sale activity could adversely affect the market value of long positions in one or more portfolios (and vice versa) and (ii) the risks associated with the trading desk receiving opposing orders in the same security simultaneously. The Adviser has adopted policies and procedures that are reasonably designed to mitigate these potential conflicts.

The Guggenheim Entities may invest on behalf of themselves in securities and other instruments that would be appropriate for, held by, or fall within the investment guidelines of the Adviser's clients. The Guggenheim Entities may give advice or take action for their own accounts that may differ from, potentially conflict with or be adverse to advice given or action taken for any of their clients or the Adviser's clients. In addition, from time to time, the Adviser's affiliates, including other entities owned by Related Personnel or in which such Related Personnel have an interest, are expected to sponsor and/or manage investment funds or other client accounts that compete directly or indirectly with the investment program of the Adviser's clients and/or make investments with funds sponsored or managed by third-party advisers, in each case in a manner that reduces capacity otherwise available to the Adviser's clients in such entities.

Potential conflicts also arise because securities or instruments are held in some client accounts but not held in others, because various client accounts have different levels of holdings in securities or instruments, and because various client accounts pay different levels of fees.

Adviser personnel managing individual client accounts have and sometimes will give advice or take action with respect to the investments of one client account and give the same advice or take the same action with respect to other client accounts with similar investment guidelines, objectives, and strategies. Accordingly, client accounts with similar strategies may not hold the same securities or instruments or achieve the same performance. The Adviser also advises and will in the future advise client accounts with conflicting guidelines, objectives or strategies. For further detail, see "Item 6 – Performance-Based Fees and Side-By-Side Management".

Different clients, including funds advised by the Adviser or an affiliate, have invested and are expected in the future to invest, pursuant to one transaction or in a series of transactions over time, invest in different parts of an issuer's or borrower's capital structure (including but not limited to investments in public versus private securities, investments in debt versus equity, or investments in senior versus subordinated debt), depending on the respective client's investment objectives and policies. As a result, the interests of one group of clients could conflict with those of other clients with respect to the same issuer or borrower. In managing such investments, the Adviser will consider the interests of all affected clients in deciding what actions to take with respect to a given issuer or borrower, but also at times will take action or pursue or enforce rights on behalf of some clients in a manner likely to have an adverse effect on other clients owning a different, including more senior or junior, investment in the same issuer or borrower. For example, the Adviser or its affiliates may, on behalf of certain clients that hold a controlling class of certain debt or equity instruments, direct or consent to a refinancing transaction that redeems positions held by other clients of the Adviser or its affiliates' clients. Similarly, the Adviser or its affiliates may cause certain of their clients to fund certain debt or equity instruments which are used by an issuer or borrower to redeem positions held by other clients. These potential conflicts of interests

between the Adviser's clients become more pronounced in situations in which an issuer or borrower experiences financial or operational challenges. For example, the Adviser, on behalf of clients that hold senior debt investments, has foreclosed on loans, put an issuer or borrower into default and sought a liquidation of the issuer, whereas clients holding junior debt investments or equity securities would have benefitted from a different outcome, such as a reorganization of the issuer. An affiliate of the Adviser has also sponsored and supported, and in the future sponsor or support, reorganization, recapitalization or similar workout arrangements for an issuer or borrower that (a) benefit clients holding more senior classes of securities or other financial instruments substantially more than, or even to the detriment of, clients holding more junior classes of securities or other financial instruments, (b) require additional investments from clients holding junior classes of securities or instruments that directly or indirectly refinance senior securities or instruments held by other clients, or (c) in some cases, could result in a substantial or even total loss of investment for clients holding junior securities or other financial instruments.

Any of the foregoing activities can adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more client accounts, which could adversely impact the financial returns of the Adviser's SMA clients or advised Registered Funds.

