

STATEMENT OF ADDITIONAL INFORMATION

CONCORDE WEALTH MANAGEMENT FUND

(Ticker Symbol: CONWX)

CONCORDE FUNDS, INC.

8383 Preston Center Plaza Drive

Suite 360

Dallas, Texas 75225

January 31, 2026

This Statement of Additional Information (“SAI”) is not a prospectus and should be read in conjunction with the Prospectus of the Concorde Wealth Management Fund (the “FUND”), a series of Concorde Funds, Inc., dated January 31, 2026. Requests for copies of the Prospectus should be made in writing to Concorde Funds, Inc., 8383 Preston Center Plaza Drive, Suite 360, Dallas, Texas 75225, Attention: Corporate Secretary or by calling (972) 701-5400.

The following financial statements are incorporated by reference to the FUND’S [Form N-CSR](#) covering the fiscal year ended September 30, 2025, of Concorde Funds, Inc. (File No. 811-05339), as filed with the U.S. Securities and Exchange Commission (the “SEC”) on December 5, 2025:

Schedule of Investments and Written Options

Statement of Assets and Liabilities

Statement of Operations

Statements of Changes in Net Assets

Financial Highlights

Notes to Financial Statements

Report of Independent Registered Public Accounting Firm

Shareholders may obtain a copy of the FUND’S most recent reports to shareholders and audited financial statements, without charge, by calling the FUND’S transfer agent, U.S. Bancorp Fund Services, LLC, doing business as U.S. Bank Global Fund Services (the “Transfer Agent”) at 1-800-294-1699. The FUND’S most recent Annual Report to shareholders is a separate document that does not accompany this SAI. However, the Annual Report and the FUND’S financial statements, accompanying notes and report of the independent registered public accounting firm are incorporated into this SAI by reference to the FUND’S [Form N-CSR](#) covering the fiscal year ended September 30, 2025, as filed with the SEC. This means that shareholders should consider the contents of the Annual Report and the financial statements to be part of the SAI.

CONCORDE FUNDS, INC.

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No person has been authorized to give any information or to make any representations other than those contained in this SAI and the Prospectus dated January 31, 2026 and, if given or made, such information or representations may not be relied upon as having been authorized by Concorde Funds, Inc.

This SAI does not constitute an offer to sell securities.

FUND HISTORY AND CLASSIFICATION

Concorde Funds, Inc. (the “Corporation”) is an open-end, management investment company comprised of one series – the “Concorde Wealth Management Fund” (the “FUND”). Concorde Funds, Inc. is registered under the Investment Company Act of 1940, as amended (the “1940 Act”). Concorde Funds, Inc. was incorporated under the laws of Texas on September 21, 1987. The FUND is a diversified series of the Corporation.

The FUND is a series of the Corporation. Pursuant to a Plan of Acquisition and Liquidation between the FUND and the Concorde Value Fund, a former series of the Corporation (the “Predecessor Fund”), the FUND acquired all of the assets and liabilities of the Predecessor Fund in exchange for shares of the FUND after the close of business on July 22, 2016 (the “Reorganization”). As a result of the Reorganization, the FUND is the accounting successor of the Predecessor Fund. For periods prior to July 23, 2016, financial and other information shown herein for the FUND is that of the Predecessor Fund.

INVESTMENT RESTRICTIONS

The FUND has adopted certain investment restrictions which are matters of fundamental policy and cannot be changed without approval of the holders of the lesser of: (i) 67% of the FUND’S shares present or represented at a shareholder meeting at which the holders of more than 50% of such shares are present or represented; or (ii) more than 50% of the outstanding shares of the FUND as follows:

1. The FUND may not borrow money, except for temporary or emergency purposes (including the meeting of redemption requests) and except for entering into reverse repurchase agreements, and provided that borrowings do not exceed 33^{1/3}% of the FUND’S total assets (computed immediately after the borrowing).
2. The FUND may not purchase a security if, as a result, more than 25% of the FUND’S total assets would be invested in securities of issuers conducting their principal business activities in the same industry. For purposes of this limitation, there is no limit on: (1) investments in U.S. government securities, in repurchase agreements covering U.S. government securities, in tax-exempt securities issued by the states, territories or possessions of the United States (“municipal securities”) or in foreign government securities; or (2) investments in issuers domiciled in a single jurisdiction. Notwithstanding the foregoing, the FUND may not invest more than 25% of its total assets in securities issued by a single foreign government.
3. The FUND may not underwrite securities issued by others, except to the extent that the FUND may be considered an underwriter within the meaning of the Securities Act of 1933, as amended (the “Securities Act”) in the disposition of restricted securities or in connection with investments in other investment companies.

4. The FUND may not make loans to other parties. For purposes of this limitation, entering into repurchase agreements, lending securities and acquiring any debt security are not deemed to be the making of a loan.
5. The FUND may not purchase or sell real estate, except that, to the extent permitted by law, the FUND may (a) invest in securities or other instruments directly or indirectly secured by real estate, and (b) invest in securities or other instruments issued by issuers that invest in real estate.
6. The FUND may not purchase or sell commodities or commodity contracts unless acquired as a result of ownership of securities or other instruments issued by persons that purchase or sell commodities or commodity contracts; but this shall not prevent the FUND from purchasing, selling and entering into financial futures contracts (including futures contracts on indices of securities, interest rates and currencies), options on financial futures contracts (including futures contracts on indices of securities, interest rates and currencies), warrants, swaps, forward contracts, foreign currency spot and forward contracts or other derivative instruments that are not related to physical commodities.
7. The FUND may not issue senior securities except pursuant to Section 18 of the 1940 Act, the rules and regulations thereunder, and any applicable exemptive or interpretive relief.

If a percentage restriction is adhered to at the time of investment, a later increase or decrease in percentage resulting from a change in values of the FUND'S assets will not constitute a violation of that restriction (other than with respect to those percentage restrictions relating to bank borrowings, issuing senior securities, and illiquid securities).

When initially formed, the FUND was classified as a non-diversified investment company under the 1940 Act. Pursuant to current positions of the staff of the Securities and Exchange Commission ("SEC"), the FUND'S classification has changed from non-diversified to diversified, and the FUND will not be able to become non-diversified unless it seeks and obtains shareholder approval or is otherwise permitted under the 1940 Act or the rules or interpretations thereof. Accordingly, the FUND may not make any investment inconsistent with the FUND'S classification as a diversified investment company under the 1940 Act.

INVESTMENT POLICIES AND PRACTICES

The FUND'S Prospectus describes its principal investment strategies and risks. This section expands upon that discussion and also describes non-principal investment strategies and risks.

Common Stocks

The FUND invests in common stock. Common stock is issued by companies principally to raise cash for business purposes and represents a residual interest in the issuing company. The

FUND participates in the success or failure of any company in which it holds stock. The prices of equity securities change in response to many factors, including the historical and prospective earnings of the issuer, the value of its assets, general economic conditions, interest rates, investor perceptions and market liquidity.

The risks of investing in companies in general include business failure and reliance on erroneous reports. To the extent the FUND is invested in the equity securities of small- or medium-size companies, it will be exposed to the risks of smaller sized companies. Small- and medium-size companies, directly or indirectly, often have narrower markets for their goods and/or services and more limited managerial and financial resources than larger, more established companies. Furthermore, those companies often have limited product lines or services, markets or financial resources, or are dependent on a small management group. In addition, because these securities are not well-known to the investing public, do not have significant institutional ownership and are followed by relatively few security analysts, there will normally be less publicly available information concerning these securities compared to what is available for the securities of larger companies. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, can decrease the value and liquidity of securities held by the FUND. As a result, their performance can be more volatile and they face greater risk of business failure, which could increase the volatility of the FUND'S holdings.

Preferred Stocks

The FUND may invest in preferred stocks. Preferred stocks have a preference over common stocks in liquidation (and generally dividends as well) but are subordinated to the liabilities of the issuer in all respects. As a general rule, the market value of preferred stocks with a fixed dividend rate and no conversion element varies inversely with interest rates and perceived credit risks while the market price of convertible preferred stock generally also reflects some element of conversion value. Because preferred stock is junior to debt securities and other obligations of the issuer, deterioration in the credit quality of the issuer will cause greater changes in the value of a preferred stock than in a more senior debt security with similarly stated yield characteristics. Unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Preferred stock also may be subject to optional or mandatory redemption provisions.

Convertible Securities

The FUND may invest in convertible securities. Convertible securities include fixed income securities that may be exchanged or converted into a predetermined number of shares of the issuer's underlying common stock at the option of the holder during a specified period. Convertible securities may take the form of convertible preferred stock, convertible bonds or debentures, units consisting of "usable" bonds and warrants or a combination of the features of several of these securities. Convertible securities are senior to common stocks in an issuer's capital structure, but are usually subordinated to similar non-convertible securities. While providing a fixed-income stream (generally higher in yield than the income derivable from common stock but lower than that afforded by a similar nonconvertible security), a convertible security also gives an investor the opportunity, through its conversion feature, to participate in

the capital appreciation of the issuing company, if the market price of the underlying common stock increases.

The value of convertible securities is influenced by both the yield of non-convertible securities of comparable issuers and by the value of a convertible security viewed without regard to its conversion feature (namely, strictly on the basis of its yield). The estimated price at which a convertible security would be valued by the marketplace if it had no conversion feature is sometimes referred to as its “investment value.” The investment value of the convertible security typically will fluctuate inversely with changes in prevailing interest rates (namely, the investment value of the convertible security rises when the interest rates fall, and it falls when the interest rates rise). However, at the same time, the convertible security will be influenced by its “conversion value,” which is the market value of the underlying common stock that would be obtained if the convertible security were converted. Conversion value fluctuates directly with the price of the underlying common stock.

If, because of a low price of the common stock, a convertible security’s conversion value is substantially below its investment value, the convertible security’s price is governed principally by its investment value. If a convertible security’s conversion value increases to a point that approximates or exceeds its investment value, the convertible security’s value will be principally influenced by its conversion value. A convertible security will sell at a premium over its conversion value to the extent investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Holders of convertible securities have a claim on the issuer’s assets prior to the common shareholders, but may be subordinated to holders of similar non-convertible securities of the same issuer.

A convertible security may be called for redemption or conversion by the issuer after a particular date and under certain circumstances (including a specified price) established upon issue. If a convertible security held by the FUND is called for redemption or conversion, the FUND could be required to tender it for redemption, convert it into the underlying common stock, or sell it to a third party, which may have an adverse effect on the FUND’S ability to achieve its investment objectives.

A convertible security generally entitles the holder to receive interest paid or accrued until the convertible security matures or is redeemed, converted or exchanged. Convertible securities rank senior to common stock in a company’s capital structure and, therefore, generally entail less risk than the company’s common stock, although the extent to which such risk is reduced depends in large measure upon the degree to which the convertible security sells above its value as a debt obligation. Before conversion, convertible securities have characteristics similar to non-convertible debt obligations and are designed to provide for a stable stream of income with generally higher yields than common stocks. However, there can be no assurance of current income because the issuers of the convertible securities may default on their obligations. Convertible securities are subordinate in rank to any senior debt obligations of the issuer, and, therefore, an issuer’s convertible securities entail more risk than its debt obligations. Moreover, convertible securities are often rated below investment grade or not rated because they fall below

debt obligations and just above common equity in order of preference or priority on an issuer's balance sheet.

