



## Form ADV, Part 2A Firm Brochure

### Item 1 – Cover Page

**Virtus Investment Advisers, Inc.**  
**One Financial Plaza**  
**Hartford, CT 06103**  
**800-248-7971**

[www.virtus.com](http://www.virtus.com)

March 30, 2023

This Form ADV Part 2A Brochure provides information about the qualifications and business practices of Virtus Investment Advisers, Inc. (“VIA”, “we”, “us” or “our”). If you have any questions about the contents of this Brochure, please contact us at 800-248-7971 and/or [InvestmentAdviser@virtus.com](mailto:InvestmentAdviser@virtus.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about VIA is also available on the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

We are a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information you may use in your decision to hire or retain an adviser.

This Brochure is not: an offer or agreement to provide advisory services to any person; an offer to sell interests (or a solicitation of an offer to purchase interests) in any investment company that we advise; or a complete discussion of the features, risks, or conflicts associated with any advisory service or investment company. Persons who receive this publicly available Brochure should be aware that it is designed solely to provide information responsive to certain disclosure obligations under the Investment Advisers Act of 1940, as amended (“Advisers Act”). More complete information about the Virtus family of funds and VIA’s advisory services is included in the relevant account or investment company documents. To the extent that there is any conflict between discussions herein and similar or related discussions in such documents, the relevant investment company or account documents shall govern and control. You should read this Brochure and those other documents carefully and consult with tax, legal, and financial advisors before making any investment decision.

## Item 2 – Material Changes

Pursuant to SEC Rules, you will receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year, which is December 31<sup>st</sup>. We may further disclose information about material changes as necessary and we will provide you with a new Brochure as necessary, based on changes or new information, at any time, without charge.

Our Brochure is available free of charge upon request. You can request our Brochure by calling our Compliance Department at 800-248-7971, and/or emailing us at [InvestmentAdviser@virtus.com](mailto:InvestmentAdviser@virtus.com). Additional information about VIA is also available from the SEC's web site at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with VIA who are registered, or are required to be registered, as investment adviser representatives of VIA. You can search the SEC's website by referencing a firm's unique identifying number known as a CRD number. Our CRD number is 106982.

This Brochure contains the following material changes from our last annual update, dated March 29, 2022:

- Item 4. We updated regulatory assets under management. We added disclosure indicating VIA is providing direct investment management for a limited number (four as of the date of this Brochure, but this number will change from time to time) of open-end mutual funds. We added unaffiliated subadvisers, Voya Investment Management Co., LLC and Zevenbergen Capital Investments LLC. We disclosed that effective July 1, 2022, Virtus reorganized its three fixed income subsidiaries, to operate as separate divisions under a single legal entity named Virtus Fixed Income Advisers, LLC ("VFIA"). These three divisions of VFIA maintain their distinct investment process and philosophy, portfolio management teams, investment culture and brand. They operate under the d/b/a names of Newfleet Asset Management, Seix Investment Advisors and Stone Harbor Investment Partners. Additionally, we made certain changes to the listing of funds for which VIA is the adviser.
- Item 7. We added disclosure indicating VIA is providing direct investment management (not utilizing sub-advisers) for a limited number (four as of the date of this Brochure, but this number will change from time to time) of open-end mutual funds.
- Item 8. We added descriptions of the investment strategies and methods of analysis related to the strategies VIA is directly managing (not utilizing sub-advisers). We updated certain risk descriptions.
- Item 10. We made changes to our listing of affiliated registered investment advisers as well as changes regarding our global affiliates and we added descriptions of other affiliates to which our Systematic and Multi-Asset Portfolio Managers, Analysts and Traders provide services.
- Item 12. We made changes to this item regarding brokerage to disclose policies regarding direct trading (not utilizing sub-advisers) activity in which VIA engages. We clarified language regarding soft dollars.
- Item 17. We modified this item to accommodate proxy voting responsibilities for the limited number of funds for which VIA has direct proxy voting responsibility (not utilizing sub-advisers).
- Appendix A – Privacy Policy. VIA modified its Privacy Policy.

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## Item 4 – Advisory Business

VIA is a wholly-owned subsidiary of Virtus Partners, Inc., which is a wholly-owned subsidiary of Virtus Investment Partners, Inc. (“Virtus”) a publicly traded multi-manager asset management business, as of December 31, 2008 (NASDAQ: VRTS). VIA has acted as an investment adviser since 1932 and has been an SEC-registered investment adviser since 1969.

We offer investment advisory services to open-end and closed-end investment companies registered under the Investment Company Act; and Undertakings for Collective Investment in Transferable Securities (“UCITS”) authorized under the European Directive.

### **Assets under management**

The total regulatory assets under management of VIA, as of December 31, 2022, amounted to \$46,245,613,255, all managed on a discretionary basis, however from time to time, we may also manage accounts on a non-discretionary basis.

- When we manage accounts on a discretionary basis, we have full authority to determine which securities are purchased or sold; and
- When managing accounts on a non-discretionary basis, we perform our duties in accordance with the limitations described in the client contract and we do not have the ultimate authority to decide what is bought and sold or the timing of such transactions.

### **Sub-advisory Relationships**

The vast majority of our assets under management are delegated to affiliated and unaffiliated investment advisers pursuant to delegation or sub-advisory agreements (“subadvisers”). Under these circumstances, VIA is considered a “manager of managers.” As a result, throughout this Brochure, reference to services provided by VIA, with the exception of those funds to which VIA provides direct investment management (further described under “Item 8, Methods of Analysis, Investment Strategies and Risk of Loss”), should be read to include services provided by a subadviser or service provider to which VIA has delegated authority in connection with its advisory services.

VIA provides direct investment management for a limited number of open-end mutual funds (four (4) as of the date of this Brochure, but this number will change from time to time).



VIA's subadvisers will change from time to time but as of the date of this Brochure, they are as follows:

**Affiliated Subadvisers**

- Duff & Phelps Investment Management Co.
- Kayne Anderson Rudnick Investment Management, LLC
- NFJ Investment Group, LLC ("NFJ")
- Silvant Capital Management LLC
- Sustainable Growth Advisers, LP ("SGA")
- Virtus Fixed Income Advisers, LLC ("VFIA")<sup>1</sup>
- Westchester Capital Management, LLC

**Unaffiliated Subadvisers**

- Vontobel Asset Management, Inc.
- Voya Investment Management Co., LLC
- Zevenbergen Capital Investments LLC<sup>2</sup>

**Advisory Services – Mutual Funds**

VIA provides investment advisory services to the following open-end funds of The Merger Fund®, The Merger Fund® VL, Virtus Event Opportunities Trust, Virtus Investment Trust, Virtus Strategy Trust, Virtus Equity Trust, Virtus Opportunities Trust, and the Virtus Variable Insurance Trust, which are affiliated trusts registered under the Investment Company Act:

**The Merger Fund® ("TMF")**

**The Merger Fund® VL ("TMFVL")**

**Virtus Equity Trust ("VET")**

- Virtus KAR Capital Growth Fund
- Virtus KAR Equity Income Fund
- Virtus KAR Global Quality Dividend Fund
- Virtus KAR Mid-Cap Core Fund
- Virtus KAR Mid-Cap Growth Fund
- Virtus KAR Small-Cap Core Fund
- Virtus KAR Small-Cap Growth Fund
- Virtus KAR Small-Cap Value Fund
- Virtus KAR Small-Mid Cap Core Fund
- Virtus KAR Small-Mid Cap Growth Fund
- Virtus KAR Small-Mid Cap Value Fund
- Virtus SGA Emerging Markets Growth Fund
- Virtus SGA Global Growth Fund
- Virtus SGA New Leaders Growth Fund
- Virtus Tactical Allocation Fund

**Virtus Event Opportunities Trust ("VEOT")**

- Virtus Westchester Credit Event Fund
- Virtus Westchester Event-Driven Fund

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<sup>1</sup> Effective July 1, 2022, Virtus reorganized its three fixed income subsidiaries, to operate as separate divisions under a single legal entity named Virtus Fixed Income Advisers, LLC ("VFIA"). The three divisions of VFIA maintain their distinct investment process and philosophy, portfolio management teams, investment culture and brand. They operate under the d/b/a names of Newfleet Asset Management, Seix Investment Advisors and Stone Harbor Investment Partners.

<sup>2</sup> Virtus indirectly holds a minority ownership interest in Zevenbergen Capital Investments LLC.

**Virtus Investment Trust (“VIT”)**

- Virtus NFJ Dividend Value Fund
- Virtus Emerging Markets Opportunities Fund
- Virtus Silvant Focused Growth Fund
- Virtus KAR Global Small-Cap Fund
- Virtus KAR Health Sciences Fund
- Virtus Income & Growth Fund
- Virtus NFJ International Value Fund
- Virtus NFJ Large-Cap Value Fund
- Virtus Silvant Mid-Cap Growth Fund
- Virtus NFJ Mid-Cap Value Fund
- Virtus Small-Cap Fund
- Virtus NFJ Small-Cap Value Fund
- Virtus Zevenbergen Technology Fund

**Virtus Opportunities Trust (“VOT”)**

- Virtus Duff & Phelps Global Infrastructure Fund
- Virtus Duff & Phelps Global Real Estate Securities Fund
- Virtus Duff & Phelps International Real Estate Securities Fund
- Virtus Duff & Phelps Real Asset Fund
- Virtus Duff & Phelps Real Estate Securities Fund
- Virtus KAR Developing Markets Fund
- Virtus KAR Emerging Markets Small-Cap Fund
- Virtus KAR International Small-Mid Cap Fund
- Virtus Newfleet Core Plus Bond Fund
- Virtus Newfleet High Yield Fund
- Virtus Newfleet Low Duration Core Plus Bond Fund
- Virtus Newfleet Multi-Sector Intermediate Bond Fund
- Virtus Newfleet Multi-Sector Short Term Bond Fund
- Virtus Newfleet Senior Floating Rate Fund
- Virtus Seix Tax-Exempt Bond Fund
- Virtus Vontobel Emerging Markets Opportunities Fund
- Virtus Vontobel Foreign Opportunities Fund
- Virtus Vontobel Global Opportunities Fund
- Virtus Vontobel Greater European Opportunities Fund

**Virtus Strategy Trust (“VST”)**

- Virtus Convertible Fund
- Virtus NFJ Emerging Markets Value Fund
- Virtus Global Allocation Fund
- Virtus NFJ Global Sustainability Fund
- Virtus Seix High Yield Income Fund
- Virtus International Small-Cap Fund
- Virtus Newfleet Short Duration High Income Fund
- Virtus Duff & Phelps Water Fund

**Virtus Variable Insurance Trust (“VVIT”)**

- Virtus Duff & Phelps Real Estate Securities Series
- Virtus KAR Capital Growth Series
- Virtus KAR Equity Income Series
- Virtus KAR Small-Cap Growth Series
- Virtus KAR Small-Cap Value Series
- Virtus Newfleet Multi-Sector Intermediate Bond Series
- Virtus SGA International Growth Series
- Virtus Strategic Allocation Series

VIA provides investment advisory services to the following closed-end funds registered under the Investment Company Act:

### **Closed-End Funds (“CEFs”)**

- Virtus Artificial Intelligence & Technology Opportunities Fund (AIO)
- Virtus Convertible & Income 2024 Target Term Fund (CBH)
- Virtus Convertible & Income Fund (NCV)
- Virtus Convertible & Income Fund II (NCZ)
- Virtus Diversified Income & Convertible Fund (ACV)
- Virtus Equity & Convertible Income Fund (NIE)
- Virtus Dividend, Interest & Premium Strategy Fund (NFJ)
- Virtus Total Return Fund, Inc. (ZTR)
- Virtus Global Multi-Sector Income Fund (VGI)

### **Advisory Services – UCITS**

We serve as the promoter and investment manager of the following open-end investment companies of the Virtus Global Funds plc and Virtus GF Global Growth Fund (ICAV), (collectively referred to herein as the “Virtus Global Funds”) which are investment vehicles offered to non-U.S. investors in the form of UCITS domiciled in Ireland and registered with, and regulated by, the Central Bank of Ireland, pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities Regulations) 2011:

#### **Virtus Global Funds plc**

- Virtus GF Clean Energy Fund
- Virtus GF Global Small Cap Fund
- Virtus GF Multi-Sector Income Fund
- Virtus GF Multi-Sector Short Duration Bond Fund
- Virtus GF Select High Yield Fund
- Virtus GF U.S. Small Cap Focus Fund
- Virtus GF U.S. Small-Mid Cap Fund

#### **Virtus GF Global Growth Fund ICAV**

- Virtus GF SGA Global Growth Fund

### **Reliance Upon Certain Exemptive Orders, Regulatory Provisions and Investment Management Agreements**

In managing the assets of our advisory clients who are registered investment companies and UCITS, we rely on the following:

- Certain “Manager of Managers” exemptive order(s) provided by the SEC when employing subadvisers for our registered investment company clients (“Funds”); and
- Provisions from the Central Bank of Ireland when employing subadvisers for UCITS clients.

The “manager of managers” structure involves the use of one or more subadvisers to manage some or all of a Fund’s and UCITS’ portfolio. Under this structure, VIA is responsible for the oversight of the Funds’ and UCITS’ investment programs and certain day-to-day operations and for evaluating and selecting subadvisers on an ongoing basis; making any recommendations to the Board of Trustees (or Directors as may apply) regarding hiring, retaining or replacing subadvisers; negotiating and renegotiating the terms of the sub-advisory agreements; monitoring the subadvisers’ compliance with the Funds’ and UCITS’ respective investment objectives, policies and restrictions; setting overall investment strategies of each Fund and UCITS; and providing certain other oversight activities. In some cases, we employ multiple subadvisers for one or more of the Funds and UCITS and in these instances, we allocate, and as

appropriate, reallocate the Fund(s)' assets amongst the subadvisers. When doing so, each subadviser has management oversight of that portion of the Funds and UCITS allocated to each of them.

Investment management services are provided in accordance with any written investment advisory contracts and specific investment guidelines delivered by the client. VIA may agree to reasonable restrictions placed on VIA's investment discretion by clients. Guidelines provided by clients may include but are not limited to the following: risk tolerance; investment objective(s); investment time horizon; cash/liquidity requirements; income requirements; and restrictions on investing in certain securities or types of securities. Client guidelines may also include social restrictions or those that prohibit us from buying specific companies. Investment guidelines and restrictions must be provided to VIA in writing and may impact performance.

### **Types of investments**

VIA, subject to client-imposed restrictions and guidelines, through sub-advisory relationships, invests principally in the following types of instruments: equity securities (common stocks and equivalents) including exchange-listed securities, securities traded over-the-counter, foreign issues, American Depositary Receipts ("ADRs"), warrants, corporate debt (including convertible debt), bank loans, certificates of deposit, municipal debt, investment company securities, including traditional mutual fund shares and exchange traded funds ("ETFs"), and United States government securities. We may also utilize, where appropriate, derivatives, options contracts on securities, futures contracts on intangibles, credit default swaps and participation notes. We may utilize foreign currencies to purchase foreign securities and to hedge against the risk of a decline in the U.S. dollar or other currencies.

**VIA cannot guarantee or assure our clients that their investment objectives will be achieved. VIA does not guarantee the future performance of any client's account or any specific level of performance, the success of any investment decision or strategy, or the success of VIA's overall management of any account. VIA's investment recommendations are subject to various market, currency, economic, political and business risks, and the risk that investment decisions will not always be profitable. Many of these risks are discussed in "Item 8. Methods of Analysis, Investment Strategies and Risk of Loss" below, which you should review carefully before deciding to engage VIA's services.**

### **Item 5 – Fees and Compensation**

This section describes our basic fee schedule. VIA reserves the right to negotiate all fees and annual minimums based on individual client considerations, including but not limited to, number and frequency of reports and client meetings, individual security investments versus common or collective funds or mutual funds, investment guidelines and restrictions, and account size. We believe that our fees are competitive with those charged by other investment advisers for comparable services, but other firms may offer similar services for lower fees.

The specific manner in which fees are charged is established in a client's written agreement with VIA. VIA typically charges its clients a fixed percentage fee per annum for investment advice based on the market value of the assets under management. Our clients are normally billed directly for management fees based on the amount of assets under management. In limited circumstances, we may offer fixed or other fee arrangements. We may group multiple accounts of one client relationship together for purposes of calculating the fee, or in some cases, we may elect to not charge a fee to a small account if the client is paying on the total relationship (multiple accounts).





When VIA uses an affiliated or unaffiliated subadviser in providing advisory services, clients will not incur any increase in advisory or other fees as a result of such sub-advisory arrangement. VIA generally shares its fees with the entity providing sub-advisory services to VIA.

Our fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which will be incurred by the client. Our clients may also incur certain charges imposed by custodians, brokers, third-party investment and other third parties such as but not limited to fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds, ETFs and alternative investments bear their own operating expenses, including compensation paid to their advisers and other service providers as well as other expenses and fees. This information is disclosed in the specific fund's prospectus or offering documents.

Our investment advisory contracts provide for termination without penalty (generally with a sixty-day notice) by the client or adviser and termination in the event of an assignment (as such term is defined in the Investment Company Act of 1940, as amended (the "Investment Company Act")). Terminated accounts will be charged advisory fees and additional expenses incurred by VIA in the transfer or final disposition of an advisory account.

#### **Advisory Fees – Registered Investment Companies (Funds)**

The fee charged to registered investment company clients is determined by our investment advisory contract as approved by such investment company in accordance with the provisions of the Investment Company Act. The contracts provide that we shall furnish to the investment company office space and all necessary office facilities, equipment and personnel for managing the investment and reinvestment of the assets of the investment company. Advisory fees for services rendered under our existing investment advisory contracts with registered investment companies may be up to 1.25% depending upon the type and size of the portfolio.

**Specific advisory fees and expense related information may be found in the prospectus and/or statement of additional information describing the investment policies and restrictions for the respective portfolio.**

#### **Advisory Fees – UCITS**

We serve as the promoter and investment manager of the Virtus Global Funds, which are investment vehicles offered to non-U.S. investors in the form of UCITS domiciled in Ireland and registered with, and regulated by, the Central Bank of Ireland.

The fee we charge to any particular UCITS client is determined by the provisions of an investment manager and promoter contract between VIA and such UCITS, which contracts are approved by the UCITS in accordance with the provisions of the Central Bank of Ireland. The contracts provide that VIA shall furnish to the UCITS members of VIA's staff to serve as officers or agents of the investment company without salaries from the investment company.

Advisory fees for services rendered under existing investment advisory contracts with UCITS may be up to 2.15% depending upon the type and size of the portfolio.



## **Compensation from the Sale of Securities**

VIA's supervised persons and related registered sales personnel typically market VIA investment capabilities to various prospects and intermediaries either directly or indirectly through Funds and UCITS advised by VIA.

Certain of VIA's supervised persons and related registered sales personnel also may be associated with VP Distributors, LLC, an affiliated broker-dealer, and in that capacity may engage in marketing or selling activities with respect to shares or interests in Funds advised by VIA. (See "Item 10. Other Financial Industry Activities and Affiliations" for more information about other financial industry activities and affiliations.) The Funds and UCITS pay an investment management or administrative fee to VIA. In addition, fees are paid to one or more broker-dealers receiving sales commissions or distribution fees including 12b-1 fees, loads or contingent deferred sales charges payable by VIA or an affiliate, the Funds or their respective investors.

Certain VIA supervised persons and related registered sales personnel may be compensated by VIA for successful marketing or selling activities with respect to shares or interests in Funds or UCITS advised by VIA. These VIA supervised persons and related registered sales personnel do not receive transaction-based compensation.

## **Custody Fees**

Funds and UCITS will bear expenses associated with custody of the respective Funds' assets. VIA does not select account custodians on behalf of clients or serve as the custodian of client account assets. The custodian appointed by the client may charge custody and other fees that are in addition to the advisory fees payable to VIA.

## **Other Fees Incurred by Our Clients**

Subject to client-imposed restrictions if any, VIA (or its subadvisers) may invest or recommend investment in open-end and closed-end registered investment companies, exchange traded funds ("ETFs") and other pooled investment vehicles. When VIA (or generally its subadvisers) invests client assets in these investment vehicles, unless otherwise agreed and if permitted by applicable law, the client may bear its proportionate share of fees and expenses as an investor in the investment vehicle in addition to VIA's investment advisory fees. The investment vehicle's prospectus, offering documents or other disclosure documents contain a description of its fees and expenses.

In addition, subject to any limitations provided by the investment management agreement, VIA (or its subadvisers) may invest client assets or recommend that clients invest in shares or other interests in certain open-end and closed-end registered investment companies and ETFs to which VIA or its related persons (or its subadvisers) provide investment advice or other services, and from which VIA and its affiliates (and VIA's subadvisers and their affiliates) receive advisory, administrative and/or distribution fees. In the case of the foregoing, whereby client assets are invested in an affiliated fund, VIA may, depending on the arrangement with the client and any legal requirements, waive investment advisory fees on the assets invested in such investment company, credit the account for the fees paid by the Fund to VIA's related persons, avoid or limit the payment of duplicative fees to VIA and its related persons through other means, or charge fees both at the investment company level and separate account level. To the extent that fees and expenses incurred with respect to any fund purchased for the client's account are in addition to certain of the expenses covered by the VIA's investment management fee, VIA and its

affiliates can receive additional economic benefit when a client account is invested in such fund, and a conflict of interest can exist.

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

As of the date of this Brochure, we have no performance based-fee arrangements, however we may enter into such arrangements (fees based upon documented performance metrics for designated client accounts). The terms of any incentive fee are based upon a negotiated arrangement with the client. VIA anticipates that such client relationships and arrangements will also pay a base fee calculated on the market value of the assets under management. We will enter into performance-based fee arrangements with only qualified clients in accordance with Section 205 of the Advisers Act, and the rules thereunder, and all applicable laws and regulations. We have an incentive to favor accounts for which we receive performance-based fees. VIA has written compliance policies and procedures designed to mitigate or manage these conflicts of interest, including policies and procedures regarding the equitable allocation of investment opportunities and/or separation of trading and portfolio management activities by firewalls (“information barriers”).

### **Side-by-side management**

Side-by-side management refers to an investment adviser’s simultaneous management of various client types in the same investment products. VIA manages accounts for various client types such as mutual funds and UCITS within the same strategy, which may present conflicts of interest. Due to different client investment objectives and strategies, clients should be aware that VIA can sell or hold short positions in securities for one or more client accounts while purchasing or holding long positions in the same or substantially similar securities for other client accounts. VIA has written compliance policies and procedures designed to mitigate or manage these conflicts of interest, including policies and procedures regarding the equitable allocation and sequencing of trade orders for investment opportunities and/or separation of trading and portfolio management activities by information barriers.

## Item 7 – Types of Clients

VIA provides investment services and manages investment advisory accounts for certain open-end and closed-end registered investment companies (Funds) and UCITS. We serve as a promoter and investment manager of investment vehicles offered to non-U.S. investors in the form of a UCITS domiciled in Ireland and registered with, and regulated by, the Central Bank of Ireland.

We require our new clients to enter into a signed written investment agreement outlining investment guidelines, fees and other conditions for starting or maintaining an account (such as minimum account size). The Board of Trustees (or Directors as may be applicable) for each registered investment company and UCITS may establish guidelines and restrictions.

When providing advisory services to any of the foregoing we generally employ affiliated and unaffiliated subadvisers (some of whom also provide sub-advisory services to our affiliates, VFA, VAIA and VEA for other portfolios) pursuant to written sub-advisory agreements that govern the provision of services to the client. Under these circumstances, VIA is considered a “manager of managers.”

In addition to its manager of managers business model, VIA also provides direct investment management (does not utilize subadvisers) for a limited number (four as of the date of this Brochure, but this number will change from time to time) of open-end mutual funds. In doing so, VIA’s affiliate, Virtus Shared



Services ("VSS") provides a variety of back office and trading operations to VIA (in addition to other VIA affiliates).

Our minimum advisory client account size is generally \$10 million. We reserve the rights to waive any and all minimum account requirements and to accept or continue to provide services to smaller accounts, at our sole discretion.

Shareholders in Funds and UCITS are not deemed to be advisory clients of VIA.

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

The following are broad descriptions of the methods of analysis and investment strategies offered by VIA. It should be noted that investing in securities involves risk of loss that clients should be prepared to bear.

### **Methods of Analysis and Investment Process**

The vast majority of our assets under management are delegated to affiliated and unaffiliated investment advisers under sub-advisory agreements; descriptions of strategies and investment processes used in managing such assets can generally be found in the respective subadviser's Form ADV Part 2A brochure.

VIA selects and employs subadvisers to implement investment management programs for the majority of client accounts, consistent with stated objectives. The subadvisers, subject to the VIA's supervision, are responsible for the day-to-day management of the respective portfolio. In this respect, the subadvisers determine which securities to purchase and sell, consistent with the stated objectives of each client account and investment guidelines agreed upon by the subadviser and VIA, or any additional client-imposed restrictions provided to and accepted by VIA in writing.

In its role as a manager of managers, VIA's primary functions include developing new investment products, identifying and appointing investment managers (and/or making recommendations thereof, such as is the case for our Fund and UCITS clients) and monitoring those managers, who are generally appointed as subadvisers on an on-going basis. Subsequent to appointment, VIA monitors subadviser performance and in that capacity can terminate or replace (and/or make recommendations to terminate or replace) subadvisers for our registered investment company and UCITS clients. Depending upon the requirements of our client agreement, VIA (or its service providers), generally performs one or more of the following: monitors the compliance of the subadviser with the investment objectives and related policies of our client accounts; monitors significant changes that may impact the subadviser's overall business and regularly performs reviews of the subadviser; and/or other will perform other activities as required by our client agreement.

Pursuant to exemptive relief granted by the SEC and approved by shareholders of certain Funds, under certain circumstances VIA, subject to approval of the applicable Fund's(s') Board, is permitted to appoint a new subadviser for those Funds or change the terms of applicable sub-advisory agreements.