The Adviser has also entered into, and from time to time may enter into arrangements with, or establish (a) collective investment vehicles for, some clients, including affiliated and unaffiliated insurance companies, pursuant to which the Adviser agrees to share a portion of the fees, commissions, remuneration, or profits otherwise retained by the Adviser and its affiliates in those transactions. For more information on such transactions and transactions involving affiliated entities, including related insurance companies, please see "Item 10 - Other Financial Industry Activities and Affiliations - Other Potential Conflicts and Material Relationships with Affiliated Entities". The foregoing arrangement could, depending on the circumstances, result in an incentive for the Adviser to favor or disfavor clients participating in these arrangements or vehicles relative to other advisory clients.

The Adviser's allocation policies and procedures with respect to the allocation of investment opportunities, more fully described in the response to Item 6, are intended to mitigate potential conflicts by providing that such investment opportunities are monitored and are allocated in a fair and equitable manner.

The Adviser's portfolio managers include certain personnel of GPIM, GCF and/or other affiliates of the Adviser. Such personnel are also expected to provide services to other affiliates, pursuant to sub-advisory, portfolio management, and other services arrangements and, in certain cases, such personnel are employed by more than one such entity. The Adviser's affiliates will, from time-to-time, receive performance-based compensation and/or other forms of compensation from their direct clients, which will likely be greater than the compensation it receives from the Adviser. Certain of the Adviser's investment professionals who are also personnel of GPIM, GCF, and/or other affiliates of the Adviser and who focus on the sourcing, origination and execution of originated private corporate debt and structured corporate equity investments are transferring to and/or becoming employed solely by GCF and, consequently, these investment professionals will cease to be investment professionals of or on behalf of the Adviser.

The Adviser's affiliates' clients are expected to include accounts owned, directly or indirectly, by entities or persons that hold a direct or indirect interest in the affiliate, including executives of the Adviser's affiliates.

Accordingly, personnel of the Adviser's affiliates providing services to the Adviser face a conflict of interest with respect to investment decisions and other activities performed in connection with such services.

In addition, certain Guggenheim Entities that provide services to the Adviser, and certain of their personnel, are expected to also provide administrative and other services to GPIM and GCF, and certain personnel of such Guggenheim Entities are expected to hold positions at (or provide other services to) GPIM and/or GCF in the future. Any personnel who perform services on behalf of, or provide services to, the Adviser and GPIM, GCF or any other Guggenheim Entity, will face conflicts of interest.

Such conflicts of interest could adversely affect the Adviser's clients. The Adviser will implement policies and procedures to address conflicts of interest arising from the relationship between the Adviser and its affiliates with respect to personnel providing services to, or employed by, the Adviser and one or more of its affiliates.

Finally, the Adviser has potential conflicts in allocating its time and services among its SMA clients and Registered Funds. The Adviser devotes as much time to each SMA client and Registered Fund as it deems appropriate to perform its duties in accordance with each SMA client's respective IMA or a Registered Fund's Prospectus or Statement of Additional Information as applicable.

### **General Process Regarding Potential Conflicts**

The transactions and situations described above involve potential conflicts of interest between the Adviser or its related persons and the Adviser's clients. The Advisers Act, the 1940 Act and ERISA and other applicable laws and regulations impose requirements designed to decrease the possibility of conflicts of interest between an investment adviser and its clients. In some cases, transactions may be permitted subject to fulfillment of specific conditions. Other transactions may be prohibited. In addition, the Adviser has instituted processes, policies and procedures designed to identify and mitigate potential conflicts of interest to the extent they arise in particular transactions which the Adviser seeks to execute for its managed client accounts and to ensure that the Adviser effects such transactions for such clients in a manner that is consistent with its fiduciary obligations and in accordance with applicable law.