Illiquid Securities

The FUND may invest up to 15% of its net assets in illiquid securities. The Board of Directors of the Corporation (the "Board") or its delegate has the ultimate authority to determine, to the extent permissible under the federal securities laws, which securities are liquid or illiquid for purposes of those limitations. Illiquid securities may include repurchase agreements maturing in more than seven days and other securities that are not readily marketable. If securities that were liquid at the time of purchase subsequently become illiquid and result in the FUND holding illiquid securities in excess of 15% of its net assets, the FUND will no longer purchase additional illiquid securities and will reduce its holdings of illiquid securities in an orderly manner, but it is not required to dispose of illiquid holdings immediately if it is not in the interest of the FUND.

Historically, illiquid securities have included securities subject to contractual or legal restrictions on resale because they have not been registered under the Securities Act, securities which are otherwise not readily marketable and repurchase agreements having a maturity of longer than seven days. As described below, in some cases, securities subject to legal or contractual restrictions on resales may not be deemed to be illiquid (see "Restricted Securities" below). Mutual funds do not typically hold a significant amount of these illiquid securities because of the potential for delays on resale and uncertainty in valuation. Limitations on resale may have an adverse effect on the marketability of portfolio securities, and the FUND might be unable to dispose of illiquid securities promptly or at reasonable prices and might thereby experience difficulty satisfying redemption requests within seven days.

The FUND has established a liquidity risk management program. Pursuant to the program, and SEC rules, the term "illiquid security" is defined as a security which the FUND reasonably expects cannot be sold or disposed of in current market conditions in seven calendar days or less without the sale or disposition significantly changing the market value of the security. If the limitation on illiquid securities is exceeded, other than by a change in market values, the condition will be reported to the Board and, when required, to the SEC.

Private Equity Securities

The FUND may identify investment opportunities that are not yet available in the public markets and that are accessible only through private equity investments. To capitalize on such opportunities, the FUND may invest in venture capital or private equity funds, direct private equity investments and other investments that the Concorde Financial Corporation (the "Advisor") determines to have limited liquidity. There may be no trading market for such securities, and the sale or transfer of such securities may be limited or prohibited by contract or legal requirements, or may be dependent on an exit strategy, such as an IPO or the sale of a business, which may not occur, or may be dependent on managerial assistance provided by other investors and their willingness to provide additional financial support. Positions in such securities may be able to be liquidated, if at all, only at disadvantageous prices. As a result, if the FUND holds such positions then it may be required to do so for several years, if not longer,

regardless of adverse price movements. Investment in such securities may cause the FUND to be less liquid than would otherwise be the case.

Restricted Securities

The FUND may invest in securities that are subject to restrictions on resale because they have not been registered under the Securities Act. These securities are sometimes referred to as private placements. Although securities which may be resold only to “qualified institutional buyers” in accordance with the provisions of Rule 144A under the Securities Act are technically considered “restricted securities,” the FUND may purchase Rule 144A securities without regard to the limitation on investments in illiquid securities described above in the “Illiquid Securities” section, provided that a determination is made that such securities have a readily available trading market. The FUND may also purchase certain commercial paper issued in reliance on the exemption from regulations in Section 4(a)(2) of the Securities Act (“4(a)(2) Paper”). The Advisor will determine the liquidity of Rule 144A securities and 4(a)(2) Paper under the supervision of the Advisor and the Board. The liquidity of Rule 144A securities and 4(a)(2) Paper will be monitored by the Advisor and if as a result of changed conditions it is determined that a Rule 144A security or 4(a)(2) Paper is no longer liquid, the FUND’S holdings of illiquid securities will be reviewed to determine what action, if any, is appropriate. The FUND may determine that it is appropriate to continue to hold such instrument for a period of time to avoid a distressed sale which would be harmful to shareholders.

Limitations on the resale of restricted securities may have an adverse effect on the marketability of portfolio securities and the FUND might be unable to dispose of restricted securities promptly or at reasonable prices and might thereby experience difficulty satisfying redemption requirements. The FUND might also have to register such restricted securities in order to dispose of them, resulting in additional expense and delay. Adverse market conditions could impede such a public offering of securities.

Restricted securities that are traded in foreign markets often are subject to restrictions that prohibit resale to U.S. persons or entities or permit sales only to foreign broker-dealers who agree to limit their resale to such persons or entities. The buyer of such securities must enter into an agreement that, usually for a limited period of time, it will resell such securities subject to such restrictions. Restricted securities in which the FUND seeks to invest need not be listed or admitted to trading on a foreign or U.S. exchange and may be less liquid than listed securities. Certain restricted securities, including Rule 144A securities, may be determined to be liquid in accordance with guidelines adopted by the Board.

Restricted securities that have not been registered generally are referred to as private placements and are purchased directly from the issuer or in the secondary market and usually are not listed on an exchange nor traded in other established markets. Such securities are restricted as to disposition and generally are sold to institutional investors. Certain of the FUND’S investments in private placements may consist of direct investments and may include investments in smaller, less-seasoned issuers, which may involve greater risks than investments in the securities of more established companies. These issuers may have limited product lines, markets or financial resources, or they may be dependent on a limited management group.

Issuers whose securities are not publicly traded may not be subject to the disclosure and other investor protection requirements that may be applicable if the securities were publicly traded. As a result, the FUND may be less able to predict a loss. In making investments in such securities, the FUND may obtain access to material non-public information, which may restrict the FUND'S ability to conduct portfolio transactions in such securities. The FUND also may take a minority interest in a privately offered security, which may limit the FUND'S ability to protect shareholders' interests in connection with corporate actions by the privately held company.

Repurchase Agreements and Other Short-Term Investments

The FUND may enter into repurchase agreements with banks or certain non-bank broker/dealers. In a repurchase agreement, the FUND buys an interest-bearing security at one price and simultaneously agrees to sell it back at a mutually agreed upon time and price. The repurchase price reflects an agreed-upon interest rate during the time the FUND'S money is invested in the security. Since the security purchased constitutes security for the repurchase obligation, a repurchase agreement can be considered as a loan collateralized by the security purchased. The FUND'S risk is the ability of the seller to pay the agreed-upon price on the delivery date. If the seller defaults, the FUND may incur costs in disposing of the collateral, which would reduce the amount realized thereon. If the seller seeks relief under the bankruptcy laws, the disposition of the collateral may be delayed or limited. To the extent the value of the security decreases, the FUND could experience a loss. The Board has established procedures to evaluate the creditworthiness of the other parties to repurchase agreements.

In addition, the FUND may invest in commercial paper and other cash equivalents rated A-1 or A-2 by S&P or Prime-1 or Prime-2 by Moody's, commercial paper master notes (which are demand instruments bearing interest at rates which are fixed to known lending rates and automatically adjusted when such lending rates change) of issuers whose commercial paper is rated A-1 or A-2 by S&P or Prime-1 or Prime-2 by Moody's and unrated debt securities which are deemed by the Advisor to be of comparable quality. The FUND may also invest in United States Treasury bills and notes, and certificates of deposit of domestic branches of U.S. banks or of Canadian banks, *provided* in each case that the banks have total deposits in excess of \$1,000,000,000. The FUND will invest in repurchase agreements and other short-term investments, including money market securities, only for temporary defensive purposes or to maintain liquidity to pay FUND expenses and potential redemption requests. However, when investing for temporary defensive purposes, up to 100% of the FUND'S assets may be invested in such securities.

During the 2008 global financial downturn and the recent market volatility caused by the COVID-19 outbreak, many money market instruments that were thought to be highly liquid became illiquid and lost value. The U.S. government and the Federal Reserve, as well as certain foreign governments and central banks, have taken extraordinary actions with respect to the financial markets generally and money market instruments in particular. While these actions have stabilized the markets for these instruments, there can be no assurances that those actions will continue or continue to be effective.

U.S. Government Securities

The FUND may invest in securities issued or guaranteed by the U.S. government or its agencies or instrumentalities which include Treasury securities which differ only in their interest rates, maturities and times of issuance. Treasury Bills have initial maturities of one year or less; Treasury Notes have initial maturities of one to ten years; and Treasury Bonds generally have initial maturities of greater than ten years. Some obligations issued or guaranteed by U.S. government agencies and instrumentalities, for example, Ginnie Mae Certificates, are supported by the full faith and credit of the U.S. Treasury; others, such as those of the Federal Home Loan Banks, by the right of the issuer to borrow from the Treasury; others, such as those issued by Fannie Mae, by discretionary authority of the U.S. government to purchase certain obligations of the agency or instrumentality; and others, such as those issued by the Student Loan Marketing Association, only by the credit of the agency or instrumentality. While the U.S. government provides financial support to such U.S. government sponsored agencies or instrumentalities, no assurance can be given that it will always do so since it is not so obligated by law.

Debt Securities

The FUND may invest in debt securities, including those convertible into common stocks.

Debt securities purchased by the FUND will typically consist of obligations that are rated investment grade or better, having at least adequate capacity to pay interest and typically repay principal.

The FUND considers investment grade securities to be those rated BBB- or higher by Standard and Poor's[®] Financial Services LLC, a subsidiary of the McGraw-Hill Companies, Inc. ("S&P[®]"), or Baa or higher by Moody's Investors Service[®], Inc. ("Moody's"), or an equivalent rating by Fitch, Inc.[®] ("Fitch"), or determined to be of comparable quality by the Advisor if the security is unrated. Bonds in the lowest investment grade category (BBB- by S&P[®] or Baa3 by Moody's), sometimes called "high yield bonds" or "junk bonds," have speculative characteristics, and changes in the economy or other circumstances are more likely to lead to a weakened capacity of the bonds to make principal and interest payments than would occur with bonds rated in higher categories.

The higher yields from lower-rated securities may compensate for the higher default rates on such securities. However, there can be no assurance that higher yields will offset default rates on lower-rated securities in the future. Issuers of these securities are often highly leveraged, so their ability to service their debt obligations during an economic downturn or during sustained periods of rising interest rates may be impaired. In addition, such issuers may not have more traditional methods of financing available to them and may be unable to repay their debt at maturity by refinancing. The risk of loss due to default by the issuer is significantly greater for the holders of lower-rated securities because such securities may be unsecured and may be subordinated to other creditors of the issuer. Further, an economic recession may result in default levels with respect to such securities in excess of historic averages.

The value of lower-rated securities will be influenced not only by changing interest rates, but also by the market's perception of credit quality and the outlook for economic growth. When economic conditions appear to be deteriorating, lower-rated securities may decline in market value due to investors' heightened concern over credit quality, regardless of prevailing interest rates.

Especially during times of deteriorating economic conditions, trading in the secondary market for lower-rated securities may become thin and market liquidity may be significantly reduced. Even under normal conditions, the market for lower-rated securities may be less liquid than the market for investment grade debt securities. There are fewer securities dealers in the high yield market and purchasers of lower-rated securities are concentrated among a smaller group of securities dealers and institutional investors. In periods of reduced market liquidity, lower-rated securities' prices may become more volatile and the FUND'S ability to dispose of particular issues when necessary to meet the FUND'S liquidity needs or in response to a specific economic event such as a deterioration in the creditworthiness of the issuer may be adversely affected.