VIA provides direct investment management (does not utilize subadvisers) for a limited number (four as of the date of this Brochure, but this number will change from time to time) of open-end mutual funds. Strategies offered in these products are managed by two teams, the Virtus Multi-Asset team and the Virtus Systematic team.

### *Virtus Multi-Asset*

The Virtus Multi Asset team specializes in constructing and managing multi asset solutions to meet specific objectives, constraints and outcomes. The team has a two-part approach to managing these strategies.

1. Core portfolio design with strategic allocations across relevant asset classes and selection of underlying strategies, either active or passive, across those asset classes.
2. Active asset allocations across and within global financial markets using a quantamental investment process.

The core portfolio design begins by defining the range of asset classes to include in the strategic asset allocation, which is generally based on the overall objectives for the mandate and any client, regulatory or other constraints. The strategic asset allocation is determined based on the target return and/or risk for the strategy and the expected returns and risks of the selected asset classes.

Next, for each asset class, the team decides to use either active, passive or both strategies based on the relative efficiency of the asset class and the overall fee level targeted for the core portfolio. The team conducts quantitative and qualitative assessments with a focus on philosophy, people, performance, and process, as well as any structural factor biases and particular return-dynamics and selects those determined to be a best fit for the asset class and the overall core portfolio. Upon a client's request, the team may also integrate other considerations such as sustainability into the design of the core portfolio.

For active asset allocations, the team first determines the asset classes across which to allocate. In determining active positions across this universe (which may be broader than the asset classes in the core portfolio), the team implements a quantamental approach. The two pillars of this approach are (1) a quantitative component which focuses on market characteristics of momentum and mean reversion in a proprietary framework, and (2) a qualitative component which focuses on macroeconomic and fundamental characteristics in a team-based consensus driven framework. Scores from the two pillars are combined and systematically translated into active asset allocation positions through varying portfolio construction frameworks. These active asset allocation changes are implemented either by adjusting core portfolio exposures or may be expressed through derivative instruments such as futures.

The Virtus Multi Asset team offers the Virtus Global Allocation strategy. The Virtus Global Allocation strategy employs active allocation across asset classes and actively managed strategies within those asset classes. The strategy allocates its investments across asset classes in response to changing market, macroeconomic, and other factors and events that the portfolio managers believe may affect the value of the strategy's investments. To gain exposure to different asset classes, the strategy incorporates actively managed underlying strategies, both directly through dedicated teams managing separate sleeves of the strategy and indirectly through investments in affiliated mutual funds, as well as through allocation to additional other underlying passive strategies. Under normal circumstances, the strategy invests directly and indirectly in global equity securities, fixed-income securities, and long and short positions using derivatives across multiple asset classes. The strategy may also invest in exchange-traded funds ("ETFs"), unaffiliated mutual funds, other pooled vehicles and derivative instruments such as futures, among others.

### *Virtus Systematic*

The Virtus Systematic team specializes in differentiated investment solutions, strategies, and outcomes across asset classes, regions, and securities. The team uses a behavioral finance approach, rooted in the theory that investors often react inefficiently to new information. The team's portfolio management process is designed to identify companies poised to benefit from changes not yet fully reflected in the market. The team blends a quantitative data-driven investment process with a qualitative overlay designed to exploit pricing inefficiencies in the securities markets. The team uses a proprietary quantitative alpha model based on artificial intelligence and supported by technology. The alpha model integrates fourteen (14) innovative factors, including behavioral finance factors. The team complements the stock selection

produced by the alpha model with a dynamic risk management overlay and qualitative reviews; and integrates ESG-related risks.

- **Risk Control Methodology:** The risk model complements the results from the alpha model and is used in the investment process to help lower volatility exposure versus the benchmark. The risk model seeks to offer a holistic viewpoint on risk, both at the stock level and total portfolio levels. The risk model leverages tools provided by Axioma, a third-party provider to analyze risk and construct portfolios. Embedded in the risk controls is a principal component analysis which assesses and monitors significant systematic risks in the market (including beta, growth, leverage, sector exposure, currency exposure, industry exposure, and others.). The risk model is updated daily with fundamental and statistical variants and varying time horizons. The risk model allows the team with capabilities to perform scenario analysis through the addition or subtraction of specific stocks in order to quantify their respective marginal contribution to active and total portfolio risk.
- **ESG:** Independently, ESG-related risks are identified through external data. ESG scores from third-party providers are integrated into the investment process on a daily basis and combined with the proprietary alpha and risk model. The team also incorporates a proprietary “environmental sentiment score”, based upon publicly available research and company-related transcripts seeking to identify opportunities and risks through analyzing the sentiment across publicly available information utilizing a natural language processing technique.

The Virtus Systematic team manages the following four investment strategies:

- The Virtus Systematic Emerging Markets Opportunities strategy follows a quantitative strategy using bottom-up stock selection seeking to capitalize on the dynamic nature of emerging markets. The strategy seeks a broad exposure to emerging markets using a proprietary multi-factor model to obtain a clear investment view on each stock.
- The Virtus Systematic Emerging Markets Consumer strategy focuses on emerging market consumer-related industries, while excluding hard-asset and export-related industries. The strategy includes securities listed in both emerging and developed markets.
- The Virtus Systematic International Small Cap Opportunities strategy invests primarily in non-U.S. Small Cap equities. The strategy spans developed markets and emerging markets to pursue the full growth potential of small-cap stocks outside the U.S.
- The Virtus Systematic U.S. Small Cap strategy follows a quantitative investment strategy investing primarily in non-U.S. Small Cap equities. The strategy spans the smaller capitalization US stocks which are typically more oriented to the US domestic economy.

**With respect to registered investment companies and UCITS, clients and prospective clients should refer to the respective offering documents.**

### **Investment Oversight and Governance**

Virtus’s product governance framework provides additional oversight tools for VIA with the goal of offering and maintaining quality, high-performing strategies that meet multiple investment needs. Virtus maintains a Product Management Committee (“PMC”) responsible for assessing new product ideas and approving product modifications, a Product Management group with day-to-day oversight responsibilities, and an Investment Oversight Committee (“IOC”) responsible for overseeing investment performance and product quality.



The PMC is a cross-functional governance support group that evaluates product actions from an investment, compliance, operational, distribution and legal perspective. As part of its investment oversight, Virtus proactively and regularly reviews the overall VIA product line for any recommended changes. Resulting product development and management initiatives, which may include proposed product launches, modifications, mergers, liquidations, adoptions, fee reductions and subadviser changes, are reviewed and assessed by the PMC.

Virtus's Product Management group reviews and monitors investment performance of VIA's strategies on an ongoing basis. Individual product managers are assigned to each of the subadvisers and conduct regular dialogue, visits, telephonic meetings therewith and complete detailed assessments of each strategy. The results of these assessments are reported to the IOC, which maintains the primary oversight responsibility for investment performance.

On a quarterly basis, the IOC reviews the performance, style consistency, and discipline with which the investment managers apply their investment processes and identifies any strategies that are exhibiting persistent underperformance or results that are inconsistent with expectations. The results of the IOC review can result in certain strategies being placed on the review or management monitor list, or ultimate recommendations for subadviser replacement.

During the initial subadviser selection process, VIA Compliance evaluates each subadviser's regulatory compliance structure. Each subadviser is expected to have a compliance infrastructure and policies and procedures that are reasonably designed to prevent violations of securities laws and to promptly identify any potential violations and is also expected to have a protocol for pre- and post-trade portfolio guideline restriction testing.

Subsequent to subadviser appointment, VIA Compliance will generally conduct reviews and perform periodic forensic testing in the following manner.

- VIA Compliance periodically (generally annually) meets with representatives of its subadvisers and complete compliance reviews, including key compliance matters.
- Each subadviser completes a quarterly subadviser compliance oversight questionnaire and information request covering a variety of compliance and operations matters. The information request provides a framework for VIA's quarterly compliance review and assessment of subadvisers.
- VIA Compliance performs forensic testing of compliance with portfolio restrictions, applicable regulations and procedures as part of its compliance program and oversight of subadvisers. The forensic tests may be conducted by analysis of reports and data developed by VIA or provided by affiliated or unaffiliated service providers or by monitoring reports provided by a mutual fund's sub-administrator and other mutual fund service providers. Forensic tests are generally conducted on a daily, monthly, quarterly or annual frequency depending on the type of test.
- With respect to its oversight of affiliated subadvisers, VIA utilizes information and reporting processes managed by Virtus Corporate Compliance and the Virtus Compliance Committee. Representatives of VIA Compliance also meet with the compliance personnel of VIA's affiliated subadvisers to conduct periodic and annual compliance reviews, and as needed to discuss specific matters.

Clients should not assume that portfolio investments will be profitable. The results for individual portfolios will vary depending on market conditions and the portfolio's overall composition. Investing in

securities involves the risk of loss, including the loss of principal, which clients should be prepared to bear. There is no assurance that your portfolio will achieve its investment objective or that any investment will provide positive performance over any period of time. Past performance is no guarantee of future results.

For investments in any registered investment company and UCITS, please also refer to the prospectus, offering memoranda or other governing document that provides a more detailed discussion of strategies and risks.

### **Risk of Loss**

The vast majority of our assets under management are delegated to affiliated and unaffiliated advisers under sub-advisory agreements. Clients or prospective clients should refer to the applicable subadviser's Form ADV Part 2A to reference risks related to specific strategies offered through a subadvisory relationship.

**With respect to registered investment companies and UCITS, clients and prospective clients should refer to the respective offering documents.**

Depending on your strategy, guidelines and the type of security, your account may face the following investment risks:

*Your account may be subject to additional risks other than those described below because the types of investments in your account can change over time.*

*The risks are listed in alphabetical order, which is not necessarily indicative of importance.*

### *Affiliated Funds*

The Fund's adviser or subadviser has the authority to select and substitute affiliated and/or unaffiliated mutual funds or exchange-traded funds ("Underlying Funds"), which may create a conflict of interest if the adviser or subadviser, and/or their affiliate, receives fees from affiliated funds, some of which pay such party(ies) more than others. However, as a fiduciary to the fund the adviser or subadviser is obligated to act in the Fund's best interest when selecting Underlying Funds.

### *Allocation*

A Fund's investment performance depends, in part, upon how its assets are allocated and reallocated by VIA and/or its subadviser. If the Fund's exposure to equities and fixed income securities, or to other asset classes, deviates from the VIA's and/or its subadviser's intended allocation, or if the Fund's allocation is not optimal for market conditions at a given time, the Fund's performance may suffer. In addition, to the extent portfolio managers consider environmental, social and corporate governance ("ESG") factors as part of their investment strategy, there can be no guarantee that the portfolio managers' consideration of such factors or efforts to select investments based on ESG factors will be successful or produce the desired results. To the extent the portfolio managers employ quantitative models, whether proprietary or maintained by third parties, there can be no assurance that such models will behave as expected in all market conditions, including due to deviations between expected and actual relationships among variables. Any imperfections, errors, or limitations in such models could affect a Fund's performance. By necessity, such models make simplifying assumptions that limit their effectiveness. In addition, the computer programming used to construct, or the data employed by, quantitative models may contain errors, which may cause losses for the Fund or reduce performance. In the event third-party models become increasingly costly or unavailable, the portfolio managers may be forced to rely on proprietary models or to reduce or discontinue their use of quantitative models. The Funds are also subject to the risk



that deficiencies in the operational systems or controls of the subadviser or another service provider will cause losses for the Funds or hinder Fund operations. For example, trading delays or errors (both human and systemic) could prevent a Fund from purchasing a security expected to appreciate in value. Additionally, legislative, regulatory, or tax developments may affect the investment techniques available to the subadviser and each individual portfolio manager in connection with managing the Funds and may also adversely affect the ability of the Funds to achieve their investment objectives. To the extent portfolio managers employ strategies that are not correlated to broader markets, or that are intended to seek returns under a variety of market conditions (such as managed volatility strategies), a Fund may outperform the general securities market during periods of flat or negative market performance and underperform the securities market during periods of strong market performance. To the extent that a Fund invests significantly in one or more mutual funds or exchange-traded funds (“Underlying Funds”), its investment performance will depend upon how its assets are allocated and reallocated among particular Underlying Funds and other investments. A Fund that invests significantly in one or more Underlying Funds is subject to allocation risk, which is the risk that the subadviser will make less than optimal or poor asset allocation decisions and/or that the subadviser will make less than optimal or poor decisions in selecting the Underlying Funds and other investments in which each Fund invests. The subadviser attempts to identify asset classes and sub-classes, and Underlying Funds and/or other means of obtaining exposure to such asset classes, and other investments that will provide consistent, quality performance for each Fund, but there is no guarantee that the subadviser’s allocation techniques will produce the desired results. It is possible that the subadviser will focus on Underlying Funds and other investments that perform poorly or underperform other available Funds under various market conditions.

#### *Bank Loans*

Investing in loans (including floating rate loans, loan assignments, loan participations and other loan instruments) carries certain risks in addition to the risks typically associated with high-yield/high-risk fixed income securities. Loans may be unsecured or not fully collateralized, may be subject to restrictions on resale and sometimes trade infrequently on the secondary market. In the event a borrower defaults, a Fund’s or UCITS’ access to the collateral may be limited or delayed by bankruptcy or other insolvency laws. There is a risk that the value of the collateral securing the loan may decline after a Fund or UCITS invests and that the collateral may not be sufficient to cover the amount owed to the Fund or UCITS. If the loan is unsecured, there is no specific collateral on which the Fund or UCITS can foreclose. In addition, if a secured loan is foreclosed, a Fund or UCITS may bear the costs and liabilities associated with owning and disposing of the collateral, including the risk that collateral may be difficult to sell.

Transactions in many loans settle on a delayed basis. As a result, sale proceeds related to the sale of loans may not be available to make additional investments or to meet the Fund’s or UCITS’ redemption obligations until potentially a substantial period of time after the sale of the loans. No active trading market may exist for some loans, which may impact the ability of the Fund or UCITS to realize full value in the event of the need to liquidate such assets. Adverse market conditions may impair the liquidity of some actively traded loans. Loans also may be subject to restrictions on resale, which can delay the sale and adversely impact the sale price. Difficulty in selling a loan can result in a loss. Loans made to finance highly leveraged corporate acquisitions may be especially vulnerable to adverse changes in economic or market conditions. Certain loans may not be considered “securities,” and purchasers, such as a Fund or UCITS, therefore may not be entitled to rely on the strong anti-fraud protections of the federal securities laws. With loan participations, a Fund or UCITS may not be able to control the exercise of any remedies that the lender would have under the loan and likely would not have any rights against the borrower directly, so that delays and expense may be greater than those that would be involved if a Fund or UCITS could enforce its rights directly against the borrower.

### *China-Related Risk*

The Chinese economy is generally considered an emerging and volatile market. Although China has experienced a relatively stable political environment in recent years, there is no guarantee that such stability will be maintained in the future. As an emerging market, many factors may affect such stability such as increasing gaps between the rich and poor or agrarian unrest and instability of existing political structures and may result in adverse consequences to a Fund investing in securities and instruments economically tied to China. A small number of companies represent a large portion of the Chinese market as a whole, and prices for securities of these companies may be very sensitive to adverse political, economic, or regulatory developments in China and other Asian countries, and may experience significant losses in such conditions. The value of Chinese currencies may also vary significantly relative to the U.S. dollar, affecting a Fund's investments, to the extent the Fund invests in China-related investments.

Historically, China's central government has exercised substantial control over the Chinese economy through administrative regulation, state ownership, the allocation, expropriation or nationalization of resources, by controlling payment of foreign currency-denominated obligations, by setting monetary policy and by providing preferential treatment to particular industries or companies. The emergence of domestic economic demand is still at an early stage, making China's economic health largely dependent upon exports. China's growing trade surplus with the U.S. has increased the risk of trade disputes. For example, recent developments in relations between the U.S. and China have heightened concerns of increased tariffs and restrictions on trade between the two countries. An increase in tariffs or trade restrictions, or even the threat of such developments, could lead to a significant reduction in international trade, which could have a negative impact on China's, or other countries', export industry and a commensurately negative impact on a Fund that invests in securities and instruments that are economically tied to China. In addition, as China's economic and political strength has grown in recent years, it has shown a greater willingness to assert itself militarily in the region. Military or diplomatic moves to resolve any issues could adversely affect the economies in the region.

Despite economic reforms that have resulted in less direct central and local government control over Chinese businesses, actions of the Chinese central and local government authorities continue to have a substantial effect on economic conditions in China. These activities, which may include central planning, partial state ownership of or government actions designed to substantially influence certain Chinese industries, market sectors or particular Chinese companies, may adversely affect the public and private sector companies in which a Fund invests. Government actions may also affect the economic prospects for, and the market prices and liquidity of, the securities of Chinese companies and the payments of dividends and interest by Chinese companies. In addition, currency fluctuations, monetary policies, competition, social instability or political unrest may adversely affect economic growth in China. The Chinese economy and Chinese companies may also be adversely affected by regional security threats, as well as adverse developments in Chinese trade policies, or in trade policies toward China by countries that are trading partners with China. The economies, industries, and securities and currency markets of the China region may also be adversely affected by slow economic activity worldwide, dependence on exports and international trade, increasing competition from Asia's other low-cost emerging economies, and environmental events and natural disasters that may occur in China.

In addition, the relationship between China and Taiwan is particularly sensitive, and hostilities between China and Taiwan may present a risk to a Fund's investments in China.

### *Commodity and Commodity-linked Instruments*

Investments by a Fund in commodities or commodity-linked instruments may subject the Fund's portfolio to greater volatility than investments in traditional securities. The value of commodity-linked instruments may be affected by overall market movements, changes in interest rates or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and

international economic, political and regulatory developments. Individual commodity prices can fluctuate widely over short time periods. Commodity investments typically do not have dividends or income and are dependent on price movements to generate returns. Commodity price movements can deviate from equity and fixed income price movements. The means by which the Fund seeks exposure to commodities, both directly and indirectly through derivatives, may be limited by the Fund's intention to qualify as a regulated investment company under the Internal Revenue Code of 1986, as amended.

A Fund's investments in commodity-linked derivative instruments may subject the Fund to greater volatility than investments in traditional securities. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Certain types of commodities instruments (such as commodity-linked notes) are subject to the risk that the counterparty to the instrument will not perform or will be unable to perform in accordance with the terms of the instrument. Exposure to commodities and commodities markets may subject the Fund to greater volatility than investments in traditional securities. No active trading market may exist for certain commodities investments, which may impair the ability of the Fund to sell or to realize the full value of such investments in the event of the need to liquidate such investments. In addition, adverse market conditions may impair the liquidity of actively traded commodities investments.

Commodities may include, among other things, oil, gas, coal, alternative energy, steel, timber, agricultural products, minerals, precious metals (e.g., gold, silver, platinum, and palladium) and other resources. In addition, the Funds may invest in companies principally engaged in the commodities industries (such as mining, dealing or transportation companies) with significant exposure to commodities markets or investments in commodities, and through these investments may be exposed to the risks of investing in commodities. In order to qualify for certain special U.S. federal income tax treatment accorded regulated investment companies and their shareholders, a Fund must, among other things, derive at least 90% of its income from certain specified sources (such income, "qualifying income"). Income from certain commodity-linked investments does not constitute qualifying income to a Fund for this purpose. The tax treatment of certain other commodity-linked investments is not certain, in particular with respect to whether income and gains from such investments constitute qualifying income. If such income were determined not to constitute qualifying income and were to cause a Fund's non-qualifying income to exceed 10% of the Fund's gross income for any year, the Fund would fail the 90% gross income test and fail to qualify as a regulated investment company unless it were eligible to and did pay a tax at the Fund level. A Fund's intention to so qualify can therefore limit the manner in or extent to which the Fund seeks exposure to commodities.

#### *Collateralized Debt Obligations*

Collateralized Debt Obligations ("CDOs") are securitized interests in pools of assets. Assets called collateral usually comprise loans or debt instruments. A CDO may be called a collateralized loan obligation ("CLO") or collateralized bond obligation ("CBO") if it holds only loans or bonds, respectively. Investors bear the credit risk of the collateral. Multiple tranches of securities are issued by the CDO, offering investors various maturity and credit risk characteristics. Tranches are categorized as senior, mezzanine, and subordinated/equity, according to their degree of credit risk. Senior and mezzanine tranches are typically rated, with the former receiving ratings of A to AAA/Aaa and the latter receiving ratings of B to BBB/Baa. The ratings reflect both the credit quality of underlying collateral as well as how much protection a given tranche is afforded by tranches that are subordinate to it.

#### *Confidential Information Access Risk*

In managing Funds that may invest in privately placed instruments, subadvisers normally will seek to avoid the receipt by the portfolio managers and analysts of material, non-public information

("Confidential Information") about the issuers of such instruments (which may include senior loans, other bank loans and related investments), because such issuers may have or later issue publicly traded securities. In many instances, issuers offer to furnish Confidential Information to prospective purchasers or holders of the issuer's loans. In circumstances when the subadvisers' portfolio managers and analysts do not receive Confidential Information from these issuers, a Fund may be disadvantaged in comparison to other bank loan investors, including with respect to the price the Fund pays or receives when it buys or sells a bank loan. Further, in situations when a Fund is asked, for example, to grant consents, waivers or amendments with respect to bank loans, the subadvisers' ability to assess the desirability of such consents, waivers and amendments may be compromised. For these and other reasons, it is possible that a subadviser's decision not to receive Confidential Information under normal circumstances could adversely affect a Fund's investment performance.

Notwithstanding its intention not to receive Confidential Information with respect to its management of investments in loans and privately placed instruments generally, the subadvisers may from time to time come into possession of confidential information about issuers whose securities may be held in a Fund's portfolio. Possession of such information may in some instances occur despite a subadviser's efforts to avoid such possession, but in other instances a subadviser may choose to receive such information (for example, in connection with participation in a creditors' committee with respect to a financially distressed issuer). As, and to the extent, required by applicable law, the subadvisers' ability to trade in these securities for the account of a Fund could potentially be limited by its possession of such information. Such limitation on the subadvisers' ability to trade could have an adverse effect on a Fund by, for example, preventing the Fund from selling a loan that is experiencing a material decline in value. In some instances, these trading restrictions could continue in effect for a substantial period of time.

#### *Contingent Convertible Securities*

Contingent convertible securities ("CoCos") have no stated maturity, have full discretionary coupons and are typically issued in the form of subordinated debt instruments. CoCos generally or contingent capital securities are a form of hybrid security that are intended to either convert into equity or have their principal written down upon the occurrence of certain triggering events ("triggers") linked to regulatory capital thresholds or regulatory actions relating to the issuer's continued viability. As a result, an investment by a Fund in CoCos is subject to the risk that coupon (i.e., interest) payments may be cancelled by the issuer or a regulatory authority in order to help the issuer absorb losses. An investment by a Fund in CoCos is also subject to the risk that, in the event of the liquidation, dissolution or winding-up of an issuer prior to a trigger event, the Fund's rights and claims will generally rank junior to the claims of holders of the issuer's other debt obligations. In addition, if CoCos held by a Fund are converted into the issuer's underlying equity securities following a trigger event, the Fund's holding may be further subordinated due to the conversion from a debt-to-equity instrument. Further, the value of an investment in CoCos is unpredictable and will be influenced by many factors and risks, including interest rate risk, credit risk, market risk and liquidity risk. An investment by a Fund in CoCos may result in losses to the Fund.

#### *Convertible Securities*

Convertible securities are bonds, debentures, notes, preferred stock, rights, warrants or other securities that may be converted into or exchanged for a prescribed amount of common stock or other security of the same or a different issuer or into cash within a particular period of time at a specified price or formula. A convertible security generally entitles the holder to receive interest paid or accrued on debt instruments or the dividend paid on preferred stock until the convertible security matures or is redeemed, converted or exchanged. If a convertible security is called for redemption, the respective Fund may have to redeem the security, convert it into common stock or sell it to a third party at a price and time that is not beneficial for the Fund. The value of convertible securities tends to decline as interest rates rise and, because of the conversion feature, tends to vary with fluctuations in the market value of the underlying securities. The

Funds may also invest in synthetic convertible securities, which involve the combination of separate securities that possess the two principal characteristics of a traditional convertible security (i.e., an income-producing component and a right to acquire an equity security). Synthetic convertible securities are often achieved, in part, through investments in warrants or options to buy common stock (or options on a stock index), and therefore are subject to the risks associated with derivatives.

Securities convertible into common stocks may have higher yields than common stocks but lower yields than comparable nonconvertible securities.

#### *Counterparty Risk*

A Fund is also subject to the risk that a counterparty to a derivatives contract, repurchase agreement, a loan of portfolio securities or an unsettled transaction may be unable or unwilling to make timely settlement payments or otherwise honor its obligations to the Fund. If a counterparty fails to meet its contractual obligations, goes bankrupt, or otherwise experiences a business interruption, the Fund could miss investment opportunities or otherwise hold investments it would prefer to sell, resulting in losses for the Fund. In addition, transactions in some types of swaps (including interest rate swaps and credit default swaps on North American and European indices) are required to be centrally cleared ("cleared swaps"). For over-the-counter swaps, there is a risk that the other party to certain of these instruments will not perform its obligations to the Funds or that a Fund may be unable to enter into offsetting positions to terminate its exposure or liquidate its position under certain of these instruments when it wishes to do so. Such occurrences could result in losses to such Fund. For cleared swaps, a Fund's counterparty is a clearinghouse rather than a bank or broker. In cleared swaps, such Fund makes payments (including margin payments) to and receives payments from a clearinghouse through its account at clearing members. Clearing members guarantee performance of their clients' obligations to the clearinghouse. Counterparty risk may be pronounced during unusually adverse market conditions and may be particularly acute in environments in which financial services firms are exposed to systemic risks of the type evidenced by the 2008 insolvency of Lehman Brothers and subsequent market disruptions. See "Derivatives Risk" below.