Transactions involving potential conflicts of interest may be also elevated for review by the Guggenheim Capital Conflicts Review Committee (the "CRC"). The CRC members are senior Guggenheim executives who are not employees or clients of the Adviser. The Adviser's affiliate has implemented written procedures that require CRC review of certain transactions involving potential conflicts of interest. Such procedures require, among other things, CRC review of any proposed purchase of securities or funding of a loan or purchase of debt where a Guggenheim affiliate owns approximately 5% or more of the beneficial equity interest in the issuer or borrower, or such other amount as may be appropriate under the circumstances. The CRC members review such transactions on a case-by-case basis and, whenever necessary in its judgment, obtain advice from outside counsel to assure compliance with all applicable law. For any transaction elevated to the CRC for review, affirmation of approval by the CRC is required before the transaction may be executed on behalf of any the Adviser's advisory clients including when appropriate stopping such transaction.

The Adviser seeks to ensure that potential or actual conflicts of interest are appropriately resolved taking into consideration the best interest of all clients involved. Appropriate resolution will depend on the nature of the

transaction and the conflict of interest, but may include, without limitation, (a) general disclosure in this brochure, or in IMAs or in governing fund documents for the relevant clients, or in specific client notifications, or (b) specific client consent for the applicable transaction both as required by applicable law and regulation including for principal transactions subject to Section 206(3) of the Advisers Act or as required by client investment guidelines, IMAs or a Registered Fund's Prospectus or Statement of Additional Information, or where otherwise determined necessary or appropriate. In the case of potential conflicts in transactions sought to be allocated (a) to Registered Funds, the Adviser will follow the requirements of the 1940 Act, and the applicable Registered Fund's procedures, and (b) to ERISA clients, the Adviser will follow the requirements of ERISA and the management agreements for those clients.

The Adviser compliance personnel have been designated to review transactions in which conflicts of interest may exist, including those described above, to ensure compliance with applicable the Adviser policies and legal or regulatory requirements.

## **Item 12 – Brokerage Practices**

### **Counterparty/Broker Selection**

In selecting a counterparty/broker-dealer to execute trades on behalf of clients, the Adviser seeks to obtain "best execution" for client transactions (i.e., the most favorable price and execution). In seeking best execution, the Adviser is not obligated to choose the counterparty offering the lowest available commission rate if, in the Adviser's reasonable judgment, (i) there is material risk that the overall cost to purchase securities will be higher or the proceeds from the sale of securities will be lower; (ii) a higher commission is justified by the trading or research services provided by the counterparty that fall within the safe harbor of Section 28(e) of the Securities Exchange Act of 1934, as amended, or (iii) other considerations, such as the order size and type, access to liquidity, execution efficiency, access to liquidity, execution efficiency, capital utilization, the value of brokerage and research services provided by the broker, clearance and settlement services, financial responsibility/counterparty credit statistics, responsiveness to inquiries or issues, confidentiality, knowledge of the specific security and its industry group, the availability of securities to borrow for short sales, block trading capabilities, access to markets, and the ability to limit market impact

### **Counterparty/Brokerage Approval Policy and Procedures**

The Adviser has adopted a Counterparty Approval Policy pursuant to which it maintains an Approved Counterparty List. The Approved Counterparty List sets out counterparties/broker-dealers approved by the Adviser that advisory personnel may use to execute client transactions. Transactions may only be executed with counterparties on the Approved Counterparties List unless an exception is granted by an authorized person under the Counterparty Approval Policy. Initially and on an ongoing basis, the Adviser consults a variety of information relating to a counterparty/broker-dealer, including regulatory reports and financial information, in connection with adding and maintaining a counterparty to the Approved Counterparty List. Generally, counterparties on the Approved Counterparty List must, in the Adviser's opinion, have financial stability and a positive reputation in the industry. The Adviser may execute client transactions through Guggenheim

Securities or GIS, in which case the Adviser is required to seek best execution for its clients. More information regarding the Adviser's relationship with affiliated broker-dealers is in "Item 10 - Broker-Dealer Registration".

### **Soft Dollar Policy**

The Adviser does not currently participate in soft dollar arrangements.