The ratings of S&P®, Moody's and other nationally recognized statistical rating organizations ("NRSROs") represent the opinions of those rating agencies as to the quality of debt securities. It should be emphasized, however, that ratings are general and are not absolute standards of quality, and debt securities with the same maturity, interest rate and rating may have different yields, while debt securities of the same maturity and interest rate with different ratings may have the same yield.

The payment of principal and interest on most debt securities will depend upon the ability of the issuers to meet their obligations. An issuer's obligations in connection with its debt securities are subject to the provisions of bankruptcy, insolvency and other laws affecting the rights and remedies of creditors, such as the Federal Bankruptcy Code, and laws, if any, which may be enacted by federal or state legislatures extending the time for payment of principal or interest, or both, or imposing other constraints upon enforcement of such obligations. The power or ability of an issuer to meet its obligations for the payment of interest on, and principal of, its debt securities may be materially adversely affected by litigation or other conditions.

Subsequent to its purchase by the FUND, a rated security may cease to be rated or its rating may be reduced below the minimum rating required for purchase by the FUND. The Advisor will consider such an event in determining whether the FUND should continue to hold the security.

LIBOR Transition

The London Interbank Offered Rate ("LIBOR") was used in the past as a "benchmark" or "reference rate" for various commercial and financial contracts, including corporate and municipal bonds, bank loans, asset-backed and mortgage-related securities, interest rate swaps and other derivatives.

The United Kingdom's Financial Conduct Authority ("FCA"), which regulates LIBOR, has ceased publishing all LIBOR settings. In April 2023, the FCA directed that certain USD LIBOR settings would continue to be published under a synthetic methodology, a practice that ceased on September 30, 2024. Actions by regulators have resulted in the establishment of alternative reference rates in most major currencies. The U.S. Federal Reserve, based on the recommendations of Alternative Reference Rates Committee, has begun publishing the Secured Overnight Financing Rate ("SOFR") that is intended to replace U.S. dollar LIBOR. Proposals for alternative reference rates for other currencies have also been announced or have already begun publication. Markets are slowly developing in response to these new reference rates.

Notwithstanding the foregoing actions, there still remains uncertainty regarding successor reference rate methodologies and there is no assurance that the composition or characteristics of any alternative reference rate will be similar to or produce the same value or economic equivalence as LIBOR or that instruments using an alternative rate will have the same volume or liquidity as did LIBOR prior to its discontinuance or unavailability.

The transition process away from LIBOR could lead to increased volatility and illiquidity in markets for instruments whose terms previously relied on LIBOR. It could also lead to a reduction in the value of some LIBOR-based investments and reduce the effectiveness of new hedges placed against existing LIBOR-based instruments.

Foreign Securities

The FUND may invest in securities of foreign issuers which may be U.S. dollar-denominated or denominated in foreign currencies. The FUND may invest up to 15% of its total assets in securities of foreign issuers that are U.S. dollar-denominated. The FUND may invest up to 5% of its total assets in securities of foreign issuers denominated in foreign currencies. Securities of foreign issuers in the form of American Depositary Receipts ("ADRs") that are regularly traded on recognized U.S. exchanges or in the U.S. over-the-counter market are not considered foreign securities for purposes of these limitations. The FUND, however, will not invest more than 20% of its total assets in such ADRs and will only invest in ADRs that are issuer sponsored. ADRs (sponsored or unsponsored) are receipts typically issued by a U.S. bank or trust company evidencing its ownership of the underlying foreign securities. Most ADRs are denominated in U.S. dollars. However, they are subject to the risk of fluctuation in the currency exchange rate if, as is often the case, the underlying securities are denominated in foreign currency. Issuers of the securities underlying sponsored ADRs, but not unsponsored ADRs, are contractually obligated to disclose material information in the United States. Therefore, the market value of unsponsored ADRs is less likely to reflect the effect of such information.

Investments in securities of foreign issuers involve risks that are in addition to the usual risks inherent in domestic investments. The value of the FUND'S foreign investments may be significantly affected by changes in currency exchange rates, and the FUND may incur certain costs in converting securities denominated in foreign currencies to U.S. dollars. In many countries, there is less publicly available information about issuers than is available in the reports and ratings published about companies in the United States. Additionally, foreign companies are

not subject to uniform accounting, auditing and financial reporting standards. Dividends and interest on foreign securities may be subject to foreign withholding taxes which would reduce the FUND'S income without providing a tax credit for the FUND'S shareholders. Although the FUND intends to invest in securities of foreign issuers domiciled in nations in which the Advisor considers as having stable and friendly governments, there is a possibility of expropriation, confiscatory taxation, currency blockage or political or social instability which could affect investments in those nations. Further, a rise in protectionist trade policies, the possibility of a national or global recession, risks associated with pandemic and epidemic diseases, trade tensions, the possibility of changes to some international trade agreements, armed conflicts, and political events, could affect the economies of many nations, including the United States, in ways that cannot be foreseen at the present time, and may negatively impact the markets in which the FUND invests.

The FUND may invest in non-U.S. debt securities, including those in emerging markets. Non-U.S. debt securities can involve additional risks relating to political, economic or regulatory conditions in foreign countries. Less information may be available about foreign companies than about domestic companies, and foreign companies generally may not be subject to the same uniform accounting, auditing and financial reporting standards or to other regulatory practices and requirements comparable to those applicable to domestic companies. Investing in emerging market debt securities can pose some risks greater than and in addition to risks of investing in other non-U.S. debt securities. These risks include: a risk of loss due to political instability; exposure to economic structures that are generally less diverse and mature, and to political systems which may have less stability than those of more developed countries; smaller market capitalization of securities markets, which may suffer periods of relative illiquidity; significant price volatility; restrictions on foreign investment; and possible repatriation of investment income and capital. In addition, foreign investors may be required to register the proceeds of sales; future economic or political crises could lead to price controls, forced mergers, expropriation or confiscatory taxation, seizure, nationalization, or creation of government monopolies. The currencies of emerging market countries may experience significant declines against the U.S. dollar, and devaluation may occur subsequent to investments in these currencies by the FUND. Emerging market securities may be subject to currency transfer restrictions and may experience delays and disruptions in securities settlement procedures for the FUND'S portfolio securities. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging market countries.

The Russian military invasion of Ukraine in February 2022 and the resulting actions taken by the United States and European Union in levying broad economic sanctions against Russia could continue to have adverse effects on the price and liquidity of investments, which could adversely affect the financial markets, and therefore, the FUND'S performance. Similarly, the recent conflict between Israel and Hamas in Gaza, and the threat of future hostilities in the broader Middle East region, may have similar adverse effects on market volatility and global economic growth which could adversely affect the FUND'S performance.

Emerging Markets

The FUND may from time to time invest in emerging and less developed markets (“emerging markets”) securities. The Advisor considers emerging markets to be those markets in any country other than Canada, Luxembourg, the U.S. and the countries comprising the MSCI EAFE® Index (currently, Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom). Investments in emerging markets involve special risks in addition to those generally associated with foreign investing. Many investments in emerging markets can be considered speculative, and the value of those investments can be more volatile than investments in more developed foreign markets. This difference reflects the greater uncertainties of investing in less established markets and economies. Costs associated with transactions in emerging markets typically are higher than costs associated with transactions in U.S. securities. Such transactions also may involve additional costs for the purchase or sale of foreign currency.

Certain foreign markets (including certain emerging markets) may require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors. The FUND could be adversely affected by delays in, or a refusal to grant, required governmental approval for repatriation of capital, as well as by the application to the FUND of any restrictions on investments.

Many emerging markets have experienced substantial rates of inflation for extended periods. Inflation and rapid fluctuations in inflation rates have had and may continue to have adverse effects on the economies and securities markets of certain emerging market countries. In an attempt to control inflation, certain emerging market countries have imposed wage and price controls. Some of those countries, in recent years, have begun to control inflation through more prudent economic policies.

Governments of many emerging market countries have exercised and continue to exercise substantial influence over many aspects of the private sector through ownership or control of many companies. The future actions of those governments could have a significant effect on economic conditions in emerging markets, which in turn, may adversely affect companies in the private sector, general market conditions and prices and yields of certain of the securities in the FUND’S portfolio. Expropriation, confiscatory taxation, nationalization and political, economic and social instability have occurred throughout the history of certain emerging market countries and could adversely affect FUND assets should any of those conditions recur. In addition, high levels of national debt tend to make emerging markets heavily reliant on foreign capital and, therefore, vulnerable to capital flight.

Hedging Instruments

Index Options Transactions. The FUND may purchase put and call options and write call options on stock indexes. A stock index fluctuates with changes in the market values of the stock included in the index. Options on stock indexes give the holder the right to receive an amount of cash upon exercise of the options. Receipt of this cash amount will depend upon the

closing level of the stock index upon which the option is based being greater than (in the case of a call) or less than (in the case of a put) the exercise price of the option. The amount of cash received, if any, will be the difference between the closing price of the index and the exercise price of the option, multiplied by a specified dollar multiple. The writer (“seller”) of the option is obligated, in return for the premiums received from the purchaser of the option, to make delivery of this amount to the purchaser. Unlike the options on securities discussed below, all settlements of index options transactions are in cash.

Some stock index options are based on a broad market index such as the S&P 500® Index, the NYSE Composite Index or the AMEX Major Market Index. Options currently are traded on the Chicago Board Options Exchange, the NYSE MKT LLC and other exchanges. Over-the-counter index options, purchased over-the-counter options and the cover for any written over-the-counter options would be subject to the FUND’S 10% limitation on investment in illiquid securities. See “Illiquid Securities.”

Each of the exchanges has established limitations governing the maximum number of call or put options on the same index which may be bought or written (“sold”) by a single investor, whether acting alone or in concert with others (regardless of whether such options are written on the same or different exchanges or are held or written on one or more accounts or through one or more brokers). Under these limitations, options positions of certain other accounts advised by the same investment adviser are combined for purposes of these limits. Pursuant to these limitations, an exchange may order the liquidation of positions and may impose other sanctions or restrictions. These position limits may restrict the number of listed options which the FUND may buy or sell; however, the Advisor intends to comply with all limitations.

Index options are subject to substantial risks, including the risk of imperfect correlation between the option price and the value of the underlying securities comprising the stock index selected and the risk that there might not be a liquid secondary market for the option. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether the FUND will realize a gain or loss from the purchase or writing of options on an index depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indexes, in an industry or market segment, rather than upon movements in the price of a particular stock. Trading in index options requires different skills and techniques than are required for predicting changes in the prices of individual stocks. The FUND will not enter into an option position that exposes the FUND to an obligation to another party, unless the FUND either (i) owns an offsetting position in securities or other options; and/or (ii) maintains with the FUND’S custodian bank (and marks-to-market, on a daily basis) cash or liquid securities that, when added to the premiums deposited with respect to the option, are equal to the market value of the underlying stock index not otherwise covered.

The Advisor may utilize index options as a technique to leverage the portfolios of the FUND. If the Advisor is correct in its assessment of the future direction of stock prices, the share prices of the FUND will be enhanced. If the Advisor has the FUND take a position in options and stock prices move in a direction contrary to the Advisor’s forecast however, the FUND would incur losses greater than the FUND would have incurred without the options position.