#### *Covenant Lite Loans*

Because covenant lite loans contain few or no financial maintenance covenants, they may not include terms that permit the lender of the loan to monitor the borrower's financial performance and, if certain criteria are breached, declare a default, which would allow the lender to restructure the loan or take other action intended to help mitigate losses. As a result, the Fund could experience relatively greater difficulty or delays in enforcing its rights on its holdings of covenant lite loans than its holdings of loans or securities with financial maintenance covenants, which may result in losses, especially during a downturn in the credit cycle.

#### *Debt Instruments Risks*

Debt instruments are subject to various risks, the most prominent of which are credit risk and interest rate risk. These risks can affect an instrument's price volatility to varying degrees, depending upon the nature of the instrument. Risks associated with investing in debt instruments include the following:

- *Credit Risk.* There is a risk that the issuer of a security will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of the security to decline. Securities are subject to varying degrees of credit risk, which are often reflected in their credit ratings and a Fund holding a fixed income security is subject to the risk that the security's credit rating will be downgraded. Securities issued by the U.S. Treasury historically have presented minimal credit risk. However, at least one major rating agency downgraded the long-term U.S. credit rating in 2011 due to the rising public debt burden and perception of greater policymaking



uncertainty in the U.S. and have introduced greater uncertainty about the ability of the U.S. to repay its obligations. A further credit rating downgrade or a U.S. credit default could decrease the value and increase the volatility of the Fund's investments, to the extent that the Fund has exposure to securities issued by the U.S. Treasury. Debt instruments rated below investment-grade are especially susceptible to this risk.

- *Interest Rate Risk.* The values of debt instruments usually rise and fall in response to changes in interest rates. Declining interest rates generally increase the value of existing debt instruments and rising interest rates generally decrease the value of existing debt instruments. Changes in a debt instrument's value usually will not affect the amount of interest income paid to a Fund but will affect the value of the Fund's shares. Interest rate risk is generally greater for investments with longer maturities. It is difficult to predict the pace at which central banks or monetary authorities may change interest rates or the timing, frequency, or magnitude of such changes. Any such changes could be sudden and could expose debt markets to significant volatility and reduced liquidity for investments.

Certain instruments pay interest at variable or floating rates. Variable rate instruments reset at specified intervals, while floating rate instruments reset whenever there is a change in a specified index rate. In most cases, these reset provisions reduce the effect of changes in market interest rates on the value of the instrument. However, some instruments do not track the underlying index directly, but reset based on formulas that can produce an effect similar to leveraging; others may also provide for interest payments that vary inversely with market rates. The market prices of these instruments may fluctuate significantly when interest rates change.

To the extent that a Fund effectively has short positions with respect to fixed income instruments, the values of such short positions would generally be expected to rise when nominal interest rates rise and to decline when nominal interest rates decline. A nominal interest rate can be described as the sum of a real interest rate and an expected inflation rate.

Some investments give the issuer the option to call or redeem an investment before its maturity date. If an issuer calls or redeems an investment during a time of declining interest rates, a Fund might have to reinvest the proceeds in an investment offering a lower yield, and therefore it might not benefit from any increase in value as a result of declining interest rates.

The United Kingdom's Financial Conduct Authority, which regulates LIBOR, has announced plans to phase out the use of LIBOR. Certain U.S. dollar LIBOR publications were discontinued at the end of 2021, while the remainder are expected to end by mid-2023. Certain instruments in which the Funds may invest have begun to rely on the Secured Overnight Financing Rate (SOFR), which is a volume-weighted median of borrowing rates from the Treasury repurchase agreement market. There remains uncertainty regarding the future utilization of LIBOR and SOFR and other replacement rates, and the potential effects of the transition away from LIBOR on the Funds or on certain instruments in which the Funds invest are not known. The transition process may involve, among other things, increased volatility or illiquidity in markets for instruments that currently rely on LIBOR, particularly insofar as the documentation governing such instruments does not include "fall back" provisions addressing the transition from LIBOR. With respect to most LIBOR-based instruments in which a Fund may invest, the pricing and other terms governing the adoption of any successor rate are expected to limit or eliminate the direct effect of the transition to a successor rate on the value of such instruments. However, uncertainty and volatility arising from the transition may result in a reduction in the value of certain LIBOR based instruments held by the Funds or reduce the effectiveness of related transactions such as hedges. Any such effects of the transition away from LIBOR, as well as other unforeseen effects, could result in losses to the Funds. The shift to SOFR from LIBOR also brings pricing challenges for borrowers and loan issuers, who prefer exposure to credit benchmarks that will adjust to

shifts in credit market conditions. SOFR is based on the U.S. repurchase agreement market, which has no credit risk and may fall during times of stress. LIBOR, by contrast, measures bank borrowing costs and rises during periods of stress. Lenders are adapting by pricing loans with a spread to SOFR. However, there are risks that this spread could underprice risks if there are unexpected periods of credit stress.

- *Limited Voting Rights Risk.* Debt instruments typically do not provide any voting rights, except in cases when interest payments have not been made and the issuer is in default.
- *Liquidity Risk.* Certain debt instruments may be substantially less liquid than many other securities, such as U.S. Government securities or common stocks. Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing a Fund from purchasing or selling such illiquid securities at an advantageous time or price, or possibly requiring a Fund to dispose of other investments at unfavorable times or prices in order to satisfy its obligations or possibly delaying the redemption of Fund shares. Funds with principal investment strategies that involve securities of companies with smaller market capitalizations, non-U.S. securities, Rule 144A securities, derivatives or securities with substantial market and/or credit risk tend to have the greatest exposure to liquidity risk. Additionally, the market for certain investments may become illiquid under adverse market or economic conditions independent of any specific adverse changes in the conditions of a particular issuer.

The SEC has adopted Rule 22e-4 under the Investment Company Act, which requires each open-end Fund to adopt a liquidity risk management program to assess and manage its liquidity risk. Under its program, a Fund will be required to classify its investments into specific liquidity categories and monitor compliance with limits on investments in illiquid securities. While the liquidity risk management program attempts to assess and manage liquidity risk, there is no guarantee it will be effective in its operations and may not reduce the liquidity risk inherent in a Fund's investments.

- *Long-Term Maturities/Durations Risk.* Fixed income instruments with longer maturities or durations may be subject to greater price fluctuations due to interest rate, tax law, and general market changes than instruments with shorter maturities or durations.
- *Prepayment/Call Risk.* There is a risk that issuers will prepay fixed rate obligations when interest rates fall. A Fund holding callable instruments therefore may be forced to reinvest in obligations with lower interest rates than the original obligations and otherwise may not benefit fully from the increase in value that other fixed income investments experience when rates decline.
- *Redemption Risk.* Debt instruments sometimes contain provisions that allow for redemption in the event of tax or security law changes, in addition to call features at the option of the issuer. In the event of a redemption, a Fund may not be able to reinvest the proceeds at comparable rates of return.

#### *Default Risk*

Certain Funds may hold defaulted investments that may involve special considerations including bankruptcy proceedings, other regulatory and legal restrictions affecting the Fund's ability to trade, and the availability of prices from independent pricing services or dealer quotations. Defaulted investments are often illiquid and may not be actively traded. Sale of investments in bankrupt companies at an acceptable price may be difficult and differences compared to the value of the securities used by the Funds could be material. A Fund may incur additional expenses to the extent it is required to seek recovery upon a portfolio investment's default in the payment of principal or interest. In any bankruptcy proceeding related to a defaulted investment, a Fund may lose its entire investment or may be required to accept cash or securities with a value substantially less than its original investment.

### *Depository Receipts Risk*

Certain Funds and UCITS may invest in American Depositary Receipts (ADRs) sponsored by U.S. banks, European Depositary Receipts (EDRs), Global Depositary Receipts (GDRs), ADRs not sponsored by U.S. banks, other types of depository receipts (including non-voting depository receipts), and other similar instruments representing securities of foreign companies. The issuers of Depositary Receipts may discontinue issuing new Depositary Receipts and withdraw existing Depositary Receipts at any time, which may result in costs and delays in the distribution of the underlying assets to the fund or UCITS and may negatively impact performance. Although certain depository receipts may reduce or eliminate some of the risks associated with foreign investing, these types of securities generally are subject to many of the same risks as direct investment in securities of foreign issuers.

### *Derivatives Risk*

Derivative transactions are contracts whose value is derived from the value of an underlying asset, index or rate, including futures, options, non-deliverable forwards, foreign currency forward contracts and swap agreements. A Fund may use derivatives to hedge against factors that affect the value of its investments, such as interest rates and foreign currency exchange rates. A Fund may also utilize derivatives as part of its overall investment technique to gain or lessen exposure to various securities, markets, volatility, dividend payments and currencies.

Derivatives typically involve greater risks than traditional investments. It is generally more difficult to ascertain the risk of, and to properly value, derivative contracts. Many derivatives, and particularly those that are privately negotiated, are complex and often valued subjectively. Improper valuations can result in increased cash payment requirements to counterparties or a loss of value to the Fund. The prices of derivatives may move in unexpected ways, especially in abnormal market conditions. Derivatives are usually less liquid than traditional securities and are subject to counterparty risk (the risk that the other party to the contract will default or otherwise not be able to perform its contractual obligations). In addition, some derivatives transactions may involve potentially unlimited losses.

As a seller of a credit default swap, a Fund effectively adds economic leverage to its portfolio because, in addition to its total net assets, the Fund is subject to investment exposure on the notional amount of the swap. Additionally, holding a position in a credit default swap could result in losses if the Fund does not correctly evaluate the creditworthiness of the company on which the credit default swap is based. To the extent a Fund writes call options on individual securities that it does not hold in its portfolio (i.e., "naked" call options), it is subject to the risk that a liquid market for the underlying security may not exist at the time an option is exercised or when the Fund otherwise seeks to close out an option position. Naked call options have speculative characteristics and the potential for unlimited loss.

Derivative contracts entered into for hedging purposes may also subject a Fund to losses if the contracts do not correlate with the assets, indexes or rates they were designed to hedge. In regard to currency hedging using forward contracts, it is generally not possible to precisely match the foreign currency exposure of such foreign currency forward contracts to the value of the securities involved due to fluctuations in the market values of such securities and cash flows into and out of the Fund between the date a foreign currency forward contract is entered into and the date it expires.

Governments, agencies and/or other regulatory bodies may adopt or change laws or regulations that could adversely affect a Fund's ability to invest in derivatives as the Fund's subadviser intends. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), among other things, grants the Commodity Futures Trading Commission (the "CFTC") and SEC broad rulemaking authority to implement various provisions of the Dodd-Frank Act including comprehensive regulation of the over-the-counter ("OTC") derivatives market. The implementation of the Dodd-Frank Act could adversely



affect a Fund by placing limits on derivative transactions, and/ or increasing transaction and/or regulatory compliance costs. For example, the CFTC adopted rules that will apply a new aggregation standard for position limit purposes, which may further limit a Fund's ability to trade futures contracts and swaps.

There are also special tax rules applicable to certain types of derivatives, which could affect the amount, timing and character of a Fund's income or loss and hence of its distributions to shareholders by causing holding period adjustments, converting short-term capital losses into long-term capital losses, and accelerating a Fund's income or deferring its losses. A Fund's use of derivatives may also increase the amount of taxes payable by shareholders or the resources required by the Fund; or its adviser and/or subadviser(s) to comply with particular regulatory requirements.

Under recently adopted rules and regulations, transactions in some types of swaps (including interest rate swaps and credit default swaps on North American and European indices) are required to be centrally cleared. In a cleared derivatives transaction, a Fund's counterparty is a clearing house, rather than a bank or broker. Since the Funds are not members of clearing houses and only members of a clearing house can participate directly in the clearing house, the Funds will hold cleared derivatives through accounts at clearing members. In a cleared derivatives transaction, a Fund will make payments (including margin payments) to and receive payments from a clearing house through its account at clearing member. Clearing members guarantee performance of their clients' obligations to the clearing house.

In October 2020, the Securities and Exchange Commission (the "SEC") adopted new Rule 18f-4 under the Investment Company Act ("Rule 18f-4") providing for the regulation of a registered investment company's use of derivatives and certain related instruments. Among other things, Rule 18f-4 limits a Fund's derivatives exposure through a value-at-risk ("VaR") test and requires the adoption and implementation of a derivatives risk management program for certain derivatives users. In connection with the adoption of Rule 18f-4, the SEC also eliminated the asset segregation framework arising from prior SEC guidance for covering derivatives and certain financial instruments. Compliance with Rule 18f-4 will not be required until August 2022. When a Fund comes into compliance, the Fund's treatment of investments or trading practices that involve contractual obligations to pay in the future will change. Most such investments or trading practices will be considered to be derivatives under Rule 18f-4 and will therefore be subject to the VaR test set forth in the rule. The approach to asset segregation and coverage requirements described in the Fund's prospectus will also be impacted. For certain investments, such as reverse repurchase agreements and similar financing transactions, a Fund will have the option to either treat them as (1) senior securities under Section 18 of the Investment Company Act, in which case they would be subject to the 300% asset coverage requirement described above, or (2) derivatives subject to the VaR test imposed by Rule 18f-4. Rule 18f-4 could restrict a Fund's ability to engage in certain derivatives transactions and/or increase the costs of such derivatives transactions, which could adversely affect the value or performance of the Fund.

Centrally cleared derivative arrangements may be less favorable to mutual funds than bilateral arrangements. For example, the Funds may be required to provide greater amounts of margin for cleared derivatives transactions than for bilateral derivatives transactions. Also, in contrast to bilateral derivatives transactions, following a period of notice to a Fund, a clearing member generally can require termination of existing cleared derivatives transactions at any time or increases in margin requirements above the margin that the clearing member required at the beginning of a transaction. Clearing houses also have broad rights to increase margin requirements for existing transactions or to terminate transactions at any time. In addition, derivatives that are centrally cleared are subject to the credit risk of the clearing house and the member of the clearing house through which a Fund holds its cleared position. If a Fund's counterparty or the relevant clearing house or clearing member were to default, the Fund could lose a portion or all of the collateral held by the counterparty, clearing house, or clearing member on its behalf, or could suffer extended delays in recovering that collateral.

- *Options Risk.* A Fund may engage in a variety of options transactions. When a Fund purchases options, it risks the loss of the cash paid for the options if the options expire unexercised. When the Fund sells covered call options, it foregoes the opportunity to benefit from an increase in the value of the underlying stock above the exercise price, but it continues to bear the risk of a decline in the value of the underlying stock. The Fund receives a premium for selling a call option but the price the Fund realizes from the sale of the stock upon exercise of the option could be substantially below the prevailing market price of the stock. The purchaser of the covered call option may exercise the call at any time during the option period (the time between when the call is sold and when it expires). When a call option which the Fund has written is exercised, the Fund must deliver the security upon which the call is written. This means that the Fund would be forced to deliver a security out of its portfolio and replace it or purchase the same security on the open market for delivery. Under either scenario, the Fund would face increased transaction costs because of its need to purchase securities, either for delivery to the party exercising the call option or to replace a security delivered to the other party out of its portfolio. If the value of the stock underlying the call option is below the exercise price, the call is not likely to be exercised, and the Fund could have an unrealized loss on the stock, offset by the amount of the premium received by the Fund when it sold the option. When the Fund sells (writes) put options, the Fund's gains are limited to the extent of the premiums received; however, in return for the option premium, the Fund accepts the risk that it may be required to purchase the underlying asset at a price in excess of the asset's market value.

The market value of options written by the Fund will be affected by many factors, including changes in the market value of underlying securities or indices, changes in the dividend rates of underlying securities (or in the case of indices, the securities comprising such indices), changes in interest rates, changes in the actual or perceived volatility of the stock market and underlying securities, and the remaining time to an option's expiration. The market value of an option also may be adversely affected if the market for the option is reduced or becomes less liquid. There is no assurance that a liquid market will be available at all times for the Fund to sell call options or to enter into closing purchase transactions. In addition, the premiums the Fund receives for selling call options may decrease as a result of a number of factors, including changes in interest rates generally, a decline in stock market volumes or a decrease in the price volatility of the underlying securities. The Fund incurs transaction expenses when selling call options. The Fund incurs transaction expenses when selling call options or put options. The options transactions of the Fund may increase its portfolio turnover rates and the amount of commissions the Fund will pay.

The Fund may write call options that are "in the money," meaning calls whose exercise price is less than the market price of the underlying stock or basket of stocks when the options are written or "at the money," meaning calls whose exercise price is equal to the market price of the underlying stock or basket of stocks when the options are written. Call options that are written "in the money" or "at the money" are more likely to be exercised by the counterparty than other options and effectively eliminate the Fund's ability to benefit from appreciation in the market value of the securities on which the options are written during the period of the option. Transactions involving the disposition of the Fund's underlying securities (whether pursuant to the exercise of a call option or otherwise) give rise to capital gains or losses. Because the Fund has no control over the exercise of the call options, shareholder redemptions, or corporate events affecting its equity securities investments (such as mergers or reorganizations), it may be forced to realize capital gains or losses at inopportune times.

#### *Distressed Securities Risk*

Distressed securities risk refers to the uncertainty of repayment of defaulted securities and obligations of distressed issuers which are experiencing (or that are expected to experience) significant financial or business stress or distress, including issuers involved in bankruptcy or other reorganization and

liquidation proceeding. Because the issuer of such securities is likely to be in a distressed financial condition, repayment of distressed or defaulted securities (including insolvent issuers or issuers in payment or covenant default, in workout or restructuring or in bankruptcy or insolvency proceedings) is subject to significant uncertainties. Insolvency laws and practices in foreign jurisdictions are different than those in the U.S. and the effect of these laws and practices may be less favorable and predictable than in the U.S. Investments in defaulted securities and obligations of distressed issuers are considered highly speculative.

#### *Equity Securities Risks*

Generally, prices of equity securities are more volatile than those of fixed income securities. Equity securities may take the form of shares of common stock of a corporation, membership interests in a limited liability company, limited partnership interests, or other forms of ownership interests. Equity securities also include, among other things, preferred stocks, convertible securities and warrants. The prices of equity securities will rise and fall in response to a number of different factors. In particular, equity securities will respond to events that affect entire financial markets or industries (such as changes in inflation or consumer demand) and to events that affect particular issuers (such as news about the success or failure of a new product). Equity securities also are subject to “stock market risk,” meaning that stock prices in general may decline over short or extended periods of time. When the value of the stocks held by a Fund or UCITS goes down, the value of the Fund’s shares will be affected. Dividend paying companies may underperform companies without a history of paying dividends. In addition, because a company’s equity securities rank junior in priority to the interests of bond holders and other creditors, a company’s equity securities will usually react more strongly than its bonds and other debt to actual or perceived changes in the company’s financial condition or prospects. The following risks are associated with investing in equity securities and increase the risks of volatility and/or loss to the Fund or UCITS:

- *Growth Stocks Risk.* Growth stocks can react differently to issuer, political, market, and economic developments than the market as a whole and other types of stocks. Growth stocks also tend to be more expensive relative to their earnings or assets compared to other types of stocks, and as a result they tend to be sensitive to changes in their earnings than other types of stocks.
- *Large Market Capitalization Companies Risk.* The value of investments in larger companies may not rise as much as investments in smaller companies, and larger companies may be unable to respond quickly to competitive challenges, such as changes in technology and consumer tastes.
- *Small and Medium Market Capitalization Companies Risk.* Small and medium-sized companies often have narrower markets, fewer products or services to offer, and more limited managerial and financial resources than larger, more established companies. As a result, the performance of small and medium-sized companies may be more volatile, and they may face a greater risk of business failure.
- *Small Market Capitalization Companies Risk.* Small companies often have narrower markets, fewer products or services to offer, and more limited managerial and financial resources than larger, more established companies. As a result, the performance of small companies may be more volatile, and they may face a greater risk of business failure.
- *Value Stocks Risk.* A company may be undervalued due to market or economic conditions, temporary earnings declines, unfavorable developments affecting the company and other factors, or because it is associated with a market sector that generally is out of favor with investors. Undervalued stocks tend to be inexpensive relative to their earnings or assets compared to other types of stock. However, these

stocks can continue to be inexpensive for long periods of time and may not realize their full economic value.

#### *ESG Risk*

A fund's or account's consideration of ESG factors could cause it to perform differently compared to funds or accounts that do not use such considerations. The relevance and weightings of specific ESG factors may vary across asset classes, sectors and strategies and no one factor is determinative. ESG factors are qualitative and subjective by nature and there are significant differences in interpretations of what it means for a company to have positive or negative ESG factors. There is no guarantee that the factors utilized by a fund's or account's adviser or subadviser or any judgment exercised by the adviser or subadviser will reflect the opinions of any particular investor, and the factors analyzed by the adviser or subadviser may differ from the factors any particular investor considers relevant in evaluating ESG practices. When integrating ESG factors into the investment process, the adviser or subadviser may rely on third-party data that it believes to be reliable, but it does not guarantee the accuracy of such third-party data. ESG information from third-party data providers may be incomplete, inaccurate or unavailable, which may adversely impact the investment process. Moreover, the current lack of common standards may result in different approaches to integrating ESG factors. As a result, the funds or accounts may invest in companies that do not reflect the beliefs and values of any particular investor. The ESG factors that may be evaluated as part of the investment process are anticipated to evolve over time and one or more characteristics may not be relevant with respect to all issuers that are eligible for investment. Further, the regulatory landscape with respect to ESG integration in the United States is still developing and future rules and regulations may require a fund or account to modify or alter its investment process with respect to ESG integration.

#### *Exchange-Traded Funds (ETFs)*

ETFs invest in a portfolio of securities designed to track a particular market segment or index. The risks associated with investing in ETFs generally reflect the risks of owning shares of the underlying securities the ETF is designed to track, although lack of liquidity in an ETF could result in its value being more volatile than the underlying portfolio of securities. Assets invested in ETFs incur a layering of expenses, including operating costs and advisory fees that Fund shareholders indirectly bear; such expenses may exceed the expenses the Fund would incur if it invested directly in the underlying portfolio of securities the ETF is designed to track. Shares of ETFs trade on a securities exchange and may trade at, above, or below their net asset value. The extent to which the investment performance and risks associated with a Fund correlate to those of a particular ETF will depend upon the extent to which the portfolio's assets are allocated from time to time for investment in the ETF, which will vary.

#### *Focused Investing Risks*

Focusing Fund investments in a small number of issuers, industries, foreign currencies or regions increases risk. Funds that are "non-diversified" because they may invest a significant portion of their assets in a relatively small number of issuers may have more risk because changes in the value of a single security or the impact of a single economic, political or regulatory occurrence may have a greater adverse impact on the Fund's NAV. Similarly, certain underlying bond Funds may have more risk because they may invest a substantial portion of their assets in bonds of similar projects or from issuers of the same status. Some of those issuers also may present substantial credit or other risks. Diversified Funds that invest in a relatively small number of issuers are subject to similar risks. In addition, the Funds may be subject to increased risk to the extent they focus their investments in securities denominated in a particular foreign currency or in a narrowly defined geographic area, for example, regional economic risks relating to weather emergencies and natural disasters. Similarly, a Fund that focuses its investments in a certain type of issuer is particularly vulnerable to events affecting such type of issuer. Also, a Fund may have greater risk to the extent it invests a substantial portion of its assets in a group of related industries (or "sectors"). The industries comprising any particular sector and investments in a particular

foreign currency or in a narrowly defined geographic area outside the United States may share common characteristics, are often subject to similar business risks and regulatory burdens, and react similarly to economic, market, political or other developments. Funds may be subject to increased risk to the extent they allocate assets among investment styles and certain styles underperform relative to other investment styles. Furthermore, certain issuers, industries and regions may be adversely affected by the impacts of climate change on the demand for and the development of goods and services and related production costs, and the impacts of legislation, regulation and international accords related to climate change, as well as any indirect consequences of regulation or business trends driven by climate change. Funds that focus investments of their assets in a particular industry or group of related industries are subject, and have heightened exposure, to the risks factors particular to each such industry.

When a Fund invests in mutual funds or exchange-traded funds (“Underlying Funds”), certain Underlying Funds may have more risk because they have a particular geographic or sector focus. An Underlying Fund that holds or obtains exposure to a particular geography, such as Europe or the Far East, may be affected by economic, regulatory or political developments affecting issuers in that geography. Similarly, Underlying Funds that focus their investments in companies that have exposure, directly or indirectly, to a particular sector, such as the eco-sectors or water-related sectors, will be impacted more by events or factors affecting those sectors than if their portfolios were more diversified among a number of unrelated sectors and industries. To the extent that a Fund concentrates a significant portion of its assets in a single Underlying Fund, it will be particularly sensitive to the risks associated with that Underlying Fund and any investments in which that Underlying Fund concentrates.

The following additional risks are associated with Focused Investing:

- *Geographic Concentration Risk.* The value of the investments of a Fund that focuses its investments in a particular geographic location will be highly sensitive to financial, economic, political and other developments affecting the fiscal stability of that location, and conditions that negatively impact that location will have a greater impact on the Fund as compared with a Fund that does not have its holdings similarly concentrated. Events negatively affecting such location are therefore likely to cause the value of the Fund's shares to decrease, perhaps significantly.
- *Industry/Sector Concentration Risk.* The value of the investments of a Fund that focuses its investments in a particular industry or market sector will be highly sensitive to financial, economic, political and other developments affecting that industry or market sector, and conditions that negatively impact that industry or market sector will have a greater impact on the Fund as compared with a Fund that does not have its holdings similarly concentrated. Events negatively affecting the industries or market sectors in which a Fund has invested are therefore likely to cause the value of the Fund's shares to decrease, perhaps significantly.
- *Limited Number of Investments.* There is a risk that a Fund's portfolio may be more susceptible to factors adversely affecting issuers of securities in the Fund's portfolio than would a Fund holding a greater number of securities.
- *Sector Focused Investing.* The value of the investments of a Fund that focuses its investments in a particular market sector will be highly sensitive to financial, economic, political and other developments affecting that market sector, and conditions that negatively impact that market sector will have a greater impact on the Fund as compared with a Fund that does not have its holdings similarly focused. Events negatively affecting the market sectors in which a Fund has invested are therefore likely to cause the value of the Fund's shares to decrease, perhaps significantly.