### **Directed Brokerage**

A client may direct the Adviser to effect part or all of the portfolio transactions for the client's account through specific brokers or dealers. Such directions may be subject to restrictions agreed to by the Adviser and the client, such as a maximum commission rate. Clients should note, however, that the designated broker or dealer may not always have the ability to obtain best execution of all transactions. Where clients designate brokers or dealers through which transactions are to be effected, the Adviser generally will not negotiate commission rates with those brokers or dealers and the counterparty/broker may not be covered under the Adviser's Approved Counterparty Policy/List. Furthermore, if a client directs brokerage, the client's account will not be able to participate in reduced commission rates which may be available to aggregated or "bunched" orders placed by the Adviser. Orders for such clients generally will be placed after orders for clients that leave the selection of brokers or dealers to the discretion of the Adviser. Execution of the transactions for the Adviser's other accounts could affect the market price of the security being bought or sold, meaning that the directing client's account may pay more for a security being purchased or receive less for a security being sold than the Adviser's other client accounts. Thus, an account utilizing a directed brokerage arrangement may pay higher commissions than those accounts which do not utilize directed brokerage.

### **Client Referrals**

The Adviser does not typically direct trades to brokers on the basis of client referrals or solicitations made by such brokers. The Adviser has executed, and may in the future execute, client transactions through affiliated broker-dealers which solicit clients for the Adviser's affiliates. The Adviser will direct execution to such brokers subject to best execution and proper disclosure to clients.

### **Wrap Fee Program**

The Adviser does not participate in or sponsor a wrap fee program.

### **Aggregation Policy**

In order to minimize execution costs and obtain best execution for clients, trades in the same security transacted on behalf of more than one client may be aggregated in certain circumstances. Aggregation practices are described in Item 6.

## **Item 13 – Review of Accounts**

### **Reviews**

Client accounts are periodically reviewed by a combination of designated investment professionals, risk management, operations and investment committees. Each account's investment guidelines are integrated with compliance engines to help ensure adherence with identified regulatory, strategy, and client investment guideline requirements. In addition, individual account performance is calculated daily and disseminated to representatives of the Investment, Risk, Operational, and Marketing teams for review and the Office of the Chief Investment Officer ("CIO") to ensure consistency of style and to monitor dispersion.

Generally, investments leadership convenes bi-weekly strategy meetings with the various sector and portfolio managers and senior research professionals. During these meetings, the sector and portfolio managers provide updates of market conditions within their specific segment of the broader market conditions and portfolio investments. As a segment of the meeting, macro-economic views are discussed with specific emphasis on recent changes in the CIO's macroeconomic insights. Portfolio managers may then seek investment opportunities within their respective investment strategies which are approved for purchase by the relevant heads of research, sector and portfolio manager and/or by investment committees, or in the case of quantitative strategies, through the consistent application of the approved model(s).

The sector managers will then incorporate the CIO's macroeconomic insights into their applicable sector investment selection. Sector managers seek investment opportunities within their respective sectors, which are approved for purchase by the relevant heads of each sector team or by the investment committee dedicated to the specific sector or in the case of quantitative strategies, through the approved model.

Finally, the Office of the CIO and CRO hold quarterly performance review meetings with portfolio management. During these meetings, investment performance for each strategy and the relevant underlying investment accounts is reviewed.

### **Reports**

Registered Fund shareholders are provided with annual audited financial reports as well as semiannual unaudited reports, each of which is available through the SEC's EDGAR database at [www.sec.gov](http://www.sec.gov). In addition, on a quarterly basis, the Adviser generally meets with, and provides a comprehensive report of the performance of each Registered Fund to, the Registered Fund's board of trustees. This report includes a comparison of each portfolio's performance measured against the performance of its applicable benchmark, market sector and/or a mutual fund peer with a similar investment objective. Special reports and materials are also provided to the directors or trustees, as applicable, from time to time or as requested. All such reports will be in writing and may be delivered by electronic means.

SMA clients generally receive quarterly performance and holdings reports and monthly holdings and transaction reports directly from the client's custodian.