Options on Securities. The FUND may buy put and call options and write (“sell”) call options on securities. By writing a call option and receiving a premium, the FUND may become obligated during the term of the option to deliver the securities underlying the option at the exercise price if the option is exercised. By writing a put option, the FUND may become obligated to purchase the underlying securities at the exercise price. By buying a put option, the FUND has the right, in return for a premium paid during the term of the option, to sell the securities underlying the option at the exercise price. By buying a call option, the FUND has the right, in return for a premium paid during the term of the option, to purchase the securities underlying the option at the exercise price. Options on securities written by the FUND will be traded on recognized securities exchanges.

When writing call options on securities, the FUND may cover its position by owning the underlying security on which the option is written. Alternatively, the FUND may cover its position by owning a call option on the underlying security, on a share for share basis, which is deliverable under the option contract at a price no higher than the exercise price of the call option written by the FUND or, if higher, by owning such call option and maintaining cash or liquid securities equal in value to the difference between the two exercise prices. In addition, the FUND may cover its position by maintaining cash or liquid securities equal in value to the exercise price of the call option written by the FUND. The principal reason for the FUND to write call options on stocks held by the FUND is to attempt to realize, through the receipt of premiums, a greater return than would be realized on the underlying securities alone.

When the FUND wishes to terminate the FUND’S obligation with respect to an option it has written, the FUND may effect a “closing purchase transaction.” The FUND accomplishes this by buying an option of the same series as the option previously written by the FUND. The effect of the purchase is that the writer’s position will be canceled. However, a writer may not effect a closing purchase transaction after the writer has been notified of the exercise of an option. When the FUND is the holder of an option, it may liquidate its position by effecting a “closing sale transaction.” The FUND accomplishes this by selling an option of the same series as the option previously purchased by the FUND. There is no guarantee that either a closing purchase or a closing sale transaction can be effected. If any call or put option is not exercised or sold, the option will become worthless on its expiration date.

The FUND will realize a gain (or a loss) on a closing purchase transaction with respect to a call option previously written by the FUND if the premium, plus commission costs, paid by the FUND to purchase the call option is less (or greater) than the premium, less commission costs, received by the FUND on the sale of the call option. The FUND also will realize a gain if a call option that the FUND has written lapses unexercised, because the FUND would retain the premium.

The FUND will realize a gain (or a loss) on a closing sale transaction with respect to a call or a put option previously purchased by the FUND if the premium, less commission costs, received by the FUND on the sale of the call or the put option is greater (or less) than the premium, plus commission costs, paid by the FUND to purchase the call or the put option. If a put or a call option that the FUND has purchased expires out-of-the-money, the option will

become worthless on the expiration date, and the FUND will realize a loss in the amount of the premium paid, plus commission costs.

Although certain securities exchanges attempt to provide continuously liquid markets in which holders and writers of options can close out their positions at any time prior to the expiration of the option, no assurance can be given that a market will exist at all times for all outstanding options purchased or sold by the FUND. In such event, the FUND would be unable to realize its profits or limit its losses until the FUND would exercise options it holds and the FUND would remain obligated until options it wrote were exercised or expired.

Because option premiums paid or received by the FUND are small in relation to the market value of the investments underlying the options, buying and selling put and call options can be more speculative than investing directly in common stocks.

The hours of trading for options may not conform to the hours during which the underlying securities are traded. To the extent that the options markets close before the markets for the underlying securities, significant price and rate movements can take place in the underlying markets that cannot be reflected in the options markets. The purchase and writing of options is a highly specialized activity which involves investment techniques and risks different from those associated with ordinary portfolio securities transactions.

Commodity Pool Considerations

The FUND does not currently invest in futures contracts or options on futures contracts (or swaps), and therefore the FUND is not currently subject to registration or regulation as a “commodity pool operator” under the Commodity Exchange Act (CEA). If the FUND were to trade in such securities, the Advisor would seek to claim the exclusion from the definition of “commodity pool operator” under the CEA provided by Commodity Futures Trading Commission.

Senior Securities

Pursuant to Section 18(f)(1) of the 1940 Act, the FUND may not issue any class of senior security or sell any senior security of which it is the issuer, except that the FUND shall be permitted to borrow from any bank so long as immediately after such borrowings, there is an asset coverage of at least 300% and that in the event such asset coverage falls below this percentage, the FUND shall reduce the amount of its borrowings, within 3 days, excluding holidays and Sundays, to an extent that the asset coverage shall be at least 300%. In accordance with Section 18 of the 1940 Act, the FUND will not mortgage, pledge or hypothecate its assets in an amount exceeding 33 1/3% of the value of its total assets.

Certain trading practices and investments, such as reverse repurchase agreements, may be considered to be borrowings or involve leverage and thus are subject to the 1940 Act restrictions. In accordance with Rule 18f-4 under the 1940 Act, when the FUND engages in reverse repurchase agreements and similar financing transactions, the FUND may either (i) maintain asset coverage of at least 300% with respect to such transactions and any other borrowings in the

aggregate, or (ii) treat such transactions as “derivatives transactions” and comply with Rule 18f-4 with respect to such transactions.

Derivatives

The FUND may engage in derivatives transactions in accordance with Rule 18f-4 under the 1940 Act. To the extent the FUND engages in derivatives transactions, the FUND expects to qualify as a limited derivatives user under Rule 18f-4 under the 1940 Act, which requires the FUND to comply with a 10% notional exposure-based limit on derivatives transactions and to adopt written policies and procedures reasonably designed to manage the FUND’S derivatives risks, which the FUND has adopted.

The following is a brief summary of Rule 18f-4. Rule 18f-4 under the 1940 Act permits the FUND to enter into Derivatives Transactions (as defined below) and certain other transactions notwithstanding the restrictions on the issuance of “senior securities” under Section 18 of the 1940 Act. Section 18 of the 1940 Act, among other things, prohibits open-end funds, including the FUND, from issuing or selling any “senior security,” other than borrowing from a bank (subject to a requirement to maintain 300% “asset coverage”).

Under Rule 18f-4, “Derivatives Transactions” include the following: (1) any swap, security-based swap (including a contract for differences), futures contract, forward contract, option (excluding purchased options), any combination of the foregoing, or any similar instrument, under which the FUND is or may be required to make any payment or delivery of cash or other assets during the life of the instrument or at maturity or early termination, whether as margin or settlement payment or otherwise; (2) any short sale borrowing; (3) reverse repurchase agreements and similar financing transactions (e.g., recourse and non-recourse tender option bonds, and borrowed bonds), if the FUND elects to treat these transactions as Derivatives Transactions under Rule 18f-4; and (4) when-issued or forward-settling securities (e.g., firm and standby commitments, including to-be-announced commitments, and dollar rolls) and non-standard settlement cycle securities, unless such transactions meet the Delayed-Settlement Securities Provision discussed below.

Rule 18f-4 under the 1940 Act permits the FUND to enter into when-issued or forward-settling securities (e.g., firm and standby commitments, including to-be-announced commitments, and dollar rolls) and non-standard settlement cycle securities notwithstanding the limitation on the issuance of senior securities in Section 18 of the 1940 Act, provided that the FUND intends to physically settle the transaction and the transaction will settle within 35 days of its trade date (the “Delayed-Settlement Securities Provision”). If a when-issued, forward-settling or non-standard settlement cycle security does not satisfy the Delayed-Settlement Securities Provision, then it is treated as a Derivatives Transaction under Rule 18f-4.

Currently the FUND is relying on the Limited Derivatives User Exception (as defined below). If the FUND were unable to rely on this exception, the FUND would have to comply with all of the provisions of Rule 18f-4 with respect to its Derivatives Transactions. Rule 18f-4, among other things, requires a fund to adopt and implement a comprehensive written derivatives risk management program (“DRMP”) and comply with a relative or absolute limit on fund

leverage risk calculated based on value-at-risk (“VaR”). The DRMP would be administered by a “derivatives risk manager,” who is appointed by the FUND’S Board, including a majority of the independent Directors, and periodically reviews the DRMP and reports to the FUND’S Board. As the FUND relies on the Limited Derivatives User Exception, it is not required to maintain a DRMP or comply with the VaR limit.

As referenced above, Rule 18f-4 provides an exception from the DRMP, VaR limit and certain other requirements if the FUND’S “derivatives exposure” is limited to 10% of its net assets (as calculated in accordance with Rule 18f-4) and the FUND adopts and implements written policies and procedures reasonably designed to manage its derivatives risks (the “Limited Derivatives User Exception”). The FUND meets the requirements for the Limited Derivatives User Exception.

Securities of Other Registered Investment Companies

The FUND may invest in other registered investment companies to the extent permitted by the 1940 Act, other applicable law or SEC exemption. Registered investment companies include other open-end investment companies, closed-end investment companies, unit investment trusts, and exchange-traded funds (“ETFs”), which may be organized as either open-end investment companies or unit investment trusts, all of which are professionally managed portfolios.

Any investment in a registered investment company involves investment risk. Additionally, an investor could invest directly in the registered investment companies in which the FUND invests. By investing indirectly through the FUND, an investor bears not only his or her proportionate share of the expenses of the FUND (including operating costs and investment advisory fees) but also indirect similar expenses of the registered investment companies in which the FUND invests. An investor may also indirectly bear expenses paid by registered investment companies in which the FUND invests related to the distribution of such registered investment company’s shares.

The FUND will not invest in any investment company unless it is believed that the potential benefits of such investment are sufficient to warrant the payment of any such premium. The FUND limits its investments in securities issued by other investment companies in accordance with the 1940 Act or with certain terms and conditions of applicable exemptive orders issued by the SEC and approved by the Board of Directors. Section 12(d)(1) of the 1940 Act precludes the FUND from acquiring (1) more than 3% of the total outstanding shares of another investment company; (2) shares of another investment company having an aggregate value in excess of 5% of the value of the total assets of the FUND; or (3) shares of another registered investment company and all other investment companies having an aggregate value in excess of 10% of the value of the total assets of the FUND.

However, Section 12(d)(1)(F) of the 1940 Act provides that the provisions of Section 12(d)(1) shall not apply to securities purchased or otherwise acquired by the FUND if (i) immediately after such purchase or acquisition not more than 3% of the total outstanding shares

of such investment company is owned by the FUND and all affiliated persons of the FUND; and (ii) the FUND has not offered or sold, and is not proposing to offer or sell its shares through a principal underwriter or otherwise at a public or offering price that includes a sales load of more than 1 1/2%. SEC Rule 12d1-3 under the 1940 Act provides, however, that the FUND may rely on the Section 12(d)(1)(F) exemption and charge a sales load in excess of 1 1/2 % provided the sales load and any service fee charged does not exceed limits set forth in applicable Financial Industry Regulatory Authority, Inc. rules.

If the FUND invests in investment companies, including ETFs, pursuant to Section 12(d)(1)(F), it must comply with the following voting restrictions: when the FUND exercises voting rights, by proxy or otherwise, with respect to investment companies owned by the FUND, the FUND will either seek instruction from the FUND'S shareholders with regard to the voting of all proxies and vote in accordance with such instructions, or vote the shares held by the FUND in the same proportion as the vote of all other holders of such security. In addition, an investment company purchased by the FUND pursuant to Section 12(d)(1)(F) shall not be required to redeem its shares in an amount exceeding 1% of such investment company's total outstanding shares in any period of less than thirty days. In addition to the advisory and operational fees the FUND bears directly in connection with its own operation, the FUND also bears its pro rata portion of the advisory and operational expenses incurred indirectly through investments in other investment companies.