- *Health Sciences-Related Risks.* Funds that focus their investments in the health sciences- related sector will be subject to risks particular to that sector, including rapid obsolescence of products and services, the potential and actual performance of a limited number of products and services, technological change, patent expirations, risks associated with new regulations and changes to existing regulations, changes in government subsidy and reimbursement levels, risks associated with the governmental approval process, and chances of lawsuits versus health sciences-related companies due to product or service liability issues.
- *Technology-Related Risks.* Funds that make significant investments in the technology sectors will be subject to risks particularly affecting technology or technology-related companies, such as the risks of short product cycles and rapid obsolescence of products and services, competition from new and existing companies, significant losses and/or limited earnings, security price volatility, limited operating histories and management experience, and patent and other intellectual property considerations.

*Foreign Investing / Non-U.S. Securities (Including Emerging Markets) Risks*

Investing in securities of non-U.S. companies involves special risks and considerations not typically associated with investing in U.S. companies, and the values of non-U.S. securities may be more volatile than those of U.S. securities. The values of non-U.S. securities are subject to economic, geopolitical, and political developments in countries and regions where the issuers operate or are domiciled, or where the securities are traded, such as changes in economic or monetary policies, and to changes in currency exchange rates. Values may also be affected by restrictions on receiving the investment proceeds from a non-U.S. country. In the event of nationalization, expropriation or other confiscation, a Fund or UCITS could lose its entire investment in non-U.S. securities.

In general, less information is publicly available about non-U.S. companies than about U.S. companies. Non-U.S. companies are generally not subject to the same accounting, auditing and financial reporting standards as are U.S. companies. In addition, a Fund's or UCITS' investments in non-U.S. securities may be subject to withholding and other taxes imposed by countries outside the U.S., which could reduce the return on an investment in a Fund or UCITS. Certain foreign issuers classified as passive foreign investment companies may be subject to additional taxation risk.

The following risks are associated with investing in non-U.S. companies and increase the risks of volatility and/or loss to the Fund or UCITS:

- *Currency Rate Risk.* Because the foreign securities in which a Fund or UCITS invests generally trade in currencies other than the U.S. dollar, changes in currency exchange rates will affect the Fund or UCITS net asset value, the value of dividends and interest earned, and gains and losses realized on the sale of securities. Because the value of each Fund's or UCITS' shares is calculated in U.S. dollars, it is possible for a Fund or UCITS to lose money by investing in a foreign security if the local currency of a foreign market depreciates against the U.S. dollar, even if the local currency value of the Fund's or UCITS' holdings goes up. Generally, a strong U.S. dollar relative to such other currencies will adversely affect the value of the Fund's or UCITS' holdings in foreign securities.
- *Developing Market Risk.* The risks of foreign investments are generally greater in countries whose markets are still developing than they are in more developed markets. Developing market countries typically have economic and political systems that are less fully developed and can be expected to be less stable than those of more developed countries. For example, the economies of such countries can be subject to rapid and unpredictable rates of inflation or deflation. Since these markets are often small, they may be more likely to suffer sharp and frequent price changes or long-term price

depression because of adverse publicity, investor perceptions or the actions of a few large investors. They may also have policies that restrict investment by foreigners, or that prevent foreign investors from withdrawing their money at will. Certain developing markets may also face other significant internal or external risks, including the imposition of sanctions and risk of war and civil unrest. For all of these reasons, investments in developing markets may be considered speculative. To the extent that a Fund or UCITS invests a significant portion of its assets in a particular emerging market, the Fund or UCITS will be more vulnerable to financial, economic, political and other developments in that country, and conditions that negatively impact that country will have a greater impact on the Fund or UCITS as compared with a Fund or UCITS that does not have its holdings concentrated in a particular country.

- *Investing in China Risk.* The Chinese economy is generally considered an emerging and volatile market. Although China has experienced a relatively stable political environment in recent years, there is no guarantee that such stability will be maintained in the future. As an emerging market, many factors may affect such stability such as increasing gaps between the rich and poor or agrarian unrest and instability of existing political structures and may result in adverse consequences to a Fund or UCITS investing in securities and instruments economically tied to China. A small number of companies represent a large portion of the Chinese market as a whole, and prices for securities of these companies may be very sensitive to adverse political, economic, or regulatory developments in China and other Asian countries, and may experience significant losses in such conditions. The value of Chinese currencies may also vary significantly relative to the U.S. dollar, affecting the Fund or UCITS investments, to the extent the Fund or UCITS invests in China-related investments. Historically, China's central government has exercised substantial control over the Chinese economy through administrative regulation, state ownership, the allocation, expropriation or nationalization of resources, by controlling payment of foreign currency-denominated obligations, by setting monetary policy and by providing preferential treatment to particular industries or companies. The emergence of domestic economic demand is still at an early stage, making China's economic health largely dependent upon exports. China's growing trade surplus with the U.S. has increased the risk of trade disputes. For example, recent developments in relations between the U.S. and China have heightened concerns of increased tariffs and restrictions on trade between the two countries. An increase in tariffs or trade restrictions, or even the threat of such developments, could lead to a significant reduction in international trade, which could have a negative impact on China's, or other countries', export industry and a commensurately negative impact on a Fund or UCITS that invests in securities and instruments that are economically tied to China. In addition, as China's economic and political strength has grown in recent years, it has shown a greater willingness to assert itself militarily in the region. Military or diplomatic moves to resolve any issues could adversely affect the economies in the region. Despite economic reforms that have resulted in less direct central and local government control over Chinese businesses, actions of the Chinese central and local government authorities continue to have a substantial effect on economic conditions in China. These activities, which may include central planning, partial state ownership of or government actions designed to substantially influence certain Chinese industries, market sectors or particular Chinese companies, may adversely affect the public and private sector companies in which the Fund or UCITS invests. Government actions may also affect the economic prospects for, and the market prices and liquidity of, the securities of Chinese companies and the payments of dividends and interest by Chinese companies. In addition, currency fluctuations, monetary policies, competition, social instability or political unrest may adversely affect economic growth in China. The Chinese economy and Chinese companies may also be adversely affected by regional security threats, as well as adverse developments in Chinese trade policies, or in trade policies toward China by countries that are trading partners with China. The economies, industries, and securities and currency markets of the China region may also be adversely affected by slow

economic activity worldwide, dependence on exports and international trade, increasing competition from Asia's other low-cost emerging economies, and environmental events and natural disasters that may occur in China.

Investing in China A-shares through Stock Connect is subject to trading, clearance, settlement, and other procedures, which could pose risks to the Fund or UCITS. Trading through the Stock Connect program is subject to daily quotas that limit the maximum daily net purchases on any particular day, each of which may restrict or preclude the Fund's or UCITS' ability to invest in China A-shares through the Stock Connect program. Trading through Stock Connect may require pre-validation of cash or securities prior to acceptance of orders. This requirement may limit the Fund's or UCITS' ability to dispose of its A-shares purchased through Stock Connect in a timely manner. A primary feature of the Stock Connect program is the application of the home market's laws and rules applicable to investors in China A-shares. Therefore, the Fund's or UCITS' investments in Stock Connect China A-shares are generally subject to the securities regulations and listing rules of the People's Republic of China ("PRC"), among other restrictions. Stock Connect can only operate when both PRC and Hong Kong markets are open for trading and when banking services are available in both markets on the corresponding settlement days. As such, the Shanghai and Shenzhen markets may be open at a time when Stock Connect is not trading, with the result that prices of China A-shares may fluctuate at times when the Fund or UCITS is unable to add to or exit its position, which could adversely affect the Fund's or UCITS' performance. Changes in the operation of the Stock Connect program may restrict or otherwise affect the Fund's or UCITS' investments or returns. Furthermore, any changes in laws, regulations and policies of the China A-shares market or rules in relation to Stock Connect may affect China A-share prices. These risks are heightened generally by the developing state of the PRC's investment and banking systems and the uncertainty about the precise nature of the rights of equity owners and their ability to enforce such rights under Chinese law.

Chinese operating companies sometimes rely on variable interest entity ("VIE") structures to raise capital from non-Chinese investors because of Chinese government limitations or prohibitions on direct foreign ownership in certain industries. In a VIE structure, a series of contractual arrangements are entered into between a holding company domiciled outside of China and a Chinese operating company or companies, which are intended to mimic direct ownership in the operating company, but in many cases these arrangements have not been tested in court and it is not clear that the contracts are enforceable or that the structures will otherwise work as intended. The offshore holding company, which is not a Chinese operating company, then issues exchange-traded shares that are sold to the public, including non-Chinese investors. Shares of the offshore entity purchased by a fund or account would not be equity ownership interests in the Chinese operating company and the fund's or account's interest would be subject to legal, operational and other risks associated with the company's use of the VIE structure. For example, at any time the Chinese government could determine that the contractual arrangements constituting part of the VIE structure are unenforceable or do not comply with applicable law or regulations, these laws or regulations could change or be interpreted differently in the future, and the Chinese government may with no advance notice otherwise intervene in or exert influence over VIE structures or the related Chinese operating companies. If any of these or similar risks or developments materialize, the fund's or account's investment in the offshore entity may suddenly and significantly decline in value or become worthless because of, among other things, difficulty enforcing (or the inability to enforce) the contractual arrangements or materially adverse effects on the Chinese operating company's performance. In these circumstances, the fund or account could experience significant losses with no recourse available. From time to time, the fund's or account's investments in U.S.-listed shell companies relying on VIE structures to consolidate China-based operations could be significant.



In addition, the relationship between China and Taiwan is particularly sensitive, and hostilities between China and Taiwan may present a risk to a Fund's or UCITS' investments in China.

- *Investing in Taiwan Risk.* Taiwan's geographic proximity and history of political contention with China have resulted in ongoing tensions between the two countries. These tensions may materially affect the Taiwanese economy and its securities market. Taiwan's economy is export-oriented, so it depends on an open world trade regime and remains vulnerable to fluctuations in the world economy. Rising labor costs and increasing environmental consciousness have led some labor-intensive industries to relocate to countries with cheaper work forces, and continued labor outsourcing may adversely affect the Taiwanese economy. Taiwan's economy also is intricately linked with economies of other Asian countries, which are often emerging market economies that often experience over-extensions of credit, frequent and pronounced currency fluctuations, devaluations and restrictions, rising unemployment and fluctuations in inflation. Political and social unrest in other Asian countries could cause further economic and market uncertainty in Taiwan. In particular, the Taiwanese economy is dependent on the economies of Japan and China, and also the United States, and a reduction in purchases by any of them of Taiwanese products and services or negative changes in their economies would likely have an adverse impact on the Taiwanese economy. Taiwan's geographic proximity to the People's Republic of China and Taiwan's history of political contention with China have resulted in ongoing tensions with China, including the continual risk of military conflict with China. These tensions may materially affect the Taiwanese economy and securities markets. Lastly, Taiwan is a small island state with few raw material resources and limited land area and thus it relies heavily on imports for its commodity needs. Any fluctuations or shortages in the commodity markets could have a negative impact on the Taiwanese economy.
- *Investing in South Korea Risk.* Investing in South Korean securities has special risks, including political, economic and social instability, and the potential for increasing militarization in North Korea. Substantial political tensions exist between North Korea and South Korea. Escalated tensions involving the two nations and the outbreak of hostilities between the two nations, or even the threat of an outbreak of hostilities, could have a severe adverse effect on the South Korean economy. In addition, South Korea's financial sector has shown certain signs of systemic weakness and illiquidity, which, if exacerbated, could prove to be a material risk for any investments in South Korea. The South Korean economy's dependence on the economies of Asia and the U.S. means that a reduction in spending by these economies on South Korean products and services or negative changes in any of these economies may cause an adverse impact on the South Korean economy and therefore, on the Fund's or UCITS' investments. South Korea is dependent on foreign sources for its energy needs. A significant increase in energy prices could have an adverse impact on South Korea's economy. The South Korean government has historically exercised and continues to exercise substantial influence over many aspects of the private sector. The South Korean government from time to time has informally influenced the prices of certain products, encouraged companies to invest or to concentrate in particular industries and induced mergers between companies in industries experiencing excess capacity. South Korea has privatized, or has begun the process of privatizing, certain entities and industries. Newly privatized companies may face strong competition from government-sponsored competitors that have not been privatized. In some instances, investors in newly privatized entities have suffered losses due to the inability of the newly privatized entities to adjust quickly to a competitive environment or changing regulatory and legal standards or, in some cases, due to re-nationalization of such privatized entities. There is no assurance that similar losses will not recur.

In addition, South Korea is located in a part of the world that has historically been prone to natural disasters such as earthquakes, hurricanes or tsunamis, and is economically sensitive to environmental events. Any such event may adversely impact South Korea's economy or business operations of companies in South Korea.

- *Investing in Brazil Risk.* Investment in Brazilian issuers involves risks that are specific to Brazil, including legal, regulatory, political, currency and economic risks. Specifically, Brazilian issuers are subject to possible regulatory and economic interventions by the Brazilian government, including the imposition of wage and price controls and the limitation of imports. In addition, the market for Brazilian securities is directly influenced by the flow of international capital and economic and market conditions of certain countries, especially other emerging market countries in Central and South America. The Brazilian economy is sensitive to fluctuations in commodity prices and commodity markets. The Brazilian economy has historically been exposed to high rates of inflation and a high level of debt, each of which may reduce and/or prevent economic growth. A rising unemployment rate could also have the same effect. Brazil has experienced security concerns, such as terrorism and strained international relations. Incidents involving the country's or region's security may cause uncertainty in Brazilian markets and may adversely affect its economy and the Fund's or UCITS' investments. The Brazilian government currently imposes significant taxes on the transfer of currency. Brazilian law provides that whenever a serious imbalance in Brazil's balance of payments exists or is anticipated, the Brazilian government may impose temporary restrictions on the remittance to foreign investors of the proceeds of their investment in Brazil and on the conversion of the Brazilian real into foreign currency. These and other factors could have a negative impact on the Fund's or UCITS' performance and increase the volatility of an investment in the Fund or UCITS.
- *Investing in India Risk.* The value of the Fund's or UCITS' investments in Indian securities may be affected by political and economic developments, changes in government regulation and government intervention, high rates of inflation or interest rates and withholding tax affecting India. The risk of loss may also be increased because there may be less information available about Indian issuers because they are not subject to the extensive accounting, auditing and financial reporting standards and practices which are applicable in the U.S. and other developed countries. There is also a lower level of regulation and monitoring of the Indian securities market and its participants than in other more developed markets. The laws in India relating to limited liability of corporate shareholders, fiduciary duties of officers and directors, and the bankruptcy of state enterprises are generally less well developed than or different from such laws in the United States. It may be more difficult to obtain or enforce a judgment in the courts in India than it is in the United States. India also has less developed clearance and settlement procedures, and there have been times when settlements have been unable to keep pace with the volume of securities and have been significantly delayed. The Indian stock exchanges have in the past been subject to repeated closure and there can be no certainty that this will not recur. In addition, significant delays are common in registering transfers of securities and the Fund or UCITS may be unable to sell securities until the registration process is completed and may experience delays in receipt of dividends and other entitlements.

India's guidelines under which foreign investors may invest in securities of Indian companies are evolving. There can be no assurance that these investment control regimes will not change in a way that makes it more difficult or impossible for the Fund or UCITS to achieve its investment objective or repatriate its income, gains and initial capital from India. In addition, India may require withholding on dividends paid on portfolio securities and on realized capital gains, and taxes may be substantial. There can be no assurance that restrictions on repatriation of the Fund's or UCITS' income, gains or initial capital from India will not occur.

The Indian population is composed of diverse religious, linguistic and ethnic groups. Religious and border disputes continue to pose problems for India. From time to time, India has experienced internal disputes between religious groups within the country. In addition, India has faced, and continues to face, military hostilities with neighboring countries and regional countries. These events could adversely influence the Indian economy and, as a result, negatively affect the Fund's or UCITS' investments.

Agriculture occupies a more prominent position in the Indian economy than in the United States, and the Indian economy therefore is more susceptible to adverse changes in weather. Economic growth in India is constrained by inadequate infrastructure, a cumbersome bureaucracy, corruption, labor market rigidities, regulatory and foreign investment controls, the "reservation" of key products for small-scale industries and high fiscal deficits. Changes in economic policies, or lack of movement toward economic liberalization, could negatively affect the general business and economic conditions in India, which could in turn affect the Fund's or UCITS' investments. Further, the economies of developing countries such as India generally are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. The Indian economy also has been and may continue to be adversely affected by economic conditions in the countries with which it trades. There is also the possibility of nationalization, expropriation or confiscatory taxation, political changes, government regulation, social instability, or diplomatic developments (including war or terrorist attacks). All of these factors could adversely affect the economy of India, make the prices of Indian securities generally more volatile than the prices of securities of companies in developed markets and increase the risk of loss to the Fund or UCIT.

India is also located in a part of the world that has historically been prone to natural disasters, such as earthquakes and tsunamis. Any such natural disaster could cause a significant impact on the Indian economy, causing an adverse impact on the Fund or UCITS. In addition, religious and border disputes persist in India. Moreover, India has experienced civil unrest and hostilities with neighboring countries, including Pakistan, and the Indian government has confronted separatist movements in several Indian states. India has experienced acts of terrorism that has targeted foreigners. Such acts of terrorism have had a negative impact on tourism, an important sector of the Indian economy.

- *Investing in Indonesia Risk.* Investments in Indonesian involve risks not typically associated with investments in developed countries. These risks include, among others, expropriation and/or nationalization of assets, confiscatory taxation, political instability, armed conflict and social instability as a result of religious, ethnic and/or socioeconomic unrest. Indonesia is considered an emerging market country characterized by a small number of listed companies, high price volatility and a relatively illiquid secondary trading market. These factors, coupled with restrictions on foreign investment and other factors, limit the supply of securities available for investment by a Fund or UCITS. This will affect the rate at which a Fund or UCIT is able to invest in Indonesia, the purchase and sale prices for such securities and the timing of purchases and sales. The democratic government of Indonesia is relatively new, which increases the risk of political and economic instability in the country. Indonesia has also experienced acts of terrorism and separatist violence, which has negatively impacted the economy of Indonesia. Indonesia is also prone to natural disasters such as typhoons, tsunamis, earthquakes and flooding, which may also present risks to a Fund's or UCITS' investments in Indonesia. In addition, many economic development problems remain, including high unemployment, a fragile banking sector, endemic corruption, inadequate infrastructure, a poor investment climate, and unequal resource

distribution among regions. The economic and market conditions of certain countries, especially emerging market countries in Southeastern Asia, along with the flow of international capital have a strong influence on the securities market in Indonesia.

Adverse economic conditions or developments in other emerging market countries have at times significantly affected the availability of credit in the Indonesian economy and resulted in considerable outflows of funds and declines in the amount of foreign currency invested in Indonesia. Issues in neighboring emerging market countries also may increase investors' perception of risk in Indonesia, which may adversely impact the value of the Indonesian securities.

- *Emerging Market Risk.* The risks of foreign investments are generally greater in countries whose markets are still developing than they are in more developed markets. Emerging market countries typically have economic and political systems that are less fully developed and can be expected to be less stable than those of more developed countries. For example, the economies of such countries can be subject to rapid and unpredictable rates of inflation or deflation. Since these markets are often small, they may be more likely to suffer sharp and frequent price changes or long-term price depression because of adverse publicity, investor perceptions or the actions of a few large investors. They may also have policies that restrict investment by foreigners, or that prevent foreign investors from withdrawing their money at will. Certain emerging markets may also face other significant internal or external risks, including the imposition of sanctions and risk of war and civil unrest. For all of these reasons, investments in emerging markets may be considered speculative. To the extent that a Fund or UCITS invests a significant portion of its assets in a particular emerging market, the Fund or UCITS will be more vulnerable to financial, economic, political and other developments in that country, and conditions that negatively impact that country will have a greater impact on the Fund or UCITS as compared with a Fund or UCITS that does not have its holdings concentrated in a particular country.
- *Equity-Linked Instruments Risk.* Equity-linked instruments are instruments of various types issued by financial institutions or special purpose entities located in foreign countries to provide the synthetic economic performance of a referenced equity security, including benefits from dividends and other corporate actions, but without certain rights of direct investment in the referenced securities, such as voting rights. In addition to the market and other risks of the referenced equity security, equity-linked instruments involve counterparty risk, which includes the risk that the issuing entity may not be able to honor its financial commitment. Equity-linked instruments have no guaranteed return of principal and may experience a return different from the referenced equity security. Typically, a fund will invest in equity-linked instruments in order to obtain exposure to certain countries in which it does not have local accounts.
  - *Participatory Notes Risk.* A Fund or UCITS may invest in P-Notes, to seek to gain economic exposure to markets where holding an underlying security is not feasible. P-Notes are participation interest notes that are issued by banks or broker-dealers and are designed to offer a return linked to a particular underlying equity, debt, currency or market. When purchasing a P-Note, the posting of margin is not required because the full cost of the P-Note (plus commission) is paid at the time of purchase. When the P-Note matures, the issuer will pay to, or receive from, the purchaser the difference between the minimal value of the underlying instrument at the time of purchase and that instrument's value at maturity. Investments in P-Notes involve the same risks associated with a direct investment in the underlying foreign companies or foreign securities markets that they seek to replicate. In addition, there can be no assurance that the trading price of P-Notes will equal the underlying value of the foreign companies or foreign securities markets that they seek to replicate. The holder of a P-Note that is linked to a particular

underlying security is entitled to receive any dividends paid in connection with an underlying security or instrument. However, the holder of a P-Note does not receive the same voting rights as it would if it directly owned the underlying security or instrument. P-Notes are generally traded over the counter. P-Notes constitute general unsecured contractual obligations of the banks or broker-dealers that issue them. There is also counterparty risk associated with these investments because the Fund or UCITS is relying on the creditworthiness of such counterparty and has no rights under a P-Note against the issuer of the underlying security. In addition, the Fund or UCITS will incur transaction costs as a result of investment in P-Notes.

- *Foreign Currency Transactions Risk.* A Fund may engage in foreign currency transactions, including foreign currency forward contracts, options, swaps and other similar strategic transactions. These transactions may be for the purposes of hedging or efficient portfolio management, or may be for investment purposes, and they may be exchange traded or traded directly with market counterparties. Such transactions may not prove successful or may have the effect of limiting gains from favorable markets movements. A Fund may use derivatives to acquire positions in various currencies, which presents the risk that the Fund could lose money on its exposure to a particular currency and also lose money on the derivative. A Fund also may take positions in currencies that do not correlate to the currency exposure presented by the Fund's other investments. As a result, the Fund's currency exposure may differ, in some cases significantly, from the currency exposure of its other investments and/or its benchmarks.
- *Frontier Market Risk.* Frontier market countries generally have smaller economies and less developed capital markets or legal, regulatory and political systems than traditional emerging market countries. As a result, the risks of investing in emerging market countries are magnified in frontier market countries. The magnification of risks is the result of: (1) the potential for extreme price volatility and illiquidity in frontier markets; (2) government ownership or control of parts of the private sector or other protectionist measures; (3) large currency fluctuations; (4) fewer companies and investment opportunities; or (5) inadequate investor protections and regulatory enforcement. In certain frontier market countries, fraud and corruption may be more prevalent than in developed market countries. Investments that a fund holds may be exposed to these risks, which could have a negative impact on their value. Additional risks of frontier market securities may include: greater political instability (including the risk of war or natural disaster); increased risk of nationalization, expropriation, or other confiscation of assets of issuers to which a fund is exposed; increased risk of embargoes or economic sanctions on a country, sector or issuer; greater risk of default (by both government and private issuers); more substantial governmental involvement in the economy; less governmental supervision and regulation; differences in, or lack of, auditing and financial reporting standards, which may result in unavailability of material information about issuers; less developed legal systems; inability to purchase and sell investments or otherwise settle security or derivative transactions (i.e., a market freeze); unavailability of currency hedging techniques; slower clearance and settlement; difficulties in obtaining and/or enforcing legal judgments; and significantly smaller market capitalizations of issuers.

#### *Fund of Funds Risk*

Each Fund may invest in other mutual funds, including exchange-traded funds (ETFs). See "Exchange-traded Funds (ETFs)" above. Achieving the Fund's objective will depend on the performance of the underlying mutual funds, which depends on the particular securities in which the underlying mutual funds invest. Indirectly, the Fund is subject to all risks associated with the underlying mutual funds. Since the Fund's performance depends on that of each underlying mutual fund, it may be subject to increased volatility.



Assets invested in other mutual funds incur a layering of expenses, including operating costs, advisory fees and administrative fees that shareholders in the Fund, indirectly bear. Such fees and expenses may exceed the fees and expenses the Fund would have incurred if it invested in the underlying fund's assets directly. As the underlying funds or the Fund's allocations among the underlying funds change from time to time, or to the extent that the expense ratio of the underlying funds changes, the weighted average operating expenses borne by the Fund may increase or decrease. If the Fund invests in closed-end funds, it may incur added expenses such as additional management fees and trading costs and additional risks associated with trading at a discount to NAV and use of leverage.

The underlying funds may change their investment objective or policies without the approval of the Fund, and the Fund might be forced to withdraw its investment from the underlying fund at a time that is unfavorable to the Fund.

Each underlying fund may be subject to risks other than those described because the types of investments made by an underlying fund can change over time. For further description of the risks associated with the underlying funds, please consult the underlying funds' prospectus.