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

While the Adviser does not currently have any third-party referral arrangements in place, the Adviser may enter into arrangements with both affiliated and unaffiliated third-party solicitors, including Affiliated Broker-Dealers, to refer prospective advisory clients to the Adviser. These arrangements are structured to comply with Rule 206(4)-3 under the Advisers Act. Such solicitor's compensation may be based on a percentage of the management fees, performance-based compensation, or a combination of both, earned by the Adviser from the referred client. In the case of Affiliated Broker-Dealers, referred clients receive disclosure about the affiliation between the Adviser and such Affiliated Broker-Dealer.

The response to Item 10 above provides information regarding (i) the Adviser's and its affiliates' receipt and retention of fees and other compensation for origination, structuring, arranging, placement and other services provided in relation to transactions in which the Adviser invests client assets, (ii) investments by the Adviser of client assets in limited partnerships or similar vehicles holding assets that are managed by the Adviser or its affiliates and for which the Adviser or such affiliates receive management, administrative or other fees or compensation in addition to account-level management fees payable to the Adviser, and (iii) the Adviser's affiliates' receipt of management fees services provided to structured vehicles.

## **Item 15 – Custody**

Not applicable.

## **Item 16 – Investment Discretion**

The Adviser generally is granted investment discretion over its client accounts, subject to the SMA client or Registered Fund's investment objectives, guidelines and restrictions (which may arise from applicable laws and regulations or from the terms of such client's or Fund's governing documents). For SMAs, each IMA generally includes the client's investment objective, specific account constraints and states applicable restrictions. For the Registered Funds, investment guidelines and restrictions are described in the respective Registered Fund's Prospectus and Statement of Additional Information and the Adviser is generally granted discretion through the relevant Registered Fund's management agreement or organizational documents.

## **Item 17 – Voting Client Securities**

The Adviser generally is responsible for voting proxies with respect to securities held in client accounts, including Registered Funds and may include clients that are pension plans subject to ERISA.

Where the Adviser has been delegated the responsibility for voting proxies, it will take reasonable steps under the circumstances to ensure that proxies are received and voted in the best long-term economic interests of its

clients. This generally means voting proxies with a view to enhancing the value of securities held in client accounts, considering all relevant factors and without giving undue weight to the opinions of other individuals or groups who may have an economic interest in the outcome of the proxy vote. The Adviser's authority is initially established by its advisory contracts with the client or comparable documents. Clients, however, may change their proxy voting direction at any time.

The financial interest of the Adviser's clients is the primary consideration in determining how proxies should be voted. Any material conflicts of interest between the Adviser and its clients with respect to proxy voting are resolved in the best interests of the clients as described later in this Item.

Corporate actions, such as rights offerings, tender offers, and stock splits or actions initiated by holders of a security rather than the issuer (such as reset rights for a CLO) or legal actions, such as bankruptcy proceedings or class action lawsuits are outside the scope of proxy voting. Corporate and legal actions involve decisions about a security itself, rather than decisions about the governance of the security's issuer. The investment team(s) managing the client's account will decide whether and how to respond to a corporate or legal action about which they are notified, with the assistance of Compliance and Legal, as needed.

The Adviser utilizes the proxy voting guidelines of an outside proxy voting firm, Institutional Shareholder Services Inc. ("ISS"), as the Adviser's proxy voting guidelines ("Guidelines"). The Adviser has also engaged ISS to act as agent for the proxy process, to maintain records on proxy votes for its clients, and to provide independent research on corporate governance, proxy and corporate responsibility issues. The Adviser reviews the Guidelines and conducts a due diligence assessment of ISS and the performance of its duties as agent at least annually. The Adviser may override the Guidelines recommending a vote on a particular proposal if the Adviser determines a different vote to be in the best interest of the client or if required to deviate under applicable law, rule or regulation.