Other rules under the 1940 Act and SEC exemptive orders on which the FUND may rely further relax the limits of Section 12(d)(1) of the 1940 Act. In October 2020, the SEC adopted certain regulatory changes and took other actions related to the ability of an investment company to invest in another investment company. These changes include, among other things, amendments to Rule 12d1-1, the rescission of Rule 12d1-2, the adoption of Rule 12d1-4, and the rescission of certain exemptive relief issued by the SEC permitting such investments in excess of statutory limits. The rescission of exemptive relief is now effective, and Rule 12d1-4 is effective. Rule 12d1-4 provides an exemption from Section 12(d)(1) that allows the FUND to invest all of its assets in other registered funds, including ETFs, if the FUND satisfies certain conditions specified in the Rule, including, among other conditions, that the FUND and its advisory group will not control (individually or in the aggregate) an acquired fund (*e.g.*, hold more than 25% of the outstanding voting securities of an acquired fund that is a registered open-end management investment company).

Exchange-Traded Funds

The FUND may invest in ETFs. Many ETFs are investment companies and shares of those that are investment companies may be bought and sold on a securities exchange. An ETF generally represents a fixed portfolio of securities designed to track a particular market segment or index. ETFs have expenses associated with their operation, typically including advisory fees. When the FUND invests in an ETF, in addition to directly bearing expenses associated with its own operations, it will bear its pro rata portion of the ETF's expenses. The risks of owning an ETF generally reflect the risks of owning the underlying market segment or index it is designed to track. Lack of liquidity in an ETF, however, could result in it being more volatile than the

underlying portfolio of securities. In addition, the FUND will incur expenses in connection with investing in ETFs that may increase the cost of investing in the ETF versus the cost of directly owning the securities in the ETF.

ETFs are also subject to the following risks: (1) an ETF's shares may trade at a market price that is above or below their net asset value (as discussed more fully below); (2) an active trading market for an ETF's shares may not develop or be maintained (as discussed more fully below); (3) the ETF may employ an investment strategy that utilizes high leverage ratios; or (4) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally (as discussed more fully below).

The market prices of shares of ETFs fluctuate in response to changes in net asset value ("NAV") and supply and demand for such shares and include a "bid-ask spread" charged by the exchange specialists, market makers or other participants that trade the particular security. There may be times when the market price and the NAV vary significantly. This means that shares of an ETF may trade at a discount to NAV. In particular, the following circumstances may impact the market price of the shares of ETFs: (1) in times of market stress, market makers may step away from their role market making in the shares of ETFs and in executing trades, which can lead to differences between the market value of the shares and an ETF's NAV; (2) to the extent authorized participants (APs) exit the business or are unable to process creations or redemptions and no other AP can step in to do so, there may be a significantly reduced trading market in the shares, which can lead to differences between the market price of the shares and an ETF's NAV; (3) the market price for the shares may deviate from an ETF's NAV, particularly during times of market stress, with the result that investors may pay significantly more or significantly less for the shares than an ETF's NAV, which is reflected in the bid and ask price for shares or in the closing price; (4) when all or a portion of an ETFs underlying securities trade in a market that is closed when the market for the shares is open, there may be changes from the last quote of the closed market and the quote from an ETF's domestic trading day, which could lead to differences between the market value of the shares and an ETF's NAV; and (5) in stressed market conditions, the market for the shares may become less liquid in response to the deteriorating liquidity of an ETF's portfolio.

An active trading market for the shares of ETFs may not be developed or maintained. Trading in shares of ETFs on the stock exchange where they are listed for trading (the "Exchange") may be halted due to market conditions or for reasons that, in the view of the Exchange, make trading in shares inadvisable, such as extraordinary market volatility. There can be no assurance that shares will continue to meet the listing requirements of the Exchange. If the shares are traded outside a collateralized settlement system, the number of financial institutions that can act as APs that can post collateral on an agency basis is limited, which may limit the market for the shares.

Real Estate Investment Trusts

The FUND may invest in real estate investment trusts (“REITs”). Equity REITs invest directly in real property while mortgage REITs invest in mortgages on real property. REITs may be subject to certain risks associated with the direct ownership of real estate, including declines in the value of real estate, risks related to general and local economic conditions, overbuilding and increased competition, increases in property taxes and operating expenses and variations in rental income. REITs pay dividends to their shareholders based upon available funds from operations. It is quite common for these dividends to exceed a REIT’s taxable earnings and profits, resulting in the excess portion of such dividends being designated as a return of capital. The FUND intends to include the gross dividends from such REITs in its distribution to its shareholders and, accordingly, a portion of the FUND’S distributions may also be designated as a return of capital.

Royalty Trusts

Royalty trusts are investment trusts whose securities are listed on a stock exchange or are privately traded and typically control underlying companies whose business relates to, without limitation, the acquisition, exploitation, production, and sale of oil and natural gas. The royalty trusts then receive royalties and/or interest payments from their underlying companies, and distribute them as income to their unit holders. Units of the royalty trust represent an economic interest in the underlying assets of the trust. Royalty trusts are subject to cash-flow fluctuations and revenue decreases due to a sustained decline in demand for crude oil, natural gas and refined petroleum products, risks related to economic conditions, higher taxes or other regulatory actions that increase costs for royalty trusts. Furthermore, royalty trusts do not guarantee minimum distributions or even return of capital. If the assets underlying a royalty trust do not perform as expected, the royalty trust may reduce or even eliminate distributions. The declaration of such distributions generally depends upon various factors, including the operating performance and financial condition of the royalty trust and general economic conditions. Rising interest rates could limit the capital appreciation of royalty trusts because of the increased availability of alternative investments at more competitive yields.

Cybersecurity Risk

As technology becomes more integrated into the FUND’S operations, the FUND will face greater operational risks through breaches in cybersecurity. A breach in cybersecurity refers to both intentional and unintentional events that may cause the FUND to lose proprietary information, suffer data corruption, or lose operational capacity. This in turn could cause the FUND to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, and/or financial loss. Cybersecurity threats may result from unauthorized access to the FUND’S digital information systems (*e.g.*, through “hacking” or malicious software coding), but may also result from outside attacks such as denial-of-service attacks (*i.e.*, efforts to make network services unavailable to intended users). In addition, because the FUND works closely with third-party service providers (*e.g.*, administrators, transfer agents, custodians and other financial intermediaries), cybersecurity breaches at such third-party service providers may subject the FUND to many of the same risks associated with direct cybersecurity

breaches. The FUND may experience investment losses in the event of cybersecurity breaches at any of the issuers in which the FUND may invest. While the FUND has established risk management systems designed to reduce the risks associated with cybersecurity, there can be no assurance that such measures will succeed.

Considerations Regarding Market Conditions and Events

The prices of the securities in which the FUND invests may decline in response to adverse issuer, political, regulatory, market, economic or other developments that may cause broad changes in market value, public perceptions concerning these developments, and adverse investor sentiment or publicity. Similarly, the impact of any epidemic, pandemic or natural disaster, such as COVID-19 or widespread fear that such events may occur, could negatively affect the global economy, as well as the economies of individual countries, the financial performance of individual companies and sectors, and the markets in general in significant and unforeseen ways. The price declines of common stocks, in particular, may be steep, sudden and/or prolonged. Price and liquidity changes may occur in the market as a whole, or they may occur in only a particular company, industry, sector, or geographical region of the market. In the past decade financial markets throughout the world have experienced increased volatility and heightened uncertainty. If an investor holds common stock, or common stock equivalents, of any given issuer, the investor would generally be exposed to greater risk than if the investor held preferred stocks and debt obligations of the issuer because common stockholders, or holders of equivalent interests, generally have inferior rights to receive payments from issuers in comparison with the rights of preferred stockholders, bondholders, and other creditors of such issuers.

Market events may cause significant declines in the values and liquidity of many securities and other instruments, and significant disruptions to global business activity and financial markets. Turbulence in financial markets, and reduced liquidity in equity, credit and fixed income markets may negatively affect many issuers both domestically and around the world, and can result in trading halts, any of which could have an adverse impact on the FUND. During periods of market volatility, security prices (including securities held by the FUND) could change drastically and with rapidity and therefore adversely affect the FUND.

These developments as well as other events could result in further market volatility and negatively affect financial asset prices, the liquidity of certain securities and the normal operations of securities exchanges and other markets, despite government efforts to address market disruptions. As a result, the risk environment remains elevated. The Advisor will monitor developments and seek to manage the FUND in a manner consistent with achieving the FUND'S investment objective, but there can be no assurance that it will be successful in doing so.

PORTFOLIO TURNOVER

The FUND does not trade actively for short-term profits, but when the circumstances warrant, securities may be sold without regard to the length of time held. The FUND will typically hold a stock until it reaches a valuation level such that the Advisor believes that the

stock is no longer undervalued. The Advisor is prepared to hold stocks for several years or longer, if necessary. The Advisor intends to purchase a given security whenever it believes it will contribute to the stated objective of the FUND, even if the same security has only recently been sold. In selling a given security, the Advisor keeps in mind that profits from sales of securities are taxable to certain shareholders. Subject to those considerations, the FUND may sell a given security, no matter for how long or for how short a period it has been held in the portfolio, and no matter whether the sale is at a gain or at a loss, if the Advisor believes that it is not fulfilling its purpose. Since investment decisions are based on the anticipated contribution of the security in question to the FUND’S objectives, the rate of portfolio turnover is irrelevant when the Advisor believes a change is in order to achieve those objectives, and the FUND’S annual portfolio turnover rate may vary from year to year.

The annual portfolio turnover rate indicates changes in the FUND’S portfolio and is calculated by dividing the lesser of purchases or sales of portfolio securities (excluding securities having maturities at acquisition of one year or less) for the fiscal year by the monthly average of the value of the portfolio securities (excluding securities having maturities at acquisition of one year or less) owned by the FUND during the fiscal year.

High portfolio turnover (*i.e.*, over 100%) may involve correspondingly greater brokerage commissions and other transaction costs, which are borne directly by the FUND. In addition, high portfolio turnover may result in increased short-term capital gains which, when distributed to shareholders, are taxed at ordinary income rates.

For the fiscal periods indicated below the FUND’S portfolio turnover rate was:

Portfolio Turnover	
During fiscal year ended September 30,	
<u>2025</u>	<u>2024</u>
13%	30%

The portfolio turnover rate is calculated by dividing the lesser of the FUND’S annual sales or purchases of portfolio securities (exclusive of purchases or sales of securities whose maturities at the time of acquisition were one year or less) by the monthly average value of the securities in the portfolio during the year.

DISCLOSURE OF PORTFOLIO HOLDINGS

The FUND has adopted policies and procedures relating to the disclosure of the FUND’S portfolio holdings information (the “Policy”). The Board reviews the Policy for operational effectiveness and makes revisions as needed, in order to ensure that the disclosures are in the best interest of the FUND’S shareholders and to address any conflicts between the shareholders of the FUND and those of the Advisor or any other affiliate of the FUND. Generally, the Policy restricts the disclosure of portfolio holdings data to certain persons or entities, under certain conditions. Only the Board may waive these portfolio holdings disclosure policies and procedures. In all cases, the FUND’S President (or designee) is responsible for authorizing the

disclosure of the FUND'S portfolio holdings, and for monitoring that the FUND does not accept compensation or consideration of any sort in return for the preferential release of portfolio holdings information. Any such disclosure is made only if consistent with the general anti-fraud provisions of the federal securities laws and the Advisor's fiduciary duties to its clients, including the FUND.