#### *Geographic Investment*

To the extent that the Fund invests a significant portion of its assets in the securities of companies of a single country or region, it is more likely to be impacted by events or conditions affecting that country or region. For example, political and economic conditions and changes in regulatory, tax, or economic policy in a country could significantly affect the market in that country and in surrounding or related countries and have a negative impact on the Fund's performance. Currency developments or restrictions, political and social instability, and changing economic conditions have resulted in significant market volatility.

#### *Geopolitical*

Some countries and regions in which the Fund invests have experienced security concerns, war or threats of war and aggression, terrorism, economic uncertainty, natural and environmental disasters and/or systemic market dislocations that have led, and in the future may lead, to increased short-term market volatility and may have adverse long-term effects on the U.S. and world economies and markets generally, each of which may negatively impact the Fund's investments. Such geopolitical and other events may also disrupt securities markets and, during such market disruptions, the Fund's exposure to the other risks described herein will likely increase.

#### *Hedging Transactions Risk*

The success of a Fund's hedging strategy, if used, will be subject to, among other things, the subadviser's ability to assess correctly the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. Since the characteristics of many securities change as markets change or time passes, the success of a Fund's hedging strategy will also be subject to the subadviser's ability to continually recalculate, readjust, and execute hedges in an efficient and timely manner. If the subadviser's assessments or calculations prove inaccurate, a Fund's hedging strategy may prove ineffective, and the Fund may incur greater losses than it otherwise would have incurred had the Fund not employed the hedging strategies. Hedging strategies in general are usually intended to limit or reduce investment risk, but also can be expected to limit or reduce the potential for profit or the opportunity for gain if the value of a hedged portfolio position should increase. Further, hedging strategies may not perform as anticipated and may generate losses. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of those portfolio positions or prevent losses if the values of those positions decline. Rather, hedging typically establishes other positions designed to gain from those same declines, thus seeking to moderate the decline in the portfolio position's value. For a variety of reasons, the subadviser may not establish a



perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent a Fund from achieving the intended hedge or expose the Fund to risk of loss. In addition, it is not possible to hedge fully or perfectly against any risk, and hedging entails its own costs. The subadviser may determine, in its sole discretion, not to hedge against certain risks and certain risks may exist that cannot be hedged. Furthermore, the subadviser may not anticipate a particular risk so as to hedge against it effectively. In addition, hedging will generally require the use of a portion of a Fund's assets for margin or settlement payments or other purposes. For example, a Fund from time to time may be required to make margin, settlement or other payments, including intra-month, in connection with the use of certain hedging instruments. Counterparties to any hedging transaction may demand payments on short notice, including intra-day. As a result, a Fund may liquidate assets sooner than it otherwise would have and/or maintain a greater portion of its assets in cash and other liquid securities than it otherwise would have, which portion may be substantial, in order to have available cash to meet current or future margin calls, settlement or other payments, or for other purposes. Moreover, due to volatility in the currency markets and changing market circumstances, the subadviser may not be able to accurately predict future margin requirements, which may result in a Fund holding excess or insufficient cash and liquid securities for such purposes. Where a Fund does not have cash or assets available for such purposes, the Fund may be unable to comply with its contractual obligations, including without limitation, failing to meet margin calls or settlement or other payment obligations. If a Fund defaults on any of its contractual obligations, the Fund (and accordingly, its shareholders) may be materially adversely affected. Hedging activities involve additional expenses and the risk of loss when a hedge is unwound, especially in the case of reorganizations that are terminated. There is no assurance that any such hedging techniques employed by the subadviser on behalf of a Fund or that any of those employed will be successful.

#### *High-Yield Fixed Income Securities (Junk Bonds)*

Securities rated below the four highest rating categories of a nationally recognized statistical rating organization, may be known as "high-yield" securities and commonly referred to as "junk bonds". The highest of the ratings among these nationally recognized statistical rating organizations is used to determine the security's classification. Such securities entail greater price volatility and credit and interest rate risk than investment-grade securities. Analysis of the creditworthiness of high-yield/high-risk issuers is more complex than for higher-rated securities, making it more difficult for a Fund's subadviser to accurately predict risk. There is a greater risk with high-yield/high-risk fixed income securities that an issuer will not be able to make principal and interest payments when due. If a Fund pursues missed payments, there is a risk that Fund expenses could increase. In addition, lower-rated securities may not trade as often and may be less liquid than higher-rated securities, especially during periods of economic uncertainty or change. As a result of all of these factors, these bonds are generally considered to be speculative. In recent years, there has been a broad trend of weaker or less restrictive covenant protections in the high yield market. Among other things, under such weaker or less restrictive covenants, borrowers might be able to exercise more flexibility with respect to certain activities than borrowers who are subject to stronger or more protective covenants. For example, borrowers might be able to incur more debt, including secured debt, return more capital to shareholders, remove or reduce assets that are designated as collateral securing high yield securities, increase the claims against assets that are permitted against collateral securing high yield securities or otherwise manage their business in ways that could impact creditors negatively. In addition, certain privately held borrowers might be permitted to file less frequent, less detailed or less timely financial reporting or other information, which could negatively impact the value of the high yield securities issued by such borrowers. Each of these factors might negatively impact the high yield instruments held by a fund or account.

#### *Income Risk*

The income shareholders receive from a Fund is based primarily on the dividends and interest the Fund earns from its investments, which can vary widely over the short- and long-term. If prevailing market interest rates drop, distribution rates of the Fund's preferred stock holdings and any bond holdings could

drop as well. The Fund's income also would likely be affected adversely when prevailing short-term interest rates increase. In certain circumstances, a Fund may be treated as receiving income even though no cash is received. A Fund may not be able to pay distributions, or may have to reduce distribution levels, if the cash distributions that the Fund receives from its investments decline. For investments in inflation-protected treasuries (TIPS), income may decline due to a decline in inflation (or deflation) or due to changes in inflation expectations.

#### *Inflation-Linked Investments*

The current market value of inflation-protected securities is not guaranteed and will fluctuate. Inflation-protected securities may react differently from other fixed income securities to changes in interest rates. Because interest rates on inflation-protected securities are adjusted for inflation, the values of these securities are not materially affected by inflation expectations. Therefore, the value of inflation-protected securities is anticipated to change in response to changes in "real" interest rates, which represent nominal (stated) interest rates reduced by the expected impact of inflation. Generally, the value of an inflation-protected security will fall when real interest rates rise and will rise when real interest rates fall.

Because the interest and/or principal payments on an inflation-protected security are adjusted periodically for changes in inflation, the income distributed by a Fund invested in such securities may be irregular. Although the U.S. Treasury guarantees to pay at least the original face value of any inflation-protected securities the Treasury issues, other issuers may not offer the same guarantee. Also, inflation-protected securities, including those issued by the U.S. Treasury, are not protected against deflation. As a result, in a period of deflation, the inflation-protected securities held by a Fund may not pay any income and the Fund may suffer a loss. While inflation-protected securities are expected to be protected from long-term inflationary trends, short-term increases in inflation may lead to a decline in a Fund's value. If interest rates rise due to reasons other than inflation, a Fund's investment in these securities may not be protected to the extent that the increase is not reflected in the securities' inflation measures. In addition, positive adjustments to principal generally will result in taxable income to a Fund at the time of such adjustments (which generally would be distributed by the Fund as part of its taxable dividends), even though the principal amount is not paid until maturity. There can be no assurance that the inflation index used will accurately measure the real rate of inflation in the prices of goods and services. A Fund's investments in inflation-linked securities may lose value in the event that the actual rate of inflation is different from the rate of the inflation index.

#### *Infrastructure-Related Risk*

Infrastructure-related entities are subject to a variety of factors that may adversely affect their business or operations including high interest costs in connection with capital construction programs, costs associated with environmental and other regulations, the effects of economic slowdown and surplus capacity, increased competition from other providers of services, uncertainties concerning the availability of fuel at reasonable prices, the effects of energy conservation policies and other factors. Additionally, infrastructure-related entities may be subject to regulation by various governmental authorities and may also be affected by governmental regulation of rates charged to customers, service interruption due to environmental, operational or other mishaps and the imposition of special tariffs and changes in tax laws, regulatory policies and accounting standards.

#### *Initial Public Offerings ("IPOs")*

A Fund may acquire common and preferred stock of issuers in an initial public offering ("IPO"). Investment returns from IPOs may be highly volatile and subject to varying patterns of trading volume, and these securities may at times be difficult to sell. In addition, information about the issuers of IPO securities is often difficult to obtain since they are new to the market and may not have lengthy operating histories. From time to time, a Fund may purchase stock in an IPO and then immediately sell the stock. This practice will increase portfolio turnover rates and increase costs to the Fund, affect Fund

performance, and may increase capital gain distributions, resulting in greater tax liability to the Fund's shareholders. At any particular time or from time to time, a Fund may not be able to invest in securities issued in IPOs, or invest to the extent desired, because, for example, only a small portion (if any) of the securities being offered in an IPO may be made available to the Fund. In addition, under certain market conditions, a relatively small number of companies may issue securities in IPOs. Similarly, as the number of Funds to which IPO securities are allocated increases, the number of securities issued to any one Fund may decrease. The investment performance of a Fund during periods when it is unable to invest significantly or at all in IPOs may be lower than during periods when the Fund is able to do so. In addition, as a Fund increases in size, the impact of IPOs on the Fund's performance will generally decrease.

#### *Issuer Risk*

The value of a security may decline for a number of reasons that directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods or services as well as the historical and prospective earnings of the issuer and the value of its assets.

#### *Large Shareholder Risk*

Certain account holders, including a subadviser or Funds or accounts over which a subadviser has investment discretion, may from time to time own or control a significant percentage of a Fund's shares. A Fund may be subject to the risk that a redemption by large shareholders of all or a portion of the Fund shares or a purchase of Fund shares in large amounts and/or on a frequent basis, including as a result of asset allocation decisions made by a subadviser, will adversely affect the Fund's performance if it is forced to sell portfolio securities or invest cash when the subadviser would not otherwise choose to do so. This risk will be particularly pronounced if one shareholder owns a substantial portion of a Fund. Redemptions of a large number of shares may affect the liquidity of a Fund's portfolio, increase the Fund's transaction costs and/or lead to the liquidation of the Fund. Such transactions also potentially limit the use of any capital loss carryforwards and certain other losses to offset future realized capital gains (if any).

#### *Legal and Regulatory Risk*

Legal, tax and regulatory changes could occur and may adversely affect a Fund, its investments, and its ability to pursue its investment strategies and/or increase the costs of implementing such strategies. New (or revised) laws or regulations may be imposed by the U.S. Commodity Futures Trading Commission ("CFTC"), the Securities and Exchange Commission ("SEC"), the Internal Revenue Service ("IRS"), the Federal Trade Commission ("FTC"), the U.S. Federal Reserve or other domestic or foreign governmental regulatory authorities or self-regulatory organizations that could adversely affect a Fund or a Fund's investments, including, for example, by preventing the completion of a proposed merger or eliminating some or all of the benefits of a proposed merger. A Fund also may be adversely affected by changes in the enforcement or interpretation of existing statutes and rules by governmental regulatory authorities or self-regulatory organizations, such as statutes and regulations governing mergers, takeovers or potential monopolies. Governments may take actions, including unexpected actions contrary to past policy and precedent, specifically designed to prevent or limit mergers or reorganizations for, among other reasons, to achieve political goals, to preserve domestic jobs, tax revenue or important industries, all of which may adversely affect a Fund's investments. Regulators around the globe have increasingly taken measures to seek to increase the stability of the financial markets, including by adopting rules that may curtail a Fund's ability to use derivative and other instruments and that may require a Fund to change how it has been managed historically. A Fund and its agents continue to evaluate these measures, and there can be no assurance that they will not adversely affect the Fund and its performance. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The CFTC, the SEC, the Federal Deposit Insurance Corporation, FTC, other regulators and self-regulatory organizations and exchanges are authorized under these statutes, regulations and otherwise to take

extraordinary actions in the event of market emergencies. Additionally, the withdrawal of governmental and/or self-regulatory support, failure of governmental and/or self-regulatory efforts in response to a financial crisis, or investor perception that those efforts are not succeeding could negatively affect financial markets generally as well as the values and liquidity of certain securities. Federal, state, and other governments, their regulatory agencies, or self-regulatory organizations may take actions that affect the regulation of the securities in which a Fund invests or the issuers of such securities in ways that are unforeseeable. The CFTC and certain futures exchanges have established limits, referred to as “position limits,” on the maximum net long or net short positions which any person may hold or control in particular options and futures contracts; those position limits may apply to certain other derivatives positions a Fund may wish to take. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. Thus, even if a Fund does not intend to exceed applicable position limits, it is possible that different clients managed by a subadviser and its affiliates may be aggregated for this purpose. Therefore, it is possible that the trading decisions of a subadviser may have to be modified and that positions held by a Fund may have to be liquidated in order to avoid exceeding such limits. The modification of investment decisions or the elimination of open positions, if it occurs, may adversely affect the performance of the Fund. The SEC has in the past adopted interim rules requiring reporting of all short positions above a certain de minimis threshold and may adopt rules requiring monthly public disclosure in the future. In addition, other non-U.S. jurisdictions where a Fund may trade have adopted reporting requirements. If a Fund’s short positions or its strategy become generally known, it could have a significant effect on a subadviser’s ability to implement its investment strategy. In particular, it would make it more likely that other investors could cause a short squeeze in the securities held short by a Fund forcing the Fund to cover its positions at a loss. In addition, if other investors engage in copycat behavior by taking positions in the same issuers as a Fund, the cost of borrowing securities to sell short could increase drastically and the availability of such securities to a Fund could decrease drastically. Such events could make a Fund unable to execute its investment strategy. In addition, if the SEC were to adopt restrictions regarding short sales, they could restrict a Fund’s ability to engage in short sales in certain circumstances, and the Fund may be unable to execute its investment strategies as a result. The SEC and regulatory authorities in other jurisdictions may adopt (and in certain cases, have adopted) bans on short sales of certain securities in response to market events. Bans on short selling may make it impossible for a Fund to execute certain investment strategies and may have a material adverse effect on a Fund’s ability to generate returns. Investing in companies involved in significant mergers, restructurings and other similar transactions or corporate events tends to involve increased litigation risk. This risk may be greater in the event a Fund takes a large position or is prominently involved on a bankruptcy or creditors’ committee. The expense of asserting claims (or defending claims) and recovering any amounts pursuant to settlements or judgments may be borne by a Fund. Further, ownership of companies over certain threshold levels involves additional filing requirements and substantive regulation on such owners, and if a Fund fails to comply with all of these requirements, the Fund may be forced to disgorge profits, pay fines or otherwise bear losses or other costs from such failure to comply. Public disclosure of a Fund’s positions could have a significant effect on a subadviser’s ability to implement its investment strategies for the Fund. For example, if other investors engage in copycat behavior by taking positions in the same issuers as a Fund, the cost of such securities to the Fund could increase drastically. Additionally, to the extent that such purchases are opposed by management of the target company or others, a Fund may be subject to litigation. Such events could increase a Fund’s costs significantly, reduce the Fund’s returns, and prevent the Fund from executing its investment strategy.

### *Leverage*

When a Fund makes investments in futures contracts, forward contracts, swaps and other derivative instruments, the futures contracts, forward contracts, swaps and certain other derivatives provide the economic effect of financial leverage by creating additional investment exposure, as well as the potential for greater loss. When a Fund uses leverage through activities such as borrowing, entering into short

sales, purchasing securities on margin or on a when-issued basis, or purchasing derivative instruments in an effort to increase its returns, the Fund has the risk of magnified capital losses that occur when losses affect an asset base, enlarged by borrowings or the creation of liabilities, that exceeds the net assets of the Fund. The value of the shares of a Fund employing leverage will be more volatile and sensitive to market movements. The use of leverage may cause a Fund to liquidate portfolio positions when it would not be advantageous to do so in order to satisfy its obligations or to meet segregation requirements. Certain types of leveraging transactions, such as short sales that are not "against the box," could theoretically be subject to unlimited losses in cases where a Fund, for any reason, is unable to close out the transaction. In addition, to the extent a Fund borrows money, interest costs on such borrowings may not be recovered by any appreciation of the securities purchased with the borrowed amounts and could exceed the Fund's investment returns, resulting in greater losses. Leverage may also involve the creation of a liability that requires the Fund to pay interest.

#### *Limited Distribution Risk*

Certain Funds' shares may be offered only through a limited number of separate accounts of insurance companies. As a result, the Fund may not attract sufficient assets to achieve or maximize investment and operational efficiencies. If the Fund fails to achieve sufficient scale, it may be liquidated.

#### *Limited Operating History Risk*

Virtus Westchester Credit-Event Fund commenced operations in December 2017 and therefore has limited operating history for investors to evaluate. The Fund may not attract sufficient assets to achieve or maximize investment and operational efficiencies and remain viable. If the Fund fails to achieve sufficient scale, it may be liquidated.

#### *Limited Term Risk*

Virtus Artificial Intelligence & Technology Opportunities Fund Inc. (NYSE: AIO) and Virtus Convertible & Income 2024 Target Term Fund (NYSE: CBH) are exposed to limited term risk. The Funds have a limited term feature, pursuant to which they intend to terminate on or about their respective dissolution dates as described in their reports to shareholders. Because the assets of the Funds will be liquidated in connection with the dissolution, the Funds will incur transaction costs in connection with the dispositions of portfolio securities. The Funds may be required to sell portfolio securities when they otherwise would not, including at times when market conditions are not favorable, or at times when a particular security has entered default, which may cause the Funds to lose money. Moreover, in conducting such portfolio transactions, the Funds may need to deviate from its investment policies and may not achieve its investment objective.

#### *Liquidity Risk*

Certain securities in which the Fund invests may be difficult to sell at the time and price beneficial to the Fund or UCITS, for example due to low trading volumes or legal restrictions. When there is no willing buyer or a security cannot be readily sold, the Fund may have to sell at a lower price or may be unable to sell the security at all. The sale of such securities may also require the Fund or UCITS to incur expenses in addition to those normally associated with the sale of a security.

In addition to this, certain shareholders, including affiliates of a Fund's or UCITS' investment adviser and/or subadviser(s), may from time to time own or control a significant percentage of the Fund's or UCITS' shares. Redemptions by these shareholders of their shares of the Fund or UCITS may increase the Fund's or UCITS liquidity risk by causing the Fund or UCITS to have to sell securities at an unfavorable time and/or price.



#### *Long-Term Maturities/Durations Risk*

Fixed income instruments with longer maturities or durations may be subject to greater price fluctuations due to interest rate, tax law, and general market changes than instruments with shorter maturities or durations.

#### *Management Risk*

A Fund is subject to management risk because it is an actively managed investment portfolio. A subadviser's judgments about the attractiveness and potential appreciation of a security may prove to be inaccurate and may not produce the desired results. The subadviser will apply its investment techniques and risk analyses in making investment decisions for a Fund, but there is no guarantee that its decisions will produce the intended result or that its evaluation of the likelihood that a specific merger, reorganization or other event will be completed as expected will prove correct. The success of any strategy employed by the subadviser will depend upon, among other things, the subadviser's skill in evaluating the likelihood of the successful completion of a particular catalyst or a related event.

#### *Market Volatility*

The value of the securities in which the Fund invests may go up or down in response to the prospects of individual companies and/or general economic conditions. Such price changes may short- or long-term. Instability in the financial markets may expose each Fund or UCITS to greater market and liquidity risk and potential difficulty in valuing portfolio instruments that it holds. In response to financial markets that experienced extreme volatility, and in some cases a lack of liquidity, the U.S. Government and other governments have taken a number of unprecedented actions, including acquiring distressed assets from financial institutions and acquiring ownership interests in those institutions. The implications of government ownership and disposition of these assets are unclear. Additional legislation or government regulation may also change the way in which Funds themselves are regulated, which could limit or preclude a Fund's ability to achieve its investment objective.

Local, regional or global events such as war or military conflict (e.g. Russia's invasion of Ukraine), acts of terrorism, the spread of infectious illness or other public health issue, recessions, inflation, rapid interest rate changes, supply chain disruptions, sanctions, or other events could have a significant impact on the Fund and its investments, including hampering the ability of the Fund's portfolio manager(s) to invest the Fund's assets as intended.

The wars in Iraq and Afghanistan had a substantial effect on the economies and securities markets of the U.S. and other countries. Terrorism in the U.S. and around the world has had a similar global impact and has increased geopolitical risk. The terrorist attacks on September 11, 2001, resulted in the closure of some U.S. securities markets for four days, and similar attacks are possible in the future. Securities markets may be susceptible to market manipulation (e.g., the potential manipulation of the London Interbank Offered Rate (LIBOR)) or other fraudulent trade practices, which could disrupt the orderly functioning of these markets or adversely affect the value of investments traded in these markets, including investments of the Funds.

While the U.S. government has historically honored its credit obligations, it remains possible that the U.S. could default on its obligations. While it is impossible to predict the consequences of such an unprecedented event, it is likely that a default by the U.S. would be highly disruptive to the U.S. and global securities markets and could significantly impair the value of the Funds' investments. Similarly, political events within the U.S. at times have resulted, and may in the future result, in a shutdown of government services, which could negatively affect the U.S. economy, decrease the value of many Fund investments, and increase uncertainty in or impair the operation of the U.S. or other securities markets.



The uncertainty surrounding the sovereign debt of a significant number of European Union countries, as well as the status of the Euro, the European Monetary Union and the European Union itself, has disrupted and may continue to disrupt markets in the U.S. and around the world.

The risks associated with investments in Europe may be heightened due to the approval by citizens of the United Kingdom, in June 2016, of a referendum to leave the European Union. In March 2017, the United Kingdom provided formal notification of its intention to withdraw from the European Union pursuant to Article 50 of the Treaty of Lisbon to the European Council. This formal notification began a two-year period of negotiations regarding the terms of the United Kingdom's exit from the European Union. The European Parliament formally approved the withdrawal on January 30, 2020. The withdrawal agreement entered into between the United Kingdom and European Union entered into force on January 31, 2020, at which time the United Kingdom ceased to be a member of the European Union. Following the withdrawal, an eleven-month transition period began, ending December 31, 2020, during which the United Kingdom commenced negotiating its future relationship with the European Union. While a limited deal was reached prior to December 31, 2020, many aspects are still to be determined, including those related to financial services. Significant uncertainty remains in the market regarding the ramifications of the withdrawal of the United Kingdom from the European Union, and the range and potential implications of possible political, regulatory, economic and market outcomes are difficult to predict. The world's securities markets may be significantly disrupted and adversely affected.

Likewise, natural and environmental disasters, such as the earthquake and tsunami in Japan in early 2011, and systemic market dislocations of the kind surrounding the insolvency of Lehman Brothers in 2008, if repeated, would be highly disruptive to economies and markets, adversely affecting individual companies and industries, securities markets, interest rates, credit ratings, inflation, investor sentiment, and other factors affecting the value of the Funds' investments.

An outbreak of respiratory disease caused by a novel coronavirus designated as COVID-19 was first detected in China in December 2019 and subsequently spread globally, being designated as a pandemic in early 2020. The transmission of COVID-19 and efforts to contain its spread have resulted in, among other things, border closings and other significant travel restrictions and disruptions; mandatory stay-at-home and work-from-home orders in numerous countries, including the United States; significant disruptions to business operations, supply chains and customer activity, as well as mandatory business closures; lower consumer demand for goods and services; event cancellations and restrictions; cancellations, reductions and other changes in services; significant challenges in healthcare service preparation and delivery; public gathering limitations and prolonged quarantines; and general concern and uncertainty. These effects have exacerbated the significant risks inherent in market investments, and the COVID-19 pandemic has already meaningfully disrupted the global economy and markets, causing market losses across a range of asset classes, as well as both heightened market volatility and increased illiquidity for trading. Although the long-term economic fallout of COVID-19 is difficult to predict, it has the potential to continue to have ongoing material adverse effects on the global economy, the economies of individual countries, and the financial performance of individual issuers, sectors, industries, asset classes, and markets in significant and unforeseen ways.

#### *Master Limited Partnership ("MLP")*

An investment in MLP units involves some risks that differ from an investment in the common stock of a corporation. Holders of MLP units have limited control on matters affecting the partnership. MLPs holding credit-related investments are subject to interest rate risk and the risk of default on payment obligations by debt issuers. MLPs that concentrate in a particular industry or a particular geographic region are subject to risks associated with such industry or region. The fees that MLPs charge for transportation of oil and gas products through their pipelines are subject to government regulation, which could negatively impact the revenue stream. Investing in MLPs also involves certain risks related to

investing in the underlying assets of the MLPs and risks associated with pooled investment vehicles. These include the risk of environmental incidents, terrorist attacks, demand destruction from high commodity prices, proliferation of alternative energy sources, inadequate supply of external capital, and conflicts of interest with the general partner. The benefit derived from the Fund's investment in MLPs is largely dependent on the MLPs being treated as partnerships for federal income tax purposes, so any change to this status would adversely affect the price of the MLP units.

Certain MLPs in which the Fund may invest depend upon their parent or sponsor entities for the majority of their revenues. If their parent or sponsor entities fail to make such payments or satisfy their obligations, the revenues and cash flows of such MLPs and ability of such MLPs to make distributions to unit holders, such as the Fund, would be adversely affected.