In the absence of contrary instructions received from the Adviser, ISS will vote proxies in accordance with the ISS Guidelines, as such Guidelines may be revised from time to time. ISS will employ these Guidelines based on account set up instructions received from the Adviser. The Adviser will typically vote proxies itself in two scenarios: (1) Proposals not addressed by Guidelines and (2) When the Adviser has decided to vote some or all of the shares contrary to the Guidelines for proposals not addressed by the Guidelines. For proposals not addressed by the Guidelines, the investment team will determine how to vote the proxy for the client account. For proposals where the Adviser has decided to vote some or all of the shares contrary to the Guidelines, the investment team will consult the Proxy Voting Advisory Committee (the "PVAC"), comprising of representatives from investment management, compliance, risk operations and legal to determine that overriding ISS's vote recommendation is in the best interest of the client and that no conflicts of interest exists. The vote entered by the Adviser may be different from the ISS's proprietary voting policy if it is determined to be in the best interest of the client. If the investment team responsible and the PVAC determines that there is no material conflict of interest, the proposal will be voted in accordance with the recommendation of said team. If there is a material conflict of interest, the Adviser will follow the procedures outlined below.

The Adviser occasionally will be subject to conflicts of interest in the voting of proxies due to relationships it maintains with persons having an interest in the outcome of particular votes. Common examples of conflicts in the voting of proxies are: (a) the provision of services or products by an Adviser affiliate to the company on whose behalf proxies are being solicited, (b) personal relationships that may exist between personnel of the



Adviser or its affiliates and proponents of a proxy issue, (c) an immediate family member of the employee is a director or executive officer of the company, or (d) any other issue, shall be made by senior members of the investment team responsible for voting the proxy. If a material conflict of interest exists, the investment team will consult with persons from the investment teams and the PVAC to determine how to resolve the conflict consistent with the procedures below. At times, ISS itself may have a conflict of interest because it also sells corporate governance services to companies whose proxies it analyzes.

In certain cases, the Adviser occasionally engages and appoints an independent party to provide independent analysis or recommendations with respect to consents, proxy voting, or other similar shareholder or debt holder rights decision (or a series of consents, votes or similar decisions) pertaining to Registered Funds and other clients.

If the Guidelines do not address a proposal, or the Adviser wishes to vote a proposal contrary to the Guidelines, and Adviser has a material conflict of interest as to the vote, then the Adviser will seek to resolve the conflict in any of the following manners:

- Refer Proposal to the Client – the Adviser may refer the proposal to the client and obtain instructions from the client on how to vote the proxy relating to that proposal.
- Obtain Client Ratification – If the Adviser is in a position to disclose the conflict to the client (i.e., such information is not confidential), the Adviser may determine how it proposes to vote the proposal on which it has a conflict, fully disclose the nature of the conflict to the client, and obtain the client's consent for how the Adviser will vote on the proposal (or otherwise obtain instructions from the client on how the proxy on the proposal should be voted).
- Abstaining from voting.
- Use another Independent Third Party for All Proposals – Subject to any client-imposed proxy voting policies, the Adviser may vote all proposals in a single proxy according to the policies of an independent third party other than ISS (or have the third party vote such proxies).
- Use another Independent Third Party to Vote Only the Specific Proposals that Involve a Conflict – Subject to any client-imposed proxy voting policies, the Adviser may use an independent third party other than ISS to recommend how the proxy for specific proposals that involve a conflict should be voted (or have the third party vote such proxies).

The method selected by the Adviser to resolve the conflict may vary from one instance to another depending upon the facts and circumstances of the situation, but in each case, consistent with its duty of loyalty and care.

The Adviser will provide clients with a copy of its Proxy Voting Policies and Procedures upon written request. The Adviser will make specific voting information relating to a client available to that client upon written request. In addition, specific voting information relating to the Funds is available on SEC Form N-PX, available through the SEC's EDGAR database at [www.sec.gov](http://www.sec.gov). The Adviser's contact information appears on the cover page of this Brochure.

## **Item 18 – Financial Information**

The Adviser does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and thus has not included a balance sheet for its most recent fiscal year. The Adviser is not subject to any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients. Additionally, the Adviser has not been the subject of a bankruptcy proceeding.