The FUND has entered into arrangements with certain third-party service providers for services that require these groups to have access to the FUND'S portfolio on a daily basis. As a result, such third-party services providers may receive portfolio holdings information prior to and more frequently than the public disclosure of such information. Specifically, for example, the FUND may disclose portfolio holdings information to the fund accountant who is responsible for maintaining the accounting records of the FUND, which includes maintaining a current portfolio of the FUND. The FUND also undergoes an annual audit which requires the FUND'S independent registered public accounting firm to review the FUND'S portfolio. In addition to the FUND'S fund accountant, the FUND'S custodian also maintains an up-to-date list of the FUND'S holdings. Further, the FUND may disclose its portfolio holdings to financial printers for the purpose of preparing FUND regulatory filings, to other service providers such as proxy voting services providers or portfolio management database providers in connection with their providing services to the FUND and to ranking organizations for use in developing a ranking for the FUND. Each of these parties is contractually and/or ethically prohibited from sharing the FUND'S portfolio unless specifically authorized by the FUND'S President.

Additionally, the FUND may provide its entire portfolio to the following ranking organizations: Morningstar, Inc., Lipper, Inc., Standard & Poor's Rating Group, Bloomberg L.P., Thomson Financial Research, Nelson Investments and Vickers Stock Research. The FUND'S management has determined that these organizations provide investors with a valuable service and, therefore, are willing to provide them with portfolio information. The FUND may not pay these organizations or receive any compensation from them for providing this information. The FUND may provide portfolio information to these organizations on either a monthly or quarterly basis but not until such information is at least 10 days old.

The disclosure referenced above is in addition to the portfolio disclosure in the annual, semiannual, December quarter, and June quarter shareholder reports and on Part F of Form N-PORT, which disclosures are filed with the Securities and Exchange Commission within 60 days of the first and third fiscal quarter ends and on Form N-CSR for the Semi-Annual and Annual report period ends. Monthly portfolio disclosures are filed with the Securities and Exchange Commission on Form N-PORT, with quarter-end disclosures being made public 60 days after the end of each fiscal quarter.

The Advisor may manage other accounts such as separate accounts, private accounts, unregistered products, and portfolios sponsored by companies other than the Advisor. These other accounts may be managed in a similar fashion to the FUND and thus may have similar portfolio holdings. Such accounts may be subject to different portfolio holdings disclosure policies that permit public disclosure of portfolio holdings information in different forms and at different times than the FUND'S portfolio holdings disclosure policies. Additionally, clients of

such accounts have access to their portfolio holdings and are generally not subject to the FUND'S portfolio holdings disclosure policies.

DIRECTORS AND OFFICERS OF THE CORPORATION

As a Texas corporation, the business and affairs of the Corporation are managed by its officers under the direction of the Board. The Board is responsible for the overall management of the Corporation. This includes the general supervision and review of the FUND'S investment policies and activities. The Board approves all significant agreements between the Corporation and those parties furnishing services to it, which include agreements with the Advisor, Administrator, Custodian and Transfer Agent. The Board appoints officers who conduct and administer the FUND'S day-to-day operations. The Corporation has an audit committee consisting solely of the two disinterested directors, Dr. William Marcy and Mr. Harold E. Schneider. As Chairman of the Board and disinterested director, Dr. Marcy is the presiding officer at all meetings of the Board. Given the size of the Board and the ability of the disinterested directors to provide input on meeting agendas, together with the regular executive sessions of the disinterested directors and the annual Board self-assessment, the Board believes that the current structure is working effectively. Accordingly, the Board has determined that its leadership structure is appropriate and effective in light of the size of the Corporation, the nature of its business and industry practices.

Through its direct oversight role, and indirectly through the Audit Committee, the Board performs a risk oversight function for the FUND. To effectively perform its risk oversight function, the Board, among other things, performs the following activities: receives and reviews reports related to the performance and operations of the FUND; reviews and approves, as applicable, the compliance policies and procedures of the FUND; approves the FUND'S principal investment policies; meets with representatives of various service providers, including the Advisor and the independent registered public accounting firm of the FUND, to review and discuss the activities of the FUND and to provide direction with respect thereto; and appoints a chief compliance officer of the FUND who oversees the implementation and testing of the FUND'S compliance program and reports to the Board regarding compliance matters for the FUND and its service providers.

The audit committee plays a significant role in risk oversight as it meets annually with the auditor of the FUND and periodically with the FUND'S Chief Compliance Officer.

Not all risks that may affect the FUND can be identified nor can controls be developed to eliminate or mitigate their occurrence or effects. It may not be practical or cost effective to eliminate or mitigate certain risks, the processes and controls employed to address certain risks may be limited in their effectiveness, and some risks are simply beyond the reasonable control of the FUND, the Advisor or other service providers. Moreover, it is necessary to bear certain risks (such as investment-related risks) to achieve the FUND'S goals. As a result of the foregoing and other factors, the FUND'S ability to manage risk is subject to substantial limitations.

The name, address, age, principal occupation(s) during the past five years and certain other information with respect to each of the directors and officers of the Corporation are as follows:

Name, Address and Year of Birth	Position(s) Held with the FUND	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	# of Portfolios in Fund Complex Overseen by Director	Other Directorships Held by Director During Past 5 Years
<u>“Disinterested Persons”</u>					
William Marcy, Ph.D., P.E. Age: 82 Address: 8383 Preston Center Plaza Drive, Suite 360 Dallas TX 75225	Chairman (Since 2019) and Director (Since 2006)	Indefinite, until successor elected	Executive Director of the Murdough Center for Engineering Professionalism and the National Institute for Engineering Ethics, Texas Tech University. He is a former Provost and Senior Vice President for Academic Affairs, Texas Tech University.	1	None
Harold E. Schneider Age: 74 Address: 8383 Preston Center Plaza Drive, Suite 360 Dallas TX 75225	Director	Indefinite, until successor elected Since 2019	A private investor in real estate, equity and oil and gas investments.	1	None
<u>“Interested Persons”</u>					
Gary B. Wood, Ph.D. ⁽¹⁾⁽²⁾ Age: 75 Address: 8383 Preston Center Plaza Drive, Suite 360 Dallas TX 75225	President and Director	One-year term (as President) Indefinite, until successor elected (as Director) Since 1987 Treasurer (1987 – 2014)	President, Secretary, Treasurer and a director of the Advisor and Concorde Capital Corporation, an exempt reporting advisor to funds affiliated with the Advisor. He is also Chairman of the Board and Interim CEO of International Hospital Corporation Holding, NV and its subsidiaries, which owns, develops and manages private healthcare facilities in Mexico, Central America and Brazil.	1	None

Name, Address and Year of Birth	Position(s) Held with the FUND	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	# of Portfolios in Fund Complex Overseen by Director	Other Directorships Held by Director During Past 5 Years
John A. Stetter Age: 69 Address: 8383 Preston Center Plaza Drive, Suite 360 Dallas TX 75225	Secretary	One-year term Since 1998	Vice President and Portfolio Manager for the Advisor.	N/A	N/A
Gregory B. Wood ⁽²⁾ Age: 45 Address: 8383 Preston Center Plaza Drive, Suite 360 Dallas TX 75225	Treasurer and Chief Compliance Officer	One-year term (as Treasurer) Since 2014; (as Chief Compliance Officer) Since 2015	Vice President and Director of the Advisor and Concorde Corporation since 2014.	N/A	N/A

⁽¹⁾ Dr. Wood is a director who is an “interested person” of the FUND as that term is defined in the 1940 Act, due to the position he holds with the Advisor.

⁽²⁾ Dr. Wood and Gregory Wood are father and son, respectively.

Gary B. Wood, Ph.D., has been a Director of the FUND since inception. His experience and skill as a portfolio manager, as well as his familiarity with investment strategies utilized by the Advisor, led to the conclusion that he should serve as a Director. William Marcy, Ph.D. and Harold E. Schneider have served as Directors since 2006 and 2019, respectively. They are both experienced businessmen and/or investors and are familiar with financial statements. Each takes a constructive and thoughtful approach in addressing issues facing the FUND. This combination of skill and attributes led to the conclusion that each should serve as a Director.

The Board has an audit committee whose members are Dr. William Marcy and Mr. Harold E. Schneider. The primary functions of the audit committee are to recommend to the Board the independent auditors to be retained to perform the annual audit, to review the results of the audit, to review the FUND’S internal controls and to review certain other matters relating to the independent auditors and financial records. The audit committee met once during the fiscal year ended September 30, 2025.

The Board has no other committees.

During the fiscal year ended September 30, 2025, each Director who is not deemed an “interested person” of the FUND received \$250 for each Board meeting attended. The Corporation’s standard arrangement with the Directors is to reimburse each Director for expenses incurred in connection with attendance at meetings of the Board. Neither the Corporation nor the FUND maintains any deferred compensation, pension or retirement plans, and no pension or retirement benefits are accrued as Corporation or FUND expenses.

COMPENSATION TABLE

The following table sets forth the compensation paid by the Corporation to each of the Directors of the Corporation that served during the fiscal year ended September 30, 2025:

Name of Person	Aggregate Compensation from the FUND	Pension or Retirement Benefits Accrued as Part of FUND Expenses	Estimated Annual Benefits Upon Retirement	Total Compensation from the Fund Complex Paid to Director ⁽¹⁾
“Disinterested Persons”				
William Marcy, Ph.D., P.E.	\$1,000	\$0	\$0	\$1,000
Harold E. Schneider	\$1,000	\$0	\$0	\$1,000
“Interested Person”				
Gary B. Wood, Ph.D.	\$0	\$0	\$0	\$0

⁽¹⁾ The Fund Complex consists of the FUND.

CODE OF ETHICS

The Corporation and the Advisor have adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act. Subject to certain conditions, this code of ethics permits personnel subject thereto to invest in securities, including securities that may be purchased or held by the FUND. This code of ethics generally prohibits, among other things, persons subject thereto from purchasing or selling securities if they know at the time of such purchase or sale the security is being considered for purchase or sale by the FUND or is being purchased or sold by the FUND.

PROXY VOTING POLICY

The FUND votes proxies in accordance with the Advisor’s proxy voting policy. With regard to individual securities held by the FUND, the Advisor generally votes as management recommends with respect to corporate governance issues and compensation plans and on social or corporate responsibility issues in a manner that the Advisor believes will be most likely to increase the value of the security. Although the Advisor’s policy is to vote proxies for clients unless otherwise directed in writing, there may be times in which the firm would not exercise voting authority on matters where the cost of voting would be high, such as with some foreign securities, and/or the benefit to the client would be low, such as when casting a vote would not reasonably be expected to have a material effect on the value of the client’s investment. With regard to investment companies held by the FUND, the Advisor generally votes to approve existing management or advisory agreements, and it votes on a case by case basis proxies related to distribution plans or mergers in the manner determined to be most likely to increase shareholder value, lower actual costs to shareholders or otherwise enhance an investment company’s performance. In the event that a vote presents a conflict of interest between the interests of the FUND’S shareholders and the Advisor, the Advisor will disclose the conflict to the Board and offer the Board the opportunity to instruct the Advisor in voting the securities. Information regarding how the FUND voted proxies relating to portfolio securities during the

most recent 12-month period ended June 30 is available, without charge, upon request, by calling the Transfer Agent at 1-800-294-1699, and on the SEC’s website at <http://www.sec.gov>.