#### *Merger-Arbitrage and Event-Driven Risk*

A principal risk associated with merger-arbitrage and event-driven investing is that the evaluation of the outcome of a proposed event, whether it be a merger, reorganization, regulatory issue or other event, will prove incorrect and that a Fund's return on the investment will be negative. Even if the subadviser's judgment regarding the likelihood of a specific outcome proves correct, the expected event may be delayed or completed on terms other than those originally proposed, which may cause a Fund to lose money or fail to achieve a desired rate of return. The success of a Fund's merger-arbitrage strategy also depends on the overall volume of merger activity, which has historically been cyclical in nature. During periods when merger activity is low, it may be difficult or impossible to identify opportunities for profit or to identify a sufficient number of such opportunities to provide diversification among potential merger transactions and a Fund may not achieve its investment objective. If the subadviser determines that a proposed acquisition or other corporate reorganization is likely to be consummated, a Fund may purchase the target company's securities at prices often only slightly below the value expected to be paid or exchanged for such securities upon completion of the reorganization (and often substantially above the prices at which such securities traded immediately prior to the announcement of the proposed transaction). If the reorganization appears unlikely to be consummated or in fact is not consummated or is delayed, the market price of the target's securities may decline sharply. Similarly, if a Fund has sold short the acquirer's securities in anticipation of covering the short position by delivery of identical securities received in the exchange, the failure of the transaction to be consummated may force the Fund to cover its short position in the open market at a price higher than that at which it sold short, with a resulting loss. In addition, if a Fund purchases the target's securities at prices above the offer price because the subadviser determines that the offer is likely to be increased or a different and higher offer made, such purchases may be subject to a greater degree of risk. If, in a transaction in which a Fund has sold the target's securities short (often at prices significantly below the announced offer price for such securities) based on a determination that the transaction is unlikely to be consummated, and the transaction, in fact, is consummated at the announced price or higher, the Fund may suffer substantial losses if it is forced to cover the short position in the open market at a higher price. In addition, there can be no assurance that securities necessary to cover a short position will be available for purchase or that securities will be available to be borrowed at reasonable costs. A Fund may invest in hostile tender offers, proposed leveraged buyouts and other similar situations. Those types of transactions have a greater risk that the proposed transaction will not be completed successfully and, consequently, a greater risk of loss. A failed transaction or reorganization may occur for a number of reasons, including failure to get shareholder approval, governmental action or intervention, or failure to get regulatory approval. A Fund may incur significant losses unwinding its merger-arbitrage and event-driven positions in the event that a proposed merger or other corporate event does not occur as expected or the subadviser determines the position no longer represents an attractive investment opportunity. A Fund may invest in and/or hold positions in a company where the subadviser believes the compensation to be paid to shareholders of that company in connection with a proposed merger, corporate reorganization or other event significantly undervalues the company's securities. In those cases, the subadviser may cause a Fund to participate in legal or other

actions, such as appraisal actions, to seek to increase the compensation the Fund receives for the securities the Fund holds. Such actions can be expensive and require prolonged periods to litigate or resolve. There can be no assurance that any such actions will be successful or that a Fund would be able to liquidate the position during the pendency of the action if the subadviser determined doing so was in the Fund's best interests. A Fund's principal investment strategies are not specifically designed to benefit from general appreciation in the equity markets or general improvement in the economic conditions in the global economy. Indeed, the subadviser may seek to limit a Fund's investment exposure to the markets generally. Accordingly, a Fund has historically underperformed the broad equity markets under certain market conditions, such as some periods when there has been rapid appreciation in the equity markets and may continue to do so in the future.

#### *Mortgage-Backed and Asset-Backed Securities*

Mortgage-backed securities represent interests in pools of residential mortgage loans purchased from individual lenders by a federal agency or originated and issued by private lenders. Asset-backed securities represent interests in pools of underlying assets such as motor vehicle installment sales or installment loan contracts, leases of various types of real and personal property, and receivables from credit card agreements. These two types of securities share many of the same risks. The impairment of the value of collateral or other assets underlying a mortgage-backed or asset-backed security, such as that resulting from non-payment of loans, may result in a reduction in the value of such security and losses to a Fund.

Early payoffs in the loans underlying such securities may result in a Fund receiving less income than originally anticipated. The variability in prepayments will tend to limit price gains when interest rates drop and exaggerate price declines when interest rates rise. In the event of high prepayments, a Fund may be required to invest proceeds at lower interest rates, causing the Fund to earn less than if the prepayments had not occurred. Conversely, rising interest rates may cause prepayments to occur at a slower than expected rate, which may effectively change a security that was considered short- or intermediate-term into a long-term security. Due to these risks, asset-backed securities may become more volatile in certain interest rate environments. Long-term securities tend to fluctuate in value more widely in response to changes in interest rates than shorter-term securities.

#### *Municipal Bond Market*

The amount of public information available about municipal bonds is generally less than that for corporate equities or bonds, and the investment performance of a Fund may be more dependent on the analytical abilities of the investment adviser than would be the case for a Fund that does not invest in municipal bonds. Certain factors, such as legislative changes, and state and local economic and business developments, may adversely affect the yield and/or value of a Fund's investments in municipal securities. Other factors include the general conditions of the municipal securities market, the size of the particular offering, the maturity of the obligation and the rating of the issue. Changes in economic, business or political conditions relating to a particular municipal project, municipality, or state, territory or possession of the United States in which the Fund invests may have an impact on the Fund's share price. The secondary market for municipal bonds also tends to be less well-developed and less liquid than many other securities markets, which may adversely affect the Fund's ability to sell its bonds at attractive prices. In addition, municipal obligations can experience downturns in trading activity, and the supply of municipal obligations may exceed the demand in the market. During such periods, the spread can widen between the price at which an obligation can be purchased and the price at which it can be sold. Less liquid obligations can become more difficult to value and be subject to erratic price movements. Economic and other events (whether real or perceived) can reduce the demand for certain investments or for investments generally, which may reduce market prices and cause the value of the Fund's shares to fall. The frequency and magnitude of such changes cannot be predicted. A Fund may invest in municipal obligations that do not appear to be related, but in fact depend on the financial rating or support of a

single government unit, in which case, events that affect one of the obligations will also affect the others and will impact the Fund's portfolio to a greater degree than if the Fund's investments were not so related. The increased presence of non-traditional participants in the municipal markets may lead to greater volatility in the markets.

#### *Natural Resources*

The Fund's investments in instruments issued by companies with business operations in or related to activities in natural resources industries, are likely to be significantly affected by events affecting those industries, including international political and economic developments, energy conservation, the success of exploration projects, commodity prices, and taxes and other governmental regulations.

#### *Non-Diversification Risk*

A Fund designated as a "non-diversified investment company", is not limited in the proportion of assets that it may invest in the securities of any one issuer. If the Fund takes concentrated positions in a small number of issuers, the Fund may be more susceptible to the risks associated with those issuers, or to a single economic, political, regulatory or other event affecting those issuers.

#### *Portfolio Turnover*

A Fund's investment strategy may result in frequently high turnover rate. A high portfolio turnover rate may result in correspondingly greater brokerage commission expenses and the distribution to shareholders of additional capital gains for tax purposes, some of which may be taxable at ordinary income rates. These factors may negatively affect the Fund's performance.

#### *Preferred Stocks*

Preferred stocks may provide a higher dividend rate than the interest yield on debt instruments of the same issuer but are subject to greater risk of fluctuation in market value and greater risk of non-receipt of income. Unlike interest on debt instruments, dividends on preferred stocks must be declared by the issuer's board of directors before becoming payable. Preferred stocks are in many ways like perpetual debt instruments, providing a stream of income but without stated maturity date. Because they often lack a fixed maturity or redemption date, preferred stocks are likely to fluctuate substantially in price when interest rates change. Such fluctuations generally are comparable to or exceed those of long-term government or corporate bonds (those with maturities of fifteen to thirty years). Preferred stocks have claims on assets and earnings of the issuer which are subordinate to the claims of all creditors but senior to the claims of common stockholders. A preferred stock rating differs from a bond rating because it applies to an equity issue which is intrinsically different from, and subordinated to, a debt issue. Preferred stock ratings generally represent an assessment of the capacity and willingness of an issuer to pay preferred stock dividends and any applicable sinking fund obligations. Preferred stock also may be subject to optional or mandatory redemption provisions and may be significantly less liquid than many other securities, such as U.S. Government securities, corporate debt or common stock.

#### *Real Estate Investment Risks*

Investing in companies that invest in real estate ("Real Estate Companies") exposes the Fund to the risks of owning real estate directly, as well as to risks that relate specifically to the way in which Real Estate Companies are organized and operated. Real estate is highly sensitive to general and local economic conditions and developments and characterized by intense competition and periodic overbuilding. Real Estate Companies may lack diversification due to ownership of a limited number of properties and concentration in a particular geographic region or property type. Risks associated with investing in Real Estate Companies include the following:

- *Equity REIT Securities Risk.* REITs are financial vehicles that pool investor capital to purchase or finance real estate. Equity REITs invest primarily in direct ownership or lease of real property, and

they derive most of their income from rents. Equity REITs can also realize capital gains by selling properties that have appreciated in value. Investing in equity REITs and REIT-like entities involves certain unique risks in addition to those risks associated with investing in the real estate industry in general. REITs and REIT-like entities are typically small or medium market capitalization companies, and they are subject to management fees and other expenses. A Fund that invests in REITs and REIT-like entities will bear its proportionate share of the costs of the REITs' and REIT-like entities' operations. REITs and REIT-like entities are dependent upon management skill, may not be diversified, and are subject to heavy cash flow dependency and self-liquidation. REITs and REIT-like entities also are subject to the possibility of failing to qualify for tax-free pass-through of income. Also, because REITs and REIT-like entities typically are invested in a limited number of projects or in a particular market segment, these entities are more susceptible to adverse developments affecting a single project or market segment than more broadly diversified investments. In the event of a default by a borrower or lessee, a REIT may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting its investments. In addition, investment in REITs could cause the Fund to possibly fail to qualify as a regulated investment company, depending upon the nature of dividends received by the Fund.

- *REIT and REOC Securities Risk.* REIT and REOC Securities Risks. Investing in Real Estate Investment Trusts (REITs) and REIT-like entities involves certain unique risks in addition to those risks associated with investing in the real estate industry in general. REITs and REIT-like entities are dependent upon management skill, may not be diversified, and are subject to heavy cash flow dependency and self-liquidation. REITs and REIT-like entities also are subject to the possibility of failing to qualify for tax-free pass-through of income. Also, because REITs and REIT-like entities typically are invested in a limited number of projects or in a particular market segment, these entities are more susceptible to adverse developments affecting a single project or market segment than more broadly diversified investments. In the event of a default by a borrower or lessee, a REIT may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting its investments. In addition, investment in REITs could cause the Fund to possibly fail to qualify as a regulated investment company. A Real Estate Operating Company ("REOC") is similar to an equity REIT in that it owns and operates commercial real estate, but unlike a REIT it has the freedom to retain all its Funds from operations and, in general, faces fewer restrictions than a REIT. REOCs do not pay any specific level of income as dividends, if at all, and there is no minimum restriction on the number of owners nor limits on ownership concentration. The value of a Fund's REOC securities may be adversely affected by the same factors that adversely affect REITs. In addition, a corporate REOC does not qualify for the federal tax treatment that is accorded a REIT. A Fund also may experience a decline in its income from REOC securities due to falling interest rates or decreasing dividend payments.

#### *Redemption*

The redemption by one or more large shareholders or groups of shareholders of their holdings in an open-end Fund could have an adverse impact on the remaining shareholders in the Fund by, for example, accelerating the realization of capital gains and/or increasing the Fund's transaction costs.

#### *Repurchase Agreements*

Certain Funds may enter into repurchase agreements, in which the Fund purchases a security from a bank or broker-dealer that agrees to repurchase the security at the Fund's cost plus interest within a specified time. If the party agreeing to repurchase should default, the Fund will seek to sell the securities which it holds. This could involve procedural costs or delays in addition to a loss on the securities if their value should fall below their repurchase price. Repurchase agreements maturing in more than seven days are considered illiquid securities.



#### *Reverse Repurchase Agreements and Other Borrowings*

Certain Funds may enter into reverse repurchase agreements and dollar rolls, subject to a Fund's limitations on borrowings. A reverse repurchase agreement involves the sale of a security by a Fund and its agreement to repurchase the instrument at a specified time and price. A dollar roll is similar except that the counterparty is not obligated to return the same securities as those originally sold by the Fund but only securities that are "substantially identical." Reverse repurchase agreements and dollar rolls may be considered forms of borrowing for some purposes. A Fund will segregate assets determined to be liquid by the Adviser in accordance with Rule 22e-4 under the Investment Company Act, to cover its obligations under reverse repurchase agreements, dollar rolls and other borrowings. Each Fund also may borrow money to the extent permitted under the Investment Company Act, subject to any policies of the Fund currently described in its prospectus or Statement of Additional Information. In addition, to the extent permitted by and subject to applicable law or SEC exemptive relief, certain Funds may make short-term borrowings from investment companies (including money market mutual funds) advised or sub-advised by the adviser or its affiliates. Reverse repurchase agreements, dollar rolls, and other forms of borrowings will create leveraging risk for a Fund. See "Leverage."

#### *Restricted Securities*

Certain Funds are permitted to invest in securities that are subject to legal or contractual restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are registered. Disposal of these securities may involve time-consuming negotiations and expenses, and prompt sale at an acceptable price may be difficult.

#### *Short Sales*

The Fund may engage in short sales, which are transactions in which the Fund sells a security that it does not own (or that it owns but does not intend to deliver) in anticipation that the price of the security will decline. In order to establish a short position in a security, a Fund must first borrow the security from a broker or other institution to complete the sale. The Fund may not always be able to borrow a security, or to close out a short position at a particular time or at an acceptable price. If the price of the borrowed security increases between the date of the short sale and the date on which the Fund replaces the security, the Fund may experience a loss. The Fund's loss on a short sale is limited only by the maximum attainable price of the security (which could be limitless) less the price the Fund paid for the security at the time it was borrowed.

The use by a Fund of short sales in combination with long positions in its portfolio in an attempt to improve performance may not be successful and may result in greater losses or lower positive returns than if the Fund held only long positions. It is possible that a Fund's long equity positions will decline in value at the same time that the value of the securities underlying its short positions increase, thereby increasing potential losses to the Fund. If the Fund is required to return a borrowed security at a time when other short sellers are also required to return the same security, a "short squeeze" can occur, and the Fund may be forced to purchase the security at a disadvantageous price. In addition, a Fund's short selling strategies may limit its ability to fully benefit from increases in the equity markets. The potential for the price of a fixed-income security sold short to rise is a function of both the remaining maturity of the obligation, its creditworthiness and its yield. Unlike short sales of equities or other instruments, the potential for the price of a fixed-income security to rise may be limited due to the fact that the security will be no more than par at maturity. However, the short sale of other instruments or securities generally, including fixed-income securities convertible into equities or other instruments, a fixed-income security trading at a deep discount from par or which pays a coupon that is high in relative or absolute terms, or which is denominated in a currency other than the U.S. dollar, involves the possibility of a theoretically unlimited loss since there is a theoretically unlimited potential for the market price of the security sold short to



increase. Short selling also involves a form of financial leverage that may exaggerate any losses realized by a Fund to the extent that it utilizes short sales.

Also, there is the risk that the counterparty to a short sale may fail to honor its contractual terms, causing a loss to a Fund. To the extent a Fund seeks to obtain some or all of its short exposure by using derivative instruments instead of engaging directly in short sales on individual securities, it will be subject to many of the foregoing risks, as well as to those described under "Derivatives Risk" above.

#### *Short-Term Investments Risk*

Funds and UCITS, where permitted may invest in short-term investments including money market instruments, repurchase agreements, certificates of deposit and bankers' acceptances and other short-term instruments that are not U.S. Government securities. These securities generally present less risk than many other investments, but they are generally subject to credit risk and may be subject to other risks as well.

#### *Special Purpose Acquisition Companies Risk*

A SPAC is typically a publicly traded company that raises funds through an initial public offering ("IPO") for the purpose of acquiring or merging with another company to be identified subsequent to the SPAC's IPO. Because SPACs and similar entities have no operating history or ongoing business other than seeking acquisitions, the value of their securities is particularly dependent on the ability of the entity's management to identify and complete a profitable acquisition. Some SPACs may pursue acquisitions only within certain industries or regions, which may increase the volatility of their prices. In addition, these securities, which may be traded in the over-the-counter market, may be considered illiquid and/or may be subject to restrictions on resale. An investment in a SPAC is subject a variety of risks, including that (i) a significant portion of the monies raised by the SPAC for the purpose of identifying and effecting an acquisition or merger may be expended during the search for a target transaction; (ii) an attractive acquisition or merger target may not be identified at all and the SPAC will be required to return any remaining monies to shareholders; (iii) any proposed merger or acquisition may be unable to obtain the requisite approval, if any, of SPAC shareholders; (iv) an acquisition or merger once effected may prove unsuccessful and an investment in the SPAC may lose value; (v) the warrants or other rights with respect to the SPAC held by a Fund may expire worthless or may be repurchased or retired by the SPAC at an unfavorable price; (vi) a Fund will be delayed in receiving any redemption or liquidation proceeds from a SPAC to which it is entitled; (vii) an investment in a SPAC may be diluted by additional later offerings of interests in the SPAC or by other investors exercising existing rights to purchase shares of the SPAC; (viii) no or only a thinly traded market for shares of or interests in a SPAC may develop, leaving the Fund unable to sell its interest in the SPAC or to sell its interest only at a price below what a Fund believes is the SPAC interest's intrinsic value; (ix) the values of investments in SPACs may be highly volatile, a Fund may have little or no ability to hedge its exposure to a SPAC investment, and the value of a SPAC investment may depreciate significantly; (x) an investment in a SPAC may include potential conflicts and potential for misalignment of incentives in the structure of the SPAC; and (xi) the growth in SPAC offerings may increase competition for target companies and, as a result, contribute to a decline in deal quality.

#### *Sustainable Investing*

Certain funds focus their investments in companies their subadviser believes exhibit strong records with respect to environmental, social, and corporate governance ("ESG") factors. The Fund may choose to sell, or not to purchase, investments on that basis although the investments may be expected to be profitable or be otherwise consistent with the Fund's investment objective. Environmental performance criteria rate a company's management of its environmental challenges, including its effort to reduce or offset the impacts of its products and operations. Social criteria measure how well a company manages its impact on the communities where it operates, including its treatment of local populations, its handling of human

rights issues, its commitment to philanthropic activities, its record regarding labor-management relations, anti-discrimination policies and practices, employee safety and the quality and safety record of a company's products, its marketing practices and any involvement in regulatory or anti-competitive controversies. Governance criteria address a company's investor relations and management practices, including company sustainability reporting, board accountability and business ethics policies and practices. To the extent other funds consider ESG factors and criteria as part of their overall investment strategy, similar risks will apply.

In general, when a Fund pursues a sustainability strategy, the application of the applicable subadviser's ESG criteria to investments will affect the Fund's exposure to certain issuers, industries, sectors, regions, and countries; may lead to a smaller universe of investments than other funds that do not incorporate ESG analysis; and may negatively impact the relative performance of the Fund depending on whether such investments are in or out of favor. In addition, the Fund may sell a security based on ESG-related factors when it might otherwise be disadvantageous to do so.

Due to its focus on investing in companies that a subadviser believes exhibit strong ESG records, a Fund invests in companies that may share common characteristics, are often subject to similar business risks and regulatory burdens, and whose securities may react similarly to various events and other factors. To the extent it focuses a significant portion of its assets in a limited number of issuers, sectors, industries or geographic regions, a Fund is further subject to focused investment risk and is more susceptible to events or factors affecting companies in that particular sector, industry or geographic region. See "Focused Investment Risk." A Fund may also have focused investment risk to the extent that it invests a substantial portion of its assets in a particular country or geographic region. Prolonged drought, floods, weather, disease and other natural disasters, as well as war and political instability, may significantly reduce the ability of companies in such regions to maintain or expand their operations or their marketing efforts in affected countries or geographic regions. See "Foreign/Non-U.S. Investment Risk" and "Emerging Markets Risk."

#### *Structured Products*

Holders of structured products bear risks of the underlying investments, index or reference obligation and are subject to counterparty risk. A Fund investing in a structured product may have the right to receive payments only from the structured product, and generally will not have direct rights against the issuer or the entity that sold the assets to be securitized. Certain structured products may be thinly traded or have a limited trading market, and a Fund's investments in structured products may be characterized by the Fund as illiquid securities. In addition to the general risks associated with debt instruments discussed herein, structured products carry additional risks, including, but not limited to: the possibility that distributions from collateral securities will not be adequate to make interest or other payments; the quality of the collateral may decline in value or default; and the possibility that the structured products are subordinate to other classes. Structured notes are based upon the movement of one or more factors, including currency exchange rates, interest rates, reference bonds and stock indices, and changes in interest rates and impact of these factors may cause significant price fluctuations. Additionally, changes in the reference instrument or security may cause the interest rate on the structured note to be reduced to zero.

#### *Tax-Exempt Securities*

Tax-exempt securities may not provide a higher after-tax return than taxable securities, or the tax-exempt status of such securities may be lost or limited.

#### *Tax Liability*

Distributions by the Fund could become taxable to shareholders as ordinary income due to noncompliant conduct by a municipal bond issuer, unfavorable changes in federal or state tax laws, or adverse interpretations of tax laws by applicable tax authorities. Such adverse interpretations or actions could

cause interest from a security to become taxable, possibly retroactively, subjecting shareholders to increased tax liability. In addition, such adverse interpretations or actions could cause the value of a security, and therefore the value of a Fund's shares, to decline.

Income from certain commodity-linked investments does not constitute "qualifying income" to a Fund for purposes of the Fund's qualification as a regulated investment company for U.S. federal income tax purposes. Income from other commodity-linked investments may not constitute qualifying income. If such income were determined not to constitute qualifying income and were to cause a Fund's non-qualifying income to exceed 10% of the Fund's gross income for any year, the Fund would be subject to a tax at the Fund level.

#### *Underlying Funds*

Certain Funds and UCITS may invest their assets partially, significantly or primarily in Underlying Funds. The risks associated with investing in these Funds may be closely related to the risks associated with the securities and other investments held by the Underlying Funds. To the extent that a Fund invests in Underlying Funds, its ability to achieve its investment objective may depend upon the ability of the Underlying Funds to achieve their investment objectives. There can be no assurance that the investment objective of any Underlying Fund will be achieved.

To the extent that a Fund or UCITS invests in Underlying Funds, its net asset value per share ("NAV") will fluctuate in response to changes in the net asset values of the Underlying Funds in which it invests. The extent to which the investment performance and risks associated with a Fund or UCITS correlate to those of a particular Underlying Fund will depend upon the extent to which the Fund's or UCITS' assets are allocated from time to time for investment in the Underlying Fund, which will vary. As a shareholder of an Underlying Fund, a Fund or UCITS may indirectly bear service and other fees that are in addition to the fees the Fund pays its service providers. Underlying Funds that are actively managed may entail risks generally associated with actively managed investment products, including management risk. Underlying Funds that seek to track an index or other benchmark may involve tracking risk. Tracking risk is the risk that a fund (in this case an Underlying Fund) may not precisely replicate the results of an index or benchmark that it is intended to track. Deviations of this type may result from purchases or redemptions of fund shares, transaction costs, fund expenses and other factors.

#### *Unrated Fixed Income Securities*

A Fund's subadviser has the authority to make determinations regarding the quality of unrated fixed income securities for the purposes of assessing whether they meet the Fund's investment restrictions. However, analysis of unrated securities is more complex than that of rated securities, making it more difficult for the subadviser to accurately predict risk. Unrated fixed income securities may not be lower in quality than rated securities, but due to their perceived risk they may not have as broad a market as rated securities, making it more difficult to sell unrated securities.

#### *U.S. Government Securities*

Obligations issued or guaranteed by the U.S. Government, its agencies, authorities and instrumentalities and backed by the full faith and credit of the United States only guarantee principal and interest will be timely paid to holders of the securities. The entities do not guarantee that the value of Fund shares will increase, and in fact the market values of such obligations may fluctuate. In addition, not all U.S. Government securities are backed by the full faith and credit of the United States; some are the obligation solely of the entity through which they are issued. There is no guarantee that the U.S. Government would provide financial support to its agencies and instrumentalities if not required to do so by law.

#### *Variable Distribution Risk*

To the extent a Fund invests in fixed income securities that have variable or floating interest rates, the amounts of the Fund's periodic distributions to shareholders may vary with fluctuations in market interest rates. Generally, when market interest rates fall, the amount of the distributions to shareholders will likewise decrease.

#### *Water-Related Risk*

Because the Virtus Duff & Phelps Water Fund (for purposes of this section, the "fund") focuses its investments in companies that are substantially engaged in water-related activities, events or factors affecting the sector consisting of companies engaged in such activities (the "water-related resource sector") will have a greater effect on, and may more adversely affect, the fund than they would with respect to a fund that is more diversified among a number of unrelated sectors and industries.

Companies in the water-related resource sector may be significantly affected by events relating to international political and economic developments, water conservation, the success of exploration projects, commodity prices and tax and other government regulations. There are substantial differences between the water-related, environmental and other regulatory practices and policies in various jurisdictions, and any given regulatory agency may make major shifts in policy from time to time. Other economic and market developments that may significantly affect companies in the water-related resource sector include, without limitation, inflation, rising interest rates, fluctuations in commodity prices, raw material costs and other operating costs, and competition from new entrants into the sector.

Companies in the water-related resource sector are susceptible to changes in investment in water purification technology globally, and a slackening in the pace of new infrastructure projects in developing or developed countries may constrain such companies' ability to grow in global markets. Other reductions in demand for clean water, such as significant decreases in world population or increased availability of potable water in arid regions, may reduce demand for certain products and services provided by companies in the water-related resource sector.

While the water-related resource sector includes established and mature companies, portions of the sector are newly developing and strongly influenced by technological changes. The sector can be significantly affected by the level and volatility of technological change in industries focusing on the quality or availability of or demand for potable and non-potable water. In particular, technological advances can render an existing product, which may account for a substantial portion of a company's revenue, obsolete. Product development efforts by companies in the sector that are focused on developing newer technologies may not result in viable commercial products, and such companies in the sector typically bear high research and development costs, which can limit their ability to maintain operations during periods of organizational growth or instability. Many companies in the sector are in the early stages of operation and may have limited operating histories and smaller market capitalizations on average than companies in other sectors. As a result of these and other factors, the value of investments in companies in the water-related resource sector tends to be considerably more volatile than that of companies in more established sectors and industries.