OWNERSHIP OF MANAGEMENT AND PRINCIPAL SHAREHOLDERS

A principal shareholder is any person who owns of record or beneficially 5% or more of the outstanding shares of the FUND. Control persons are persons deemed to control the FUND because they own beneficially over 25% of the outstanding shares of the FUND. Shareholders with a controlling interest could affect the outcome of proxy voting or the direction of management of the FUND.

The FUND does not know of any person who owns beneficially, directly or through controlled companies, more than 25% of the FUND’S shares or who acknowledges the existence of control. As of January 26, 2026, the following shareholder was considered to be a principal shareholder of the FUND:

Name and Address	Percent	Type of	Parent	Jurisdiction
National Financial Services LLC For the Exclusive Benefit of Our Customers Attn. Mutual Funds Dept., 4th Floor 499 Washington Boulevard Jersey City, NJ 07310-1995	99.99%	Record	Fidelity Global Brokerage Group, Inc.	DE

The following table sets forth the dollar range of shares beneficially owned by each Director in the FUND as of December 31, 2025, which is also the valuation date.

Name of Director	Dollar Range of Shares in the FUND	Aggregate Dollar Range of Shares in All Registered Investment Companies Overseen by Director in Family of Investment Companies
<u>“Disinterested Persons”</u>		
William Marcy, Ph.D., P.E.	None	None
Harold E. Schneider	None	None
<u>“Interested Person”</u>		
Gary B. Wood, Ph.D.	over \$100,000	over \$100,000

As of December 31, 2025, the Directors and Officers of the Corporation as a group owned approximately 18% of the outstanding shares of the FUND. Furthermore, neither the disinterested directors, nor members of their immediate family, owned securities beneficially or of record in the Advisor or an affiliate of the Advisor. Accordingly, neither the disinterested directors nor members of their immediate family, have direct or indirect interest, the value of which exceeds \$120,000, in the Advisor or any of its affiliates.

None of the Directors who are disinterested persons, or any members of their immediate family, own shares of the Advisor or companies, other than registered investment companies, controlled by or under common control with the Advisor.

INVESTMENT ADVISOR

The investment advisor to the FUND is Concorde Financial Corporation, which does business under the name Concorde Investment Management. The Advisor is controlled by Gary B. Wood, Ph.D. Dr. Wood is also President and a Director of the Corporation. Pursuant to an investment advisory agreement between the FUND and the Advisor (the “Agreement”), the Advisor furnishes continuous investment advisory and management services to the FUND. For its services to the FUND, the Advisor receives a monthly fee based on the average daily net assets of the FUND at the annual rate of 0.80% for the FUND.

During the fiscal years ended September 30, the FUND incurred the following advisory fees.

Year	Total Fees Accrued by Advisor	Fees Waived/ Expenses Reimbursed by Advisor	Net Fees Paid to Advisor
2025	\$325,434	\$0	\$325,434
2024	\$302,565	\$0	\$302,565
2023	\$294,752	\$0	\$294,752

Under the Agreement, the Advisor, at its own expense and without separate reimbursement from the FUND, furnishes office space and all necessary office facilities, equipment, and executive personnel for managing the FUND and maintaining its organization; bears all sales and promotional expenses of the FUND, other than expenses incurred in complying with the laws regulating the issue or sale of securities; and pays salaries and fees of all Officers and Directors of the FUND (except the fees paid to disinterested directors as such term is defined under the 1940 Act).

The FUND pays all of its expenses not assumed by the Advisor including, but not limited to: the costs of preparing and printing its registration statements required under the Securities Act and the 1940 Act and any amendments thereto; the expense of registering its shares with the SEC and in the various states; the printing and distribution cost of prospectuses mailed to existing shareholders; the cost of director and officer liability insurance, reports to shareholders, reports to government authorities and proxy statements; interest charges; brokerage commissions and expenses incurred in connection with portfolio transactions. The FUND also pays: the fees of directors who are not interested persons of the Corporation; compensation of administrative and clerical personnel; association membership dues; auditing and accounting services; legal fees and expenses; fees and expenses of any custodian or trustees having custody of the FUND’S assets; expenses of calculating the NAV and repurchasing and redeeming shares; charges and expenses of dividend disbursing agents; registrars and stock transfer agents, including the cost of keeping all necessary shareholder records and accounts and handling any problems related thereto.

The Agreement will remain in effect as long as its continuance is specifically approved at least annually, by (i) the Board, or by the vote of a majority (as defined in the 1940 Act) of the outstanding shares of the Corporation, and (ii) by the vote of a majority of the directors of the Corporation who are not parties to the Agreement or interested persons of the Advisor, cast in person at a meeting called for the purpose of voting on such approval. The Agreement provides that it may be terminated at any time without the payment of any penalty, by the Board or by vote of a majority of the FUND'S shareholders, on a 60-day written notice to the Advisor, and by the Advisor on the same notice to the FUND and that it shall be automatically terminated if it is assigned.

The Agreement provides that the Advisor will not be liable to the FUND or its shareholders for anything other than willful misfeasance, bad faith, gross negligence or reckless disregard of its obligations or duties. The Agreement also provides that the Advisor and its officers, directors and employees may engage in other businesses, devote time and attention to any other business whether of a similar or dissimilar nature, and render investment advisory services to others.

PORTFOLIO MANAGERS

Gary B. Wood, Ph.D., John A. Stetter, and Gregory B. Wood serve as the portfolio managers jointly responsible for the day-to-day management of the FUND. The following table shows the number of accounts other than the FUND jointly managed by the portfolio managers and the total assets in the accounts managed within various categories as of September 30, 2025

Type of Accounts	Number of Other Accounts Managed and Total Assets by Account Type		Number of Accounts and Total Assets for which Advisory Fee is Performance-Based	
	Number of Accounts	Total Assets	Number of Accounts	Total Assets
Registered Investment Companies	306	297.1 million	0	\$0
Other Pooled Investment Vehicles	0	\$0	0	\$0
Other Accounts	0	\$0	0	\$0

Material Conflict of Interest. Where conflicts of interest arise between the FUND and other accounts managed by the co-portfolio managers, the portfolio managers will proceed in a manner that ensures that the FUND will not be treated materially less favorably. There may be instances where similar portfolio transactions may be executed for the same security for numerous accounts managed by portfolio managers. In such instances, securities will be allocated in accordance with the Advisor's trade allocation policy.

Compensation. Each co-portfolio manager's compensation is made up of a fixed salary amount which is not based on the value of the assets in the FUND'S portfolio or the FUND'S

performance. Any bonuses received by the portfolio manager are based on the profitability of the Advisor. The co-portfolio managers participate in a retirement plan funded by the Advisor.

Shares Owned in the FUND by the Portfolio Managers. As of September 30, 2025, which is also the valuation date, the co-portfolio managers owned the following shares in the FUND:

Name of Portfolio Manager	Dollar Range of Shares in the FUND (None, \$1-\$10,000, 10,001-\$50,000, \$50,001-\$100,000, \$100,001-\$500,000, \$500,001-\$1,000,000, or over \$1,000,000)	Aggregate Dollar Range of Shares in all Registered Investment Companies Overseen by Portfolio Manager in Family of Investment Companies
Gary B. Wood, Ph.D.	over \$1,000,000	over \$1,000,000
John A. Stetter	\$100,001-\$500,000	\$100,001-\$500,000
Gregory B. Wood	\$100,001-\$500,000	\$100,001-\$500,000

DETERMINATION OF NET ASSET VALUE

The NAV (or price) per share of the FUND is determined by dividing the total value of the FUND’S investments and other assets, less any liabilities, by its number of outstanding shares. The NAV of the FUND normally will be determined as of the close of trading on each day the New York Stock Exchange (the “NYSE”) is open for trading. If the NYSE is not open, then the FUND does not determine their net asset values, and investors may not purchase or redeem shares of the FUND. The NYSE is open for trading Monday through Friday except New Year’s Day, Martin Luther King, Jr. Day, Washington’s Birthday, Good Friday, Memorial Day, Juneteenth National Independence Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

Additionally, if any of the aforementioned holidays falls on a Saturday, the NYSE will not be open for trading on the preceding Friday and when any such holiday falls on a Sunday, the NYSE will not be open for trading on the succeeding Monday, unless unusual business conditions exist, such as the ending of a monthly or the yearly accounting period. The NYSE also may be closed on national days of mourning or due to natural disaster or other extraordinary events or emergencies. If the NYSE closes early on a valuation day, the FUND will determine its net asset value as of that time.

The per share NAV of the FUND is determined by dividing the total value of the FUND’S net assets (meaning its assets less its liabilities) by the total number of its shares outstanding at that time. In calculating NAV of the FUND, portfolio securities listed on a national securities exchange (other than The NASDAQ OMX Group, Inc., referred to as NASDAQ) are valued at the last sale price on the day the valuation is made. Securities that are traded on NASDAQ under one of its three listing tiers, NASDAQ Global Select Market, NASDAQ GlobalMarket and NASDAQ CapitalMarket, are valued at the Nasdaq Official Closing Price. Securities price information on listed stocks is taken from the exchange where the

security is primarily traded. Securities, including securities sold short, which are listed on an exchange but which are not traded on the valuation date are valued at the mean between the bid and the asked prices. Unlisted securities for which market quotations are readily available are valued at the latest quoted bid price or, if unavailable, at prices provided by an independent pricing service. Securities sold short which are not listed on an exchange but for which market quotations are readily available are valued at the average of the current bid and asked prices. Debt securities are valued by an independent pricing service approved by the Company that uses a matrix pricing method or other analytical pricing models. Other assets, including investments in open-end investment companies, and securities for which no quotations are readily available are valued at fair value as determined in by the Advisor pursuant to fair value methodologies, as the “valuation designee” under Rule 2a-5 of the 1940 Act.

Short-term instruments (those with remaining maturities of 60 days or less) are valued by an independent pricing service approved by the Advisor which approximates market.

The FUND may invest in foreign securities. Trading in foreign securities may be completed at times that vary from the closing of the NYSE. The FUND’S policy is to value the foreign securities at the latest closing price on the exchange on which they are traded immediately prior to the closing of the NYSE. Foreign securities quoted in foreign currencies are translated into U.S. dollars at current rates. Occasionally, events that affect these values and exchange rates may occur between the times at which they are determined and the closing of the NYSE. If these events materially affect the value of portfolio securities, then these securities may be valued by the Advisor at their fair value.

Exchange traded options are valued at the last reported sale price on an exchange on which the option is traded. If no sales are reported on a particular day, the mean between the highest bid and lowest asked quotations at the close of the exchanges will be used. Non-exchange traded options also will be valued at the mean between the last bid and asked quotations. For options where market quotations are not readily available, fair value shall be determined by the Advisor.

Securities for which market quotations are not readily available or if the closing price does not represent fair value, are valued at fair value by the Advisor. Factors used in determining fair value vary by investment type and may include: trading volume of security and markets, value of other like securities and news events with direct bearing to security or market.