Due to its focus on the water-related resource sector, the fund invests in companies that may share common characteristics, are often subject to similar business risks and regulatory burdens, and whose securities may react similarly to various events and other factors. To the extent it focuses a significant portion of its assets in any particular industry within the water-related resource sector, the fund is further subject to focused investment risk and is more susceptible to events or factors affecting companies in that particular industry. See "Focused Investing Risk."

The fund may also have focused investment risk to the extent that it invests a substantial portion of its assets in a particular country or geographic region. Prolonged drought, floods, weather, disease and other natural disasters, as well as war and political instability, may significantly reduce the ability of companies in the water-related resource sector to maintain or expand their operations or their marketing efforts in affected countries or geographic regions. See "Foreign Investing / Non-U.S. Securities (Including Emerging Markets) Risks".

To the extent the fund invests in companies that derive substantial revenues from activities outside the water-related resource sector, those investments may be significantly affected by developments in other industries in which such companies are active. See "Equity Securities Risk".

#### *When-Issued and Delayed-Delivery Securities*

A Fund or UCITS may purchase securities on a when-issued or delayed-delivery basis. The value of the security on settlement date may be more or less than the price paid as a result of changes in interest rates and market conditions. If the value of such a security on its settlement date is less than the price paid by the Fund, the value of the Fund's or UCITS shares may decline.

#### *Zero Coupon, Step Coupon, Deferred Coupon and PIK Bonds*

A Fund or UCITS may invest in any combination of zero coupon and step coupon bonds and bonds on which interest is payable in kind ("PIK"). The market prices of these bonds generally are more volatile than the market prices of securities that pay interest on a regular basis. Since the Fund or UCITS will not receive cash payments earned on these securities on a current basis, the Fund or UCITS may be required to make distributions from other sources. This may result in higher portfolio turnover rates and the sale of securities at a time that is less favorable.

### **Other Risks**

#### *Cybersecurity Risk*

In addition to the risks associated to the value of investments, there are various operational, systems, information security and related risks involved in investing, including but not limited to "cybersecurity" risk. A breach in cybersecurity refers to both intentional and unintentional events that may cause an account to lose proprietary information such as misappropriating sensitive information, access to digital systems to obtain client and financial information, corrupting data, or causing operational disruption.

Similar adverse consequences could result from cybersecurity incidents affecting counterparties with which we engage in transactions, third-party service providers (e.g., a client account's custodian), governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers and other financial institutions and other parties. The Firm has in place risk management systems and business continuity plans which are designed to reduce the risks associated with these attacks, although there are inherent limitations in any cybersecurity risk management system or business continuity plan, including the possibility that certain risks have not been identified. Accordingly, there is no guarantee that such efforts will succeed especially since we do not directly control the cybersecurity systems of issuers or third-party service providers.

#### *Tax Information (for tax-paying entities)*

Ordinary income dividends, including distributions of short-term capital gain, paid by certain mutual funds to the client who are shareholders may be subject to a United States withholding tax under existing provisions of the Internal Revenue Service Code of 1986 applicable to non-U.S. individuals and entities, unless a withholding exemption is provided under applicable treaty law.



VIA does not, and will not, offer tax advice to clients on any such issues and clients are encouraged to seek the advice of a qualified tax professional. Clients should also understand that VIA is not responsible for making any tax credit or similar claim or any legal filing (including but not limited to proofs of claim) on a client's behalf.

*Other*

The value of securities used in all of our strategies, whether equity or fixed income, may go up, or down, in response to factors not within our control, such as but not limited to the status of an individual company underlying a security, or the general economic climate.

***Investors should be aware their investment is not guaranteed and understand that there is a risk of loss of value in their investment.***

## Item 9 – Disciplinary Information

In a December 2014 settlement with the SEC, F-Squared Investments (“F-Squared”), an unaffiliated former subadviser to VIA, admitted that it had violated federal securities laws related to inaccurate performance information for the period of April 2001 through September 2008 that was provided to clients and included in indices tracked by certain VIA-advised mutual funds and separate accounts. On November 16, 2015, without admitting or denying the SEC’s findings, VIA consented to the entry of an order providing that it cease and desist from committing or causing any violations and future violations of Sections 204, 206(2) and 206(4) of the Advisers Act, and Rules 204-2, 206(4)-1, 206(4)-7 and 206(4)-8 thereunder, and Section 34(b) of the Investment Company Act; agreed to a censure; and paid \$16.5 million, which included a civil money penalty of \$2.0 million, disgorgement of \$13.4 million and prejudgment interest of \$1.1 million. According to the order, VIA: was negligent in not knowing that F-Squared’s track record and performance were inaccurate; falsely presented F-Squared’s AlphaSector strategy’s history and inaccurate track record in certain materials; failed to adopt adequate policies and procedures regarding the accuracy of third-party produced performance information and the reporting and assessment of concerns about the accuracy of such statements; and, as a result, failed to adopt and implement reasonably designed policies regarding the retention of books and records reasonably necessary to support the basis for such performance information in advertisements that it directly or indirectly distributed.

From time to time, VIA and/or its affiliates may be involved in litigation and arbitration as well as examinations and investigations by various regulatory bodies, including the SEC, involving such companies’ compliance with, among other things, securities laws, client investment guidelines, laws governing the activities of broker-dealers and other laws and regulations affecting their products and other activities. At this time, VIA believes that the outcomes of such matters are not likely, either individually or in the aggregate, to have a material adverse effect on the management or other services VIA provides to investment advisory accounts.

## Item 10 – Other Financial Industry Activities and Affiliations

VIA has material relationships with its affiliates, as described below.

VIA is a wholly owned subsidiary of Virtus Partners, Inc. (“VPI”), which is a wholly owned subsidiary of Virtus Investment Partners, Inc. (“Virtus”). Virtus is a publicly traded company operating a multi-manager asset management business (NASDAQ: VRTS). Certain officers and directors of Virtus serve as officers of Virtus’s indirect, wholly owned affiliates, including VIA.





Our investment management services are offered by Virtus under its multi-adviser asset management platform. Distribution of investment products and services offered in conjunction with this platform may involve VIA, its affiliates, and other entities in support of these activities. Certain potential or actual conflicts of interests within these interrelationships may or may not be readily apparent to an investor. VIA is aware of, and has procedures designed to manage, its fiduciary duties and any potential conflicts that may arise related to providing services through affiliates.

VIA has a number of affiliates that are registered investment advisers, which are:

- Ceredex Value Advisors LLC (“Ceredex”)
- Duff & Phelps Investment Management Co.
- Kayne Anderson Rudnick Investment Management, LLC
- NFJ Investment Group, LLC (“NFJ”)
- Seix CLO Management LLC
- Silvant Capital Management LLC (“Sivant”)
- Sustainable Growth Advisers, LP (“SGA”)
- Virtus Alternative Investment Advisers, Inc. (“VAIA”)
- Virtus ETF Advisers LLC (“VEA”)
- Virtus Fixed Income Advisers, LLC (“VFIA”)<sup>3</sup>
- Virtus Fund Advisers, LLC (“VFA”)
- Westchester Capital Management, LLC
- Westchester Capital Partners, LLC

VIA has affiliates that are foreign registered investment advisers, which are:

<ul style="list-style-type: none"> <li>• Stone Harbor Investment Partners (UK) LLP</li> <li>• Virtus Global Partners PTE. LTD.</li> </ul>	<ul style="list-style-type: none"> <li>• Stone Harbor Investment Partners Limited</li> </ul>
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In providing services to its clients, VIA will use personnel or services of one or more of its affiliated investment advisers or other corporate affiliates, and VIA’s affiliated investment advisers will use personnel or services of VIA. Services provided in these arrangements can include, among other things, investment advice, portfolio execution and trading, back-office processing, accounting, reporting, and client servicing. These services are provided through arrangements that take a variety of forms, including dual employee, participating affiliate, delegation arrangement, sub-advisory, consulting, or other servicing agreements. In each case, the personnel of the entity providing services are required to follow policies and procedures designed to ensure that the applicable clients’ accounts are handled appropriately and in the best interests of the clients. When VIA uses the personnel or services of an affiliate to provide services to VIA’s clients, VIA remains responsible for the account from a legal and contractual perspective. Similarly, if an affiliated investment adviser uses the personnel or services of VIA to provide services to such affiliated investment adviser’s clients, the affiliated investment adviser remains responsible for the account from a legal and contractual perspective. No additional fees are charged to the clients for such services except as otherwise set forth in the client’s applicable investment management or other agreement. Without limiting generality of the foregoing, persons who serve as VIA portfolio managers and analysts for the Virtus Systematic and Virtus Multi-Asset teams also serve in the same capacity for our affiliate VFA; and certain personnel serving as a fixed income “sleeve” manager and trader for the Multi-Asset team also provide the same or similar services to our affiliate VFIA d/b/a Stone Harbor Investment Management (“SHIP”). Members of the equity trading team serving the Systematic and Multi-Asset teams are organized under our affiliate VSS and these individuals (under VSS) also provide the same or similar services to our affiliates, Ceredex, NFJ, Silvant, VEA, and VFA. VIA and its above referenced affiliates have policies and procedures in place to ensure that their respective clients

<sup>3</sup> Effective July 1, 2022, Virtus reorganized its three fixed income subsidiaries, to operate as separate divisions under a single legal entity named Virtus Fixed Income Advisers, LLC (“VFIA”). The three divisions of VFIA maintain their distinct investment process and philosophy, portfolio management teams, investment culture and brand. They operate under the d/b/a names of Newfleet Asset Management, Seix Investment Advisors and Stone Harbor Investment Partners.

who share the same portfolio management and trading facilities are treated fairly with respect to allocation of investment opportunities.

VIA engages certain of its affiliated investment advisers to provide sub-advisory services with respect to certain open-end and/or closed-end funds managed by the affiliated investment advisers (such funds, “Virtus Funds”), and additional relationships of that nature may be entered into by VIA in the future. The compensation for such arrangements is typically structured as a percentage of the overall management fee being paid to the affiliated subadviser from VIA, as the hiring affiliated investment adviser.

VIA generally shares its fees with the entity providing sub-advisory services to VIA either through payment or in the case of certain affiliates, through intercompany allocation.

VIA is not registered, and does not have an application pending to register, as a broker-dealer. However, an affiliate of VIA, VP Distributors, LLC (“VPD”), is a registered broker-dealer. VPD is a limited purpose broker-dealer that serves as principal underwriter and distributor of certain open-end mutual funds and ETFs managed by VIA and/or its affiliated investment advisers. Certain VIA associated persons whose job responsibilities either require or are appropriate for registering as broker-dealer representatives are registered representatives of VPD.

Certain employees of VPD promote the products managed by VIA.

### **Global Affiliates**

A description of VIA’s global affiliates follows below. The names of these entities may be changed to reflect “Virtus” branding and/or the entities may act under “Virtus” d/b/a names. VIA has affiliates that are foreign registered investment advisers, which are:

- Stone Harbor Investment Partners (UK) LLP
- Stone Harbor Investment Partners Limited
- Virtus Global Partners Pte. Ltd.

Stone Harbor Investment Partners (UK) LLP (“SH UK”) is a foreign affiliated adviser and affiliate of VIA. Stone Harbor UK is located in London, United Kingdom and registered with the Financial Conduct Authority (“FCA”). SH UK provides marketing and other services, including introducing the investment advisory capabilities of VIA and other Virtus affiliated managers to prospective non-U.S. institutional investors.

Stone Harbor Investment Partners Limited (the “MANCO”) was incorporated in Ireland as a private limited liability company under the Companies Act 2014 (as may be amended). The MANCO is authorized by the Central Bank of Ireland to act as a management company to UCITS funds pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, as amended, and as a European Union alternative investment fund manager in accordance with the E.U. Directive on Alternative Investment Fund Managers (“AIFMD”) and the AIFMD Regulations.

Virtus Global Partners Pte. Ltd. (“Singapore Ltd.”), was established in Singapore as a private limited company and has been granted the Capital Markets Services License by the Monetary Authority of Singapore. Singapore Ltd. does not currently conduct investment advisory services or portfolio management services, Singapore Ltd. solely provides client services, which include introducing the investment advisory capabilities of VIA and other Virtus affiliated managers to prospective non-U.S. institutional investors.



Representatives of Virtus Investment Partners International Ltd. (“Virtus International”) to the extent permitted by each applicable non-U.S. jurisdiction, introduce the investment advisory services of VIA and other Virtus affiliated managers to non-U.S. institutional investors. VIA has entered into solicitation or referral arrangements with one or more of its Global Affiliates.

VIA is not registered, and does not have an application pending to register, as a futures commission merchant, a commodity pool operator, or a commodity trading advisor. Certain of VIA’s affiliated investment advisers are registered as commodity pool operators or commodity trading advisors in connection with their management activities.

Virtus Fund Services, LLC, an affiliate of VIA, serves as the administrator and transfer agent to certain funds for which VIA and its affiliates act as the adviser or subadviser.

VP Distributors, LLC serves as the principal underwriter and distributor of the exchange traded funds advised by its affiliate Virtus ETF Advisers LLC. VP Distributors, LLC’s clients include large financial institutions known as Authorized Participants.

Virtus Shared Services (“VSS”) provides certain back- and mid- office investment operations and support services; information technology infrastructure and support services for certain Virtus affiliates including VIA. In addition, VSS conducts trading for VIA’s directly managed strategies, with the exception of certain fixed income portfolio management and trading conducted by persons associated with VIA who are also dual associates of Stone Harbor Investment Partners (“Stone Harbor”), a division of VFIA. VSS also provides trading and trade administration to certain affiliates of VIA.

Certain VIA affiliates manage private funds. Complete and accurate information about such private funds is available in the Form ADV of the respective affiliate.

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

We endeavor to ensure that the investment management and overall business of the firm complies with both our firm and Virtus (parent) policies and applicable U.S. federal and state securities laws and regulations. We have adopted the Virtus Code of Conduct and the Code of Ethics (the “Codes”) in accordance with Rule 204A-1 of the Advisers Act. The Codes have been reasonably designed to prevent and detect possible conflicts of interest with client trades. Compliance with the Codes is a condition of employment. All of our supervised persons must acknowledge terms of the Codes, annually, or as amended. Any employee found to have engaged in improper or unlawful activity faces appropriate disciplinary action. Each employee is responsible for ensuring that they and those they manage conduct business professionally and comply with our firm’s policies and procedures. Employees must immediately report (to their supervisor, a compliance officer or corporate legal counsel) their knowledge any wrongdoing or improper conduct. Failure to do so may result in disciplinary action being taken against that individual. Our reporting procedures are supported by a telephone number and similar on-line reporting technology available 24-hours/day to any employee to confidentially report, or request assistance concerning possible violations of the Codes and other firm policies. This technology and reporting platform is administered by an independent, third-party.

Our officers and employees are encouraged to invest in shares of investment products that we and/or our affiliates advise. Subject to limitations described herein and set forth by our Codes, our directors, officers,

and/or associated personnel may buy, hold, or sell the same investments for their own accounts as are held or to be held or sold for a client account and they may engage in the following:

- Recommend that clients buy or sell securities or investment products in which we or a related person have some financial interest; and/or
- Buy or sell securities or investment products that our firm and/or our directors, officers, associated personnel or a related person recommends to our clients.

Our Codes are designed to prevent and detect conflicts of interest in regard to the above.

None of our directors, officers, Access or Advisory persons may buy or sell any security or any option to buy or sell such security, such that they hold or acquire any direct or indirect beneficial ownership as a result of the transaction, if they know at the time of such transaction that such a security or option is being bought, sold, or considered for purchase or sale for a client account, unless one or more of the following conditions exist:

- They have no influence or control over the transaction from which they will acquire a beneficial interest;
- The transaction is non-volitional on their part or the client's;
- The transaction is a purchase under an automatic dividend reinvestment plan or pursuant to the exercise of rights issues, pro-rata to them and other holders of the same class of the issuer's securities; or
- They have obtained, in advance, approval from someone authorized to grant such approval when circumstances indicate no reasonable likelihood of harm to the client or violation of applicable laws and regulations.

## **Code of Conduct**

The Virtus Code of Conduct directs our employees' conduct in the following areas:

- |  |   |
|--|---|
| • Compliance with Applicable Laws, Rules and Regulations | • Contract Review and Execution                   |
| • Insider Trading  | • Company Disclosures and Public Communications   |
| • Conflicts of Interest                                  | • Information Protection Policies                 |
| • Corporate Opportunities                                | • Human Resource Policies                         |
| • Fair Dealing   | • Use of Social Media                             |
| • Protection and Proper Use of Company Assets            | • Intellectual Property                           |
| • Confidentiality  | • Designation of Compliance Officers              |
| • Recordkeeping  | • Seeking Guidance About Requirements of the Code |
| • Interaction with Government Officials and Lobbying     | • Reporting Violations                            |
|  | • Waivers, Discipline and Penalties               |

## **Code of Ethics**

Employees are categorized as either Supervised, Access or Advisory Persons under our Code of Ethics.



All Supervised Persons are required to comply with the following:

- Instruct their brokers to directly provide our Compliance Department with duplicate copies of brokerage statements and trade confirmations or the electronic equivalent;
- Provide Initial Holdings Reports, Quarterly Transaction Reports, and Annual Certification and Holdings Reports, which our Compliance Department reviews for trading activity; and
- Conduct their personal transactions consistent with the Code of Ethics and in a manner that avoids any actual or potential conflict of interest.

In addition to the above, those employees classified as Access Persons are further required to comply with the following:

- Pre-clear all non-exempt transactions with respect to which an employee is beneficial owner in order to prevent the employee from buying or selling at the same time as the firm; and
- Hold all covered securities no less than 30-days.

Employees classified as Advisory Persons are further prohibited from directly or indirectly acquiring or disposing of a security on the date of, and within seven calendar days before and after the portfolio(s) associated with that person's portfolio management activities.

Any covered employee not in observance of the above may be subject to a variety of disciplinary actions.

We do not purchase or sell securities for our own account. However, when we do not engage a subadviser, we can at times utilize personnel as members of our portfolio management and trading team who also serve certain VIA affiliates in the same and/or similar capacities. In serving in this capacity these personnel serve an affiliate in managing assets of portfolio owned by another affiliate. VIA and its applicable affiliates have policies and procedures in place to ensure that their respective clients who share the same portfolio management and trading facilities are treated equitably and fairly over time, with respect to allocation and/or sequencing of trade orders for investment opportunities and to mitigate conflicts of interest with Virtus proprietary accounts.

### **Other Related Policies and Procedures**

We have adopted the Insider Trading Policy and Procedures designed to mitigate the risks of our firm and its employees misusing and misappropriating any material non-public information that they may become aware of, either on behalf of our clients or for their own benefit. Personnel are not to divulge or act upon any material, non-public information, as defined under relevant securities laws and in our Insider Trading Policy and Procedures. The policy applies to each of our Supervised, Access and Advisory Persons and extends to activities both within and outside their duties to our firm, including for an employee's personal account.

In addition to the above, our policies set limitations on and require reporting of gifts, entertainment, business meals, sponsorships, business building and charitable donations, whether given or received. Generally, our employees are prohibited from accepting or providing gifts or other gratuities from clients or individuals seeking to conduct business with us in excess of \$100.



Our personnel may, under certain conditions, be granted permission to serve as directors, trustees, or officers of outside organizations. Prior to doing so, approval must be provided by Compliance.

A complete copy of our Code of Conduct and/or our Code of Ethics is available by sending a written request to Virtus Investment Advisers, Inc., Attn: Corporate Compliance, One Financial Plaza, Hartford, CT 06103 or by emailing a request to us at: [InvestmentAdviser@Virtus.com](mailto:InvestmentAdviser@Virtus.com).

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

The existence of business relationships and investment practices creates the potential for conflicts of interest. VIA has adopted restrictive policies and procedures wherever deemed appropriate, to seek to detect and mitigate or prevent potential conflicts of interest. Certain known conflicts and VIA's handling of such conflicts are disclosed below:

- VIA, indirectly through affiliates, may manage simultaneously parallel accounts in some cases with the same portfolio managers, with similar objectives, but with differing fees to VIA or affiliates. VIA's policy is to manage each account independently and fairly, and recognizes and seeks to control the conflicts of interests inherent in such practices;
- VIA's affiliate personnel who provide administrative services to VIA's clients also will have information about VIA clients' investments;
- Certain VIA officers have officer titles at other VIA affiliates; and
- VIA has a policy of not purchasing or recommending the purchase of securities issued by its parent company, Virtus.

### **Item 12 – Brokerage Practices**

As a result of our business model, the brokerage and trading activity on behalf of the majority of our clients is generally handled by our affiliated and non-affiliated subadvisers. As of July 25, 2022, VIA began directly managing (not utilizing subadvisers) four Virtus Funds. VIA and certain affiliated subadvisers delegate trade and trade administration to our affiliate, VSS. VSS conducts trading for VIA's directly managed strategies, with the exception of certain fixed income trading conducted by specific fixed-income "portfolio sleeve" managers of VIA who also provide portfolio management and trading activities for Stone Harbor Investment Partners ("Stone Harbor"), a division of VFIA. VSS also provides trading and trade administration to certain affiliates of VIA, including Ceredex, Silvant, NFJ, VEA, and VFA, together, the "Affiliated RIAs".

*In addition to the general descriptions of brokerage practices provided below, additional descriptions of each subadviser's specific brokerage practices can generally be found in their respective Form ADV Part 2A brochure.*

When employing the use of subadvisers, the subadvisers, subject to the supervision of VIA, determine the securities and other investments to be purchased, sold or entered into by a sub-advised portfolio or a portion thereof; and place orders with brokers or dealers that they select. Each of our subadvisers is primarily responsible for seeking "best execution" when effecting transactions for our client accounts. Best execution refers to seeking the best overall terms for a client when affecting a trade. Factors generally considered in assessing best execution include, but are not limited to, the following: the breadth of the market in the security, price of the security, execution capability, investment research provided, and





experience in dealing with the particular brokers and/or dealers. Each subadviser oversees its own execution quality and brokerage selection, typically by means of a brokerage committee or its equivalent. VIA Compliance receives confirmation of the subadviser reviews through its quarterly oversight process and during the compliance due diligence meetings. In addition, on a quarterly basis, subadvisers are required to confirm that trading activity is in compliance with the applicable client investment management agreement and/or the applicable policies and regulations, including the safe harbor provisions of Section 28(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) regarding soft dollar usage.

When VIA does not employ a subadviser, VIA determines the securities and other investments to be purchased, sold or entered into by a portfolio or a portion thereof; and places orders with brokers and dealers they select. VIA is subject to “best execution” when effecting transactions for VIA’s directly managed client accounts and is responsible for overseeing execution quality and brokerage selection. VIA has established a Broker Selection and Best Execution Committee (“Best Execution Committee”) that meets quarterly to oversee VIA’s overall trading practices, including trading strategies, policies and processes.

We can provide no assurance, or take any responsibility, for best execution when a client elects to retain discretion over broker selection or commission rate.

We perform investment advisory services for various clients. We may give advice, and take action, with respect to any of those clients which may differ from the advice given, or the timing or nature of action taken, with respect to any one other account. When not employing services of a subadviser, VIA, to the extent practical and over a period of time, will seek to allocate investment opportunities to each account on a fair and equitable basis relative to other similarly situated client accounts.

It is not VIA’s general practice to conduct cross trades; however, to reduce transaction costs and promote trading efficiency, certain client portfolios and/or portfolios managed by affiliates of VIA may transact with one another. VIA will only enter into such inter-account transactions when it is determined to be in the best interests of all affected clients. Furthermore, such transactions will be consistent with Advisers Act and other applicable regulations including Rule 17a-7 of the Investment Company Act (to the extent that such transactions include mutual funds) or will be made only when permitted by the advisory account(s) affected.

### **Soft Dollar Programs**

Subject to the requirements of seeking best execution; complying with any imposed client restrictions provided to VIA in writing; and complying with the “safe harbor” of Section 28(e) of the Securities Exchange Act of 1934, as amended (“Section 28(e)”), VIA and its subadvisers may direct a trade to broker-dealers who provide them with permissible brokerage or research services. When VIA does not utilize subadvisers, VIA will direct trades for the respective accounts based on VIA’s brokerage and soft dollar policies. Subadvisers, when utilized, are subject to the supervision of VIA. The subadvisers are responsible for directing trades in accordance with their respective brokerage and soft dollar policies.

In so doing, VIA and its subadvisers can affect securities transactions which cause a client to pay an amount of commission in excess of the amount of commission another broker would have charged; and can generate commission credits which they can use to pay for brokerage and research services provided or paid for by brokers-dealers or other permissible parties. When VIA or its subadvisers use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, they receive a benefit because they do not have to produce or pay for the research, products or services. VIA

and its subadvisers are required to make a good faith determination that the amount of commission is reasonable in relation to the value of the brokerage services and research and investment information received, viewed in terms of either the specific transaction or overall responsibility to the accounts for which VIA and its subadvisers exercise investment discretion. VIA and its subadvisers regularly evaluate commissions paid in order to ensure that the commission represents reasonable compensation for the brokerage and research services provided by such brokers.

When engaging in soft dollar programs, VIA and its subadvisers can obtain services, other products and research to supplement their research, analysis and execution capabilities without incurring incremental costs. In these circumstances, VIA and its subadvisers can have an incentive to select or recommend a broker-dealer based on their interest in receiving the research or other products or services, rather than our clients' interests in receiving most favorable execution. VIA and its subadvisers can also have such incentives if such broker-dealers require minimum levels of client commissions to provide research or brokerage services.

VIA and its subadvisers, when not limited by written agreement, are permitted to use "step-out" trade mechanisms. A "step-out" trade occurs when the executing broker-dealer agrees to "step out" a portion of a bunched execution, and that "stepped-out" portion is cleared through the broker-dealer providing the research and brokerage services. The client is assessed a commission only by the broker-dealer who clears the transaction. The executing broker-dealer receives compensation in the form of commission from the portion of the bunched execution that was not "stepped-out" to other brokers. Step out trades can increase the overall cost to the client.

Research products and services received for a particular client's brokerage commissions may be used for the benefit of all or a segment of VIA's (or our subadvisers') clients and not exclusively or specifically for the benefit of the client account or accounts whose transactions generated the commissions.

VIA does not receive services, other products or research through our subadvisers' use of soft dollars.

At times VIA will receive Section 28(e) eligible research based on direct trading activities. When doing so, research services obtained directly or indirectly generally include one or more of the following:

- Analytical and other information pertaining to specific securities;
- Research information relating to overall investment strategy including macroeconomics forecasts and analyses; and
- Analyst reports, analyst models, analyst access, conferences, invitations to analyst events and/or other 28(e) eligible research.

VIA does not have any agreement or understanding with any broker-dealer that would obligate the Firm to direct a specific amount of brokerage transactions or commissions in return for such services.

### **Commission Sharing Arrangements**

VIA and its subadvisers are permitted to participate in commission sharing arrangements whereby VIA and its subadvisers request brokers affecting transactions on behalf of their respective clients to allocate a portion of the commission to a commission credit account maintained by the executing broker or a commission management provider for VIA or maintained for the applicable subadviser. VIA and subadvisers can direct an executing broker or commission management provider to pay independent

research providers (which may or may not be other brokers) for research products and services. Commission sharing arrangements may be used to pay for both proprietary and third-party research products and services. Commission sharing arrangements enable VIA or subadvisers to direct their respective client trades to broker-dealers irrespective of whether or not the broker provides research products and services. Subsequently, VIA and subadvisers will direct the executing broker or commission management provider to pay the research provider from their respective commission credit account.

### **Trade Aggregation and Allocation**

When VIA employs subadvisers, it is VIA's policy and expectation that the respective subadvisers, to the extent practicable, will allocate all investment opportunities among their respective applicable clients over a period of time on a fair and equitable basis.

When VIA does not employ a subadviser, then VIA has a fiduciary duty to obtain best execution for its clients. Where securities are purchased on behalf of more than one client at the same time, the Firm must fulfill its duty to obtain best execution for all clients and will not favor one client at the expense of the other. VSS will (in accordance with the agreement between VIA and VSS) attempt (to the extent appropriate, permissible, and/or feasible) to aggregate multiple orders for the purchase or sale of the same security placed at or at approximately the same time, to achieve best execution with respect to all transactions being effected on behalf of client accounts. This "block" trading process generally includes pro-rata allocations of trades across all accounts and clients to promote fairness. Employee trades are not blocked with client trades as employees must use an outside broker to conduct personal trades which are subject to black-out periods to prevent employees from trading in front of VIA for its clients.

### **Aggregation/Allocation/Rotation – Equities**

Generally, VSS will aggregate or "block" transactions on behalf of various Firm clients in order to facilitate best execution and possibly negotiate more favorable pricing and commission rates. VSS will aggregate transactions wherever possible except when directed brokerage or other restrictions makes aggregation impractical or not permissible. Orders to reduce or raise cash at the strategy level will be aggregated for all accounts within the strategy and traded as a block, subject to any restrictions at the account level. To the extent that transactions are blocked, the Firm will allocate such transactions to all participating client accounts in a fair and equitable manner consistent with its trade allocation policies, fiduciary obligations and each participating client's investment advisory agreement.

VSS follows the process below when executing like orders:

1. Like orders sent at overlapping times from different portfolio managers within VIA and our affiliate, VFA will be combined and traded together, subject to any limits managers place on the orders. When a trade is in progress at the time a subsequent trade is received in the same security, the existing block may be closed, and a new block established combining the remaining unexecuted trades with the subsequent trade.
2. Like orders sent at overlapping times from Affiliated RIAs (excluding VFA) will not be combined but will share executions on a one-for-one basis starting when the second order arrives, regardless of the size of either order. This is subject to any limits managers place on the orders.

Due to market conditions or a change in portfolio management decisions, a specific aggregated order may not be completely filled at one price or in total. At such times, the order will be average-priced so that all accounts receive a fair price, and the transaction will be distributed among all accounts in a fair and equitable manner so that no account will be systematically disadvantaged by the allocation.

VIA realizes such situations present inherent conflicts of interest and that certain VIA accounts may appear to be disadvantaged in specific instances. VIA will, however, at all times allocate trades on a basis believed to be fair and equitable. In addition, VIA will not disproportionately allocate trades in a manner inconsistent with the manager's ability to effectively and efficiently maintain or sell the position (i.e., "odd lots" or less than standard incremental amounts). The trader will, however, ensure that all accounts are treated fairly based on all distribution criteria (i.e., no client or Fund will disproportionately receive rounded-up allocations).

Determining the quality of trade executions requires the evaluation of subjective, objective, and complex qualitative and quantitative factors. VIA, along with VSS, must manage the trading process to fulfill their duty for all clients by selecting the appropriate trading techniques, venues and brokers; controlling the pace of the liquidity search to avoid excessive market impact; understanding clients' and regulatory restrictions; and monitoring results. These are all factors taken into consideration as VIA and VSS apply the standards of prudent fiduciary behavior in seeking best execution for all client accounts.

VIA performs investment advisory and investment management services for various clients and may give advice and take action with respect to one client that differs from advice given or the timing or nature of action taken with respect to another client. It is, however, VIA's policy not to favor or disfavor consistently or consciously any clients or class of clients in the allocation of investment opportunities, with the result that, to the extent practicable, all investment opportunities will be allocated among clients over a period of time on a fair and equitable basis.

Allocation of initial public offerings and secondary offerings (equity) to client accounts is as follows:

- *Full Allocation*

If a full allocation is received, VSS will, in most cases, allocate syndicate transactions on a pro rata basis across eligible accounts. Eligible accounts requesting the allocation may be within one discipline or multiple disciplines or one participating Virtus affiliate or multiple Virtus affiliates.

- *Partial Allocation – One Discipline*

If a full allocation is not received and only one discipline indicated interest, that discipline will receive the allocation and it will be allocated to eligible accounts on a pro rata basis.

- *Partial Allocation – Multiple Disciplines within One Firm*

If a full allocation is not received and multiple disciplines have entered an indication of interest, VSS will allocate shares to disciplines based on the discipline's indication of interest. VIA and VFA will be considered as one firm for allocation purposes. At the discipline level, the shares will then be allocated on a pro rata basis to all eligible accounts.

After completing the above, each Virtus affiliate will allocate its shares on a pro rata basis among its eligible accounts. In most instances, allocation will be made in 100 share lots to minimize client trading costs. However, if a de minimis amount is received from the underwriter, VSS may allocate at the account level using a rotational basis, which may result in clients receiving an odd lot.

**Aggregation/Allocation/Rotation - Fixed-Income**

Investment team members of the Stone Harbor division of VFIA serve as portfolio managers and traders of VIA under a dual hatted appointment. As such, they provide investment management of one sleeve of a registered investment company of which VIA is the adviser. Such personnel will attempt (to the extent appropriate, permissible, and/or feasible) to aggregate multiple orders for the purchase and sale of the same security (managed in the same strategy) placed at or around the same time, to achieve best execution with respect to all transactions being affected on behalf of all accounts. To the extent that transactions are blocked, the team will allocate such transactions to all participating accounts in a fair and equitable manner, consistent with its trade allocation policies, fiduciary obligations, and each client's investment advisory agreement. The team will maintain appropriate documentation of such allocation. If it is not appropriate, permissible, and/or feasible, the team may alternatively execute transactions using a rotation method of allocating trades for accounts/funds of VIA and the Stone Harbor division of VFIA.

**Error Correction**

Although we take all reasonable steps to avoid errors in our trading process, occasionally errors do occur. It is our policy that trade errors be identified and resolved promptly and resolved in a manner consistent with our fiduciary duty to our clients. Consistent with this duty, the overriding goal in trade error resolution is to seek to place the client in the same position that the client would have been in had the error not occurred. There is no single method of calculating gains, losses or compensation due as a result of a trade error. We will determine the most appropriate calculation methodology on a case-by-case basis in light of the specific facts and circumstances of each trade error.

**Item 13 – Review of Accounts**

VIA provides discretionary investment advisory services to registered investment companies and UCITS. The offering documents for each of the aforementioned entities establish guidelines and restrictions with respect to investment strategies that include the types of securities to be bought and sold. We monitor our client portfolios for performance and compliance with applicable investment restrictions. In our capacity as manager of affiliated and unaffiliated subadvisers to the registered investment companies and UCITS, we set the overall investment strategies; evaluate, select, and recommend to the Board of Trustees (or Directors as may be applicable) subadvisers needed to manage all or part of the assets within these series; monitor and evaluate the subadvisers' investment programs and results; and review the applicable account's compliance with the stated investment objectives policies and restrictions.

Generally, our representatives meet with the respective Fund Board of Trustees (or Directors as may be applicable) at least quarterly to review the performance and other account attributes and provides the Boards with product management oversight reports, compliance reports and other reports as requested.

Portfolio managers for each investment discipline determine the specific securities purchased or sold within a portfolio based on the investment discipline's philosophy and process, as well as the client's investment policy guidelines. Portfolio managers (VIA portfolio manager, if applicable or portfolio manager from our appointed subadviser) are familiar with the client's philosophy, investment guidelines and objectives and continually evaluate all client relationships and verify portfolios are continuously serviced, monitored and supervised. The portfolio manager (VIA portfolio manager, if applicable, or portfolio manager from an appointed subadviser) works with each client to make certain that the assets are invested in accordance with regulations and stated client and investment discipline guidelines.



The IOC also provides investment oversight and analysis of VIA and affiliates' activities including performance attribution evaluation and analysis on certain accounts and strategies.

Depending on the type of client account, specific client guidelines and restrictions are coded into one or more compliance guideline systems at the subadviser and/or VIA level upon account opening and periodically reviewed and updated as appropriate. The compliance guideline systems are designed to screen individual transactions to prevent and/or forensically identify trade allocations to accounts that do not comply with specific client guidelines.

## Item 14 – Client Referrals and Other Compensation

VIA generally does not receive an economic benefit from anyone other than its clients for providing investment advice to its clients. However, as discussed in Item 10, VIA and its personnel may provide services to VIA's affiliates, and VIA may receive services from its affiliates. Such services may include investment advice for which the providing entity may be compensated directly or indirectly by the receiving entity.

With respect to VIA's management of UCITS funds, VIA or any of its affiliates providing management to such UCITS funds, at their discretion and if permitted by applicable law, can rebate part or all of the management fees charged to the UCITS funds to any UCITS fund shareholder or use part of such management fees to remunerate certain financial intermediaries of such UCITS funds for services provided to fund shareholders.

While VIA currently does not compensate any unaffiliated third parties for client referrals, VIA may have relationships with certain consulting firms and other intermediaries. For example, VIA may, from time to time, purchase products or services, such as investment manager performance data, from consulting firms. In compliance with applicable law and regulation, VIA or an affiliate from time to time may also pay event attendance or participation or other fees; underwrite educational, charitable or industry events; or provide gifts of value to, or at the request of, an organization or individual (including VIA affiliates) that, among other things: (i) offers or includes products or services of VIA or an affiliate in a particular program; (ii) permits VIA or an affiliate access to their financial advisers, brokers, employees, or other affiliated persons to provide training, marketing support, and educational presentations on products or services affiliated with VIA; and/or (iii) refers or has referred a client to VIA. VIA may obtain products and/or services from consulting firms separate and apart from any recommendations made to clients for VIA's investment services, and also may provide cash or non-cash support for educational, training, marketing and other events sponsored by consulting firms and other intermediaries, subject to internal policies and regulatory restrictions. Additionally, certain affiliated or third-party institutions provide financial support on a voluntary basis for marketing, educational, and sales meetings of VIA or affiliates. VIA also may, from time to time, pay a fee for inclusion of information about the firm in databases maintained by certain unaffiliated third-party data providers that in turn make such information available to their investment consultant clients. The payments and benefits described in this paragraph could give the firms receiving them and their personnel an incentive to favor VIA's investment advisory services over those of firms that do not provide the same payments and benefits.

Additionally, VIA or any of its affiliates may enter into arrangements with, and/or make payments from their own assets to, certain intermediaries to enable access to Virtus Funds on platforms made available by such intermediaries or to assist such intermediaries to upgrade existing technology systems or implement new technology systems or programs in order to improve the methods through which the intermediary provides services to VIA and its affiliates and/or their clients. Such arrangements or payments may establish contractual obligations on the part of such intermediary to provide VIA's or an

affiliate's fund clients with certain exclusive or preferred access to the use of the subject technology or programs or preferable placement on platforms operated by such intermediary. The services, arrangements and payments described in this paragraph present conflicts of interest because they provide incentives for intermediaries, customers or clients of intermediaries, or such customers' or clients' service providers to recommend, or otherwise make available, VIA's or its affiliates' strategies or Virtus Funds to their clients in order to receive or continue to benefit from these arrangements from VIA or its affiliates. The provision of these services, arrangements and payments described above by VIA or its affiliates is only to the extent permitted by applicable law and guidance and is not dependent on the amount of Virtus Funds or strategies sold or recommended by such intermediaries, customers or clients of intermediaries, or such customers' or clients' service providers.

### Item 15 – Custody

VIA does not provide custodial services to its clients.

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client investment assets. We urge you to carefully review such statements and compare such official custodial records to the account statements that we provide to you.

Comparing reports will allow you to determine whether account transactions such as advisory fees are proper.

Our statements can vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities.

### Item 16 – Investment Discretion

Currently, we manage all of our clients' assets on a discretionary basis however from time to time we may accept new accounts on either a discretionary or non-discretionary basis.

Generally, in the absence of specific written instructions from a client, we will have complete discretion with respect to the accounts, without any limitations on our authority.

- When managing accounts on a discretionary basis, we have full authority to buy and sell securities without prior client approval under its investment advisory contracts. We exercise our investment discretion consistent with our investment policies, as well as with any investment guidelines or restrictions adopted by a client and accepted by VIA.
- When managing accounts on a non-discretionary basis, we perform our duties in accordance with the limitations described in the client contract.

VIA's decision to accept a new account or continue to manage an existing account will include consideration of the nature and extent of the instructions given by the respective client.

### **Class Actions**

Securities litigation can be a potential additional income source for individual investment portfolios that have had trade activity in a security that subsequently became the source of an organized class action lawsuit. We do not file for participation in class action settlements unless agreed to by client contract. With respect to our registered investment company clients, we or our subadviser will generally file for

participation in class action settlements. We or our subadviser will generally retain a non-affiliated third-party vendor to carry out the activities required for participation. The vendor determines the eligibility pertinent to the specific class action, files the claim as appropriate, monitors the class action and processes receipt of any settlement.

### Item 17 – Voting Client Securities

We handle proxies in a manner intended to benefit the underlying participants and beneficiaries, while using the care, skill and diligence that a prudent person acting in a like capacity and familiar with such matters would use under the circumstances then prevailing.

When employing the services of a subadviser, we generally delegate to the subadviser, who may further delegate to a non-affiliated third-party vendor, the responsibility to review proxy proposals, make voting recommendations and cast votes.

Unless directed otherwise by our clients, our basic policies and procedures are as follows:

- VIA will accept proxy voting responsibility only with written agreement with the client. Once VIA accepts proxy voting responsibility, generally the client will be allowed to request to vote its proxies on a particular solicitation (consistent with the agreement entered into with VIA) and VIA will attempt to comply with the request if it is operationally possible.
- When VIA employs the use of subadvisers, VIA delegates to the subadviser, subject to VIA's oversight, the responsibility to review proxy proposals, make voting recommendations and cast votes. VIA and its subadvisers have each adopted policies regarding proxy voting and VIA and each subadviser has a proxy committee or similar body ("Committee"); or other designated party that is responsible for establishing policies and procedures designed to enable the firm to ethically and effectively discharge its fiduciary obligation in voting proxies on behalf of all discretionary client accounts and Funds.
- Unless a client chooses custom guidelines, VIA's affiliated subadvisers will vote all shares per their proxy guidelines. In the case that a ballot item is not covered under the policy or is coded as case-by-case in the firm's guidelines, a research analyst or portfolio manager will review the available information and will utilize such information, along with his knowledge of the company, to make a vote recommendation to the firm's Committee or designated party. The Committee members (or designated party) consider the information and recommendation and will then vote on that ballot item. As reflected in the firms' Proxy policies, the Committee or designated party will affirmatively vote proxies for proposals that it deems to be in the best economic interest of its clients, as a whole, as shareholders and beneficiaries of those actions.
- Due to its diversified client base and numerous product lines, a committee or other designated party of VIA or its subadvisers may determine a potential conflict exists in connection with a proxy vote. The Committee or other designated party will determine how to address the conflict and that may include voting strictly in accordance with policy, and/or allowing the third-party service provider to vote in accordance with its guidelines. Additional conflicts of interests will be evaluated by the Committee or designated party on an individual basis. Although the VIA strives to alleviate or diffuse known conflicts, there is no guarantee that all situations have been or will be mitigated through proxy policy incorporation.



In an effort to make well-informed and qualified proxy vote decisions, VIA's subadvisers generally utilize a third-party proxy service provider for support services related to the proxy voting processes/procedures which include, but are not limited to the following:

- The collection of proxy material from our clients' custodians;
- The review of proxy proposals and appropriate voting recommendations on behalf of the firm;
- The facilitation of proxy voting, reconciliation, and disclosure, in accordance with the firm's proxy policies and the Committee's or other designated party's direction; and
- Recordkeeping and voting record retention.

When VIA does not employ the use of a subadviser in managing accounts, to assist it in analyzing proxies, VIA subscribes to Institutional Shareholder Services ("ISS"), an unaffiliated third-party corporate governance research service that provides in-depth analyses of shareholder meeting agendas and vote recommendations. VIA fully reviews the ISS Proxy Voting Guidelines and follows its recommendations on most issues brought to a shareholder vote. In the case that a ballot item is not covered under the guidelines or VIA's guidelines are coded as case-by-case, a research analyst or portfolio manager will review the available information and will utilize such information, along with his/her knowledge of the company, to make a vote recommendation to the firm's Committee. The Committee members consider the information and recommendation and will then vote on that ballot item. In special circumstances, including where VIA in good faith believes that any ISS recommendation would be to the detriment of our investment clients, VIA will override an ISS recommendation, based on the approval of VIA's Committee. As reflected in the firm's Proxy policies, the Committee or designated party will affirmatively vote proxies for proposals that it deems to be in the best economic interest of its clients, as a whole, as shareholders and beneficiaries of those actions.

Each proxy vote must be evaluated on its own merits. Factors such as a company's organizational structure, executive and operational management, Board of Directors structure, corporate culture and governance process, and the impact of economic, environmental and social implications remain key elements in all voting decisions.

VIA and its affiliated subadvisers will review the third-party proxy service provider's capabilities as agent for the contracted services noted above.

Inquiries regarding how a specific proxy proposal was voted or requests for a complete copy of VIA's current Proxy Voting Policies, Procedures and Guidelines can be obtained by sending a written request to Virtus Investment Advisers, Inc., Attn: Corporate Compliance, One Financial Plaza, Hartford, Connecticut 06103 or emailing us at: [InvestmentAdviser@virtus.com](mailto:InvestmentAdviser@virtus.com).

VIA or its subadvisers can occasionally be subject to conflicts of interest in the voting of proxies because of business or personal relationships it maintains with persons having an interest in the outcome of specific votes. VIA, its subadvisers and their respective employees can also occasionally have business or personal relationships with other proponents of proxy proposals, participants in proxy contests, corporate directors, or candidates for directorships. Conflicts of interest are handled in various ways depending on the type and materiality.

VIA or its subadvisers may abstain from voting client proxies if, based on its evaluation of relevant criteria, it is determined that the costs associated with voting a proxy exceed the expected benefits to



affected clients, such as but not limited to the following situation: Untimely notice of a shareholder meeting; requirements to vote proxies in person; restrictions on a foreigner's ability to exercise votes, and requirements to provide local agents with power of attorney to execute the voting instructions.

### Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition. VIA has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients. VIA does not require or solicit prepayment of advisory fees six months or more in advance. VIA does not act as custodian for any client account. VIA has not been the subject of a bankruptcy proceeding.



## Appendix A - Privacy Policy

Rev. 03-2023

### FACTS

#### WHAT DOES VIRTUS INVESTMENT ADVISERS, INC. DO WITH YOUR PERSONAL INFORMATION?

<b>Why?</b>	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
<b>What?</b>	<p>The types of personal information we collect and share depend on the product or service you have with us. This information can include:</p> <ul style="list-style-type: none"> <li>■ Social Security number and investment experience</li> <li>■ Account balances and assets</li> <li>■ Risk tolerance and transaction history</li> </ul>
<b>How?</b>	All financial companies need to share customer's personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customer's personal information; the reasons Virtus Investment Advisers, Inc. ("Virtus Investment Advisers") chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Virtus Investment Advisers share?	Can you limit this sharing?
<b>For our everyday business purposes—</b> such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	<b>Yes</b>	<b>No</b>
<b>For our marketing purposes—</b> to offer our products and services to you	<b>Yes</b>	<b>No</b>
<b>For joint marketing with other financial companies</b>	<b>No</b>	<b>We do not share</b>
<b>For our affiliates' everyday business purposes—</b> information about your transactions and experiences	<b>Yes</b>	<b>No</b>
<b>For our affiliates' everyday business purposes—</b> information about your creditworthiness	<b>No</b>	<b>We do not share</b>
<b>For our affiliates to market to you</b>	<b>No</b>	<b>We do not share</b>
<b>For nonaffiliates to market to you</b>	<b>No</b>	<b>We do not share</b>

### Questions?

 Call 800-248-7971 or go to [www.virtus.com](http://www.virtus.com)

Who we are	
Who is providing this notice?	Virtus Investment Advisers, Inc. (“Virtus Investment Advisers”)
What we do	
How does Virtus Investment Advisers protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
How does Virtus Investment Advisers collect my personal information?	<p>We collect your personal information, for example, when you</p> <ul style="list-style-type: none"> <li>■ Open an account or give us your contact information</li> <li>■ Seek advice about your investments</li> <li>■ Enter into an investment advisory contract</li> <li>■ Tell us about your investment or retirement portfolio</li> </ul>
Why can’t I limit all sharing?	<p>Federal law gives you the right to limit only</p> <ul style="list-style-type: none"> <li>■ Sharing for affiliates’ everyday business purposes—information about your creditworthiness</li> <li>■ Affiliates from using your information to market to you</li> <li>■ Sharing for nonaffiliates to market to you</li> </ul> <p>State laws and individual companies may give you additional rights to limit sharing.</p>
Definitions	
<b>Affiliates</b>	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>■ Our affiliates include companies such as: Ceredex Value Advisors LLC; Duff &amp; Phelps Investment Management Co.; Kayne Anderson Rudnick Investment Management, LLC; NFJ Investment Group LLC; SEIX CLO Management LLC; Silvant Capital Management LLC; Stone Harbor Investment Partners Limited; Stone Harbor Investment Partners (UK) LLP; Sustainable Growth Advisers LP; Westchester Capital Management, LLC; Westchester Capital Partners, LLC; Virtus Alternative Investment Advisers, Inc.; Virtus ETF Advisers, LLC; Virtus Fixed Income Advisers, LLC; Virtus Fund Advisers, LLC; Virtus Fund Services, LLC; Virtus Global Partners PTE. Ltd.; Virtus Investment Partners, Inc.; Virtus Investment Partners International Ltd.; Virtus Partners, Inc.; Virtus Shared Services, LLC; and VP Distributors, LLC.</li> </ul>
<b>Nonaffiliates</b>	<p>Companies not related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>■ Virtus Investment Advisers does not share with non-affiliates so they can market to you.</li> </ul>
<b>Joint marketing</b>	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> <li>■ Virtus Investment Advisers does not jointly market.</li> </ul>
Other important information	

**For California Residents Only**

In addition to our Privacy Policy, the below notice is provided solely to certain **California residents** who are clients of Virtus Investment Advisers. To the extent that the California Consumer Privacy Act ("CCPA"), as amended by CPRA applies, you have the right to know what personal information we intend to collect or have collected about you and why. For clients of Virtus Investment Advisers, this information is provided in our **Privacy Notice**, above.

The CCPA also provides you the right to request access to specific pieces of information we have collected from you. You have the right to request correction of inaccurate information that we maintain about you. You also can request that we delete personal information about you. You can contact our Compliance Department at 800-248-7971 or go to [www.virtus.com](http://www.virtus.com) if you wish to make any of these requests. It is important to note, however, that the CCPA does not apply to all businesses, nor does it apply to personal information maintained by financial services firms that is covered under certain exemptions described in the CCPA, and as such, the CCPA will typically not apply to Virtus Investment Advisers' customers.

If we do not delete certain items of personal information because we have a legal right or obligation to retain that information, we will notify you of that. Further, if we do not delete certain items of personal information because we have a legal right or obligation to retain that data, we will delete that information at such later time that we no longer have a legal right or obligation to retain that information upon such a request.

At this time we do not sell personal data or share personal data for purposes of cross-context advertising. We are not required under CCPA to provide information to you about our collection of your personal information or our sale or disclosure of personal information about you more than twice within a 12-month period. Additionally, we are permitted to refuse to honor unfounded or excessive repetitive requests to us or charge a reasonable administrative fee for honoring those requests, and in either case, will notify you of any such decision. We will not discriminate against you for making a rights requests under California law. You have the right to appeal any decision regarding your rights and can do that by contacting us as described above.