ANTI-MONEY LAUNDERING PROGRAM

The Corporation has established an Anti-Money Laundering Compliance Program (the “Program”) as required by the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (“USA PATRIOT Act”). To ensure compliance with this law, the Program provides for the development of internal practices, procedures and controls, designation of anti-money laundering compliance officers, an ongoing training program and an independent audit function to determine the effectiveness of the Program.

Procedures to implement the Program include, but are not limited to, determining that the FUND'S service providers and Transfer Agent have established proper anti-money laundering procedures, reporting suspicious and/or fraudulent activity and a complete and thorough review of all new opening account applications. The FUND will not transact business with any person or legal entity whose identity and beneficial owners, if applicable, cannot be adequately verified under the provisions of the USA PATRIOT Act.

As a result of the Program, the Corporation may be required to "freeze" the account of a shareholder if the shareholder appears to be involved in suspicious activity or if certain account information matches information on government lists of known terrorists or other suspicious persons, or the Corporation may be required to transfer the account or proceeds of the account to a governmental agency.

REDEMPTION OF FUND SHARES

If the Board shall determine that it is in the best interests of the shareholders of the FUND, and subject to the FUND'S compliance with applicable regulations, the FUND has reserved the right to pay the redemption price of shares redeemed, either totally or partially, by a distribution in-kind of securities (instead of cash) from the FUND'S portfolio. The securities so distributed would be valued at the same amount as that assigned to them in calculating the NAV for the shares redeemed. If a holder of FUND shares receives a distribution in-kind, he would incur brokerage charges when subsequently converting the securities to cash. For federal income tax purposes, redemptions in-kind are taxed in the same manner as redemptions made in cash. In addition, sales of in-kind securities may generate taxable gains.

The FUND has made an election pursuant to Rule 18f-1 under the 1940 Act requiring that all redemptions be effected in cash to each redeeming shareholder, during any period of 90 days, up to the lesser of \$250,000 or 1% of the net assets of the FUND.

The right to redeem shares of the FUND will be suspended for any period during which the NYSE is closed because of financial conditions or any other extraordinary reason and may be suspended for any period during which (a) trading on the NYSE is restricted pursuant to rules and regulations of the SEC, (b) the SEC has by order permitted such suspension, or (c) an emergency, as defined by rules and regulations of the SEC, exists, and as a result of which, it is not reasonably practicable for the FUND to dispose of its securities or to fairly determine the value of its net assets.

The FUND will be deemed to have received a purchase or redemption order when an authorized broker or, if applicable, a broker's authorized designee, receives the order.

ALLOCATION OF INVESTMENT OPPORTUNITIES

There may be times when a given investment opportunity is appropriate for some, or all, of the Advisor's other client accounts. It is the policy and practice of the Advisor not to favor or disfavor consistently or consciously any client or class of clients in the allocation of investment opportunities, so that to the extent practical, such opportunities will be allocated among clients,

including the FUND, over a period of time on a fair and equitable basis. While the allocation of investment opportunities among client accounts advised by the Advisor and its affiliates may raise potential conflicts of interest because of financial, investment or other interests of the Advisor or its personnel, the portfolio managers will make allocation decisions consistent with the best interests of the client accounts and not based on such other interests.

If the Advisor determines that a particular investment is appropriate for more than one client account, the Advisor may, in its discretion, aggregate securities transactions for those client accounts, including the FUND (referred to herein as “block trades”). While the FUND may participate in block trades, it is also possible that the FUND will not participate in block trades for various reasons, including: (1) from time to time, client accounts do not participate in block trades because the accounts hold assets through different custodians and execute trades through different brokers; (2) from time to time, aggregation may not be possible because a security is thinly traded or otherwise not able to be aggregated and allocated among all client accounts seeking the investment opportunity; (3) a client may be limited in, or precluded from, participating in an aggregated trade as a result of that client’s specific brokerage arrangements; (4) an issuer in which clients wish to invest may have threshold limitations or aggregate ownership interests arising from legal or regulatory requirements or company ownership restrictions, which may have the effect of limiting the potential size of the investment opportunity and thus the ability of a particular client to participate in the opportunity. In addition, to ensure that no client account that participates in a block trade is disadvantaged as a result of such aggregation, the Advisor has adopted policies and procedures to ensure that the Advisor does not aggregate securities transactions for client accounts unless it believes that aggregation is consistent with its duty to seek best execution for client accounts and is consistent with the applicable agreements of the client accounts for which the Advisor aggregates securities transactions.

No client account is favored over any other client account in block trades, and each client account that participates in block trades participates at the average share price for all transactions in the security for which that aggregated order is placed on the day that such aggregated order is placed. Subject to minimum ticket charges, transaction costs are shared in proportion to Client Accounts’ participation.

ALLOCATION OF PORTFOLIO BROKERAGE

Decisions to buy and sell securities for the FUND are made by the Advisor subject to review by the Board. In placing purchase and sale orders for portfolio securities for the FUND, it is the policy of the Advisor to seek the best execution of orders at the most favorable price in light of the overall quality of brokerage and research services provided, as described in this and the following paragraph. In selecting brokers to effect portfolio transactions, the determination of what is expected to result in best execution at the most favorable price involves a number of largely judgmental considerations. Among these are the Advisor’s evaluation of the broker’s efficiency in executing and clearing transactions, block trading capability (including the broker’s willingness to position securities) and the broker’s financial strength and stability. The most favorable price to the FUND means the best net price without regard to the mix between

purchase or sale price and commission, if any. For example, over-the-counter securities may be purchased and sold directly with principal market makers who retain the difference in their cost in the security and its selling price (*i.e.*, “markups” when the market maker sells a security and “markdowns” when the market maker purchases a security) or from non-principal market makers who are paid commissions directly.

In allocating brokerage business for the FUND, the Advisor also takes into consideration the research, analytical, statistical and other information and services provided by the broker, such as general economic reports and information, reports or analyses of particular companies or industry groups, market timing and technical information, and the availability of the brokerage firm’s analysts for consultation. While the Advisor believes these services have substantial value, they are considered supplemental to the Advisor’s own efforts in the performance of its duties under the Agreement. Other clients of the Advisor may indirectly benefit from the availability of these services to the Advisor, and the FUND may indirectly benefit from services available to the Advisor as a result of transactions for other clients. The Agreement provides that the Advisor may cause the FUND to pay a broker that provides brokerage and research services to the Advisor a commission for effecting a securities transaction in excess of the amount another broker would have charged for effecting the transaction, if the Advisor determines in good faith that such amount of commission is reasonable in relation to the value of brokerage and research services provided by the executing broker viewed in terms of either the particular transaction or the Advisor’s overall responsibilities with respect to the FUND and the other accounts as to which it exercises investment discretion.

For the fiscal years ended September 30, the FUND paid the following in brokerage commissions:

Brokerage Commissions Paid During Fiscal Years Ended September 30,		
2025	2024	2023*
\$10,300	\$20,118	\$28,701

*The Fund’s brokerage commissions increased during the 2023 fiscal year compared to the 2022 fiscal year due to increased equity options trading by the Fund in 2023.

Aggregate brokerage commissions paid by the FUND to brokers who provided brokerage and research services for the fiscal year ended September 30, 2025 are shown in the following table.

Dollar Value of Securities Traded	Related Soft Dollar Brokerage Commissions
\$9,623,538	\$2,133

The FUND did not hold securities of its regular brokers and dealers (as defined in Rule 10b-1 under the 1940 Act, as amended) or their parents as of September 30, 2025.

DISTRIBUTION PLAN

The FUND has adopted, but not yet implemented, a distribution plan under Rule 12b-1 of the 1940 Act (the “Distribution Plan”) that allows the FUND to pay distribution and service fees for the sale and distribution of its shares and for services provided to shareholders. The Distribution Plan allows the FUND to finance with FUND assets activities that promote the sale and retention of the FUND’S shares such as printing prospectuses and reports and preparing and distributing advertising material and sales literature and providing services to shareholders. The Distribution Plan authorizes the FUND to pay up to 0.25% of average daily net assets for distribution and other services.

Administration of the Distribution Plan is regulated by Rule 12b-1 under the 1940 Act, which requires that the Board receive and review at least quarterly reports concerning the amount and purpose of expenses which are made, that the Board, including a majority of the independent directors, approve all agreements implementing the Plan, and that the Plan may be continued from year-to-year only if the Board, including a majority of the independent directors, concludes at least annually that continuation of the Distribution Plan is reasonably likely to benefit the FUND and its shareholders.

Although approved, the Board has not authorized payments under the Distribution Plan and, as a result, the FUND currently neither accrues nor pays any fees under the Distribution Plan. If the FUND was using the plan, the fees paid under the plan would, over time, increase the cost of your investment and could cost you more than paying other types of sales charges.

The Advisor and/or its subsidiaries or affiliates (“Advisor Entities”) may pay certain broker-dealers and other financial intermediaries (“Intermediaries”) for certain activities related to the FUND (“Payments”). Any Payments made by Advisor Entities will be made from their own assets and not from the assets of the FUND. Although a portion of Advisor Entities’ revenue comes directly or indirectly in part from fees paid by the FUND, Payments do not increase the price paid by investors for the purchase of shares of, or the cost of owning, the FUND. Advisor Entities may make Payments for Intermediaries to participate in activities that are designed to make registered representatives, other professionals and individual investors more knowledgeable about the FUND or for other activities, such as participation in marketing activities and presentations, educational training programs, the support of technology platforms and/or reporting systems. Advisor Entities may also make Payments to Intermediaries for certain printing, publishing and mailing costs associated with the FUND. In addition, Advisor Entities may make Payments to Intermediaries that make shares of the FUND available to their clients or for otherwise promoting the FUND. Payments of this type are sometimes referred to as revenue-sharing payments.

Payments to an Intermediary may be significant to the Intermediary, and amounts that Intermediaries pay to an investor’s salesperson or other investment professional may also be significant for the investor’s salesperson or other investment professional. Because an Intermediary may make decisions about which investment options it will recommend or make available to its clients or what services to provide for various products based on payments it receives or is eligible to receive, Payments create conflicts of interest between the Intermediary

and its clients and these financial incentives may cause the Intermediary to recommend the FUND over other investments. The same conflict of interest exists with respect to an investor's salesperson or other investment professional if he or she receives similar payments from his or her Intermediary firm.

Advisor Entities may determine to make Payments based on any number of metrics. For example, Advisor Entities may make Payments at year-end or other intervals in a fixed amount, an amount based upon an Intermediary's services at defined levels or an amount based on the Intermediary's net sales of the FUND in a year or other period, any of which arrangements may include an agreed-upon minimum or maximum payment, or any combination of the foregoing. The Advisor anticipates that the Payments paid by Advisor Entities in connection with the FUND will be immaterial to Advisor Entities in the aggregate for the current fiscal year.

ADMINISTRATOR, CUSTODIAN AND TRANSFER AGENT

U.S. Bank, N.A., Custody Operations, 1555 North RiverCenter Drive, Suite 302, Milwaukee, Wisconsin 53212, acts as custodian for the FUND. As such, U.S. Bank, N.A. holds all securities and cash of the FUND, delivers and receives payment for securities sold, receives and pays for securities purchased, collects income from investments and performs other duties, all as directed by officers of the Corporation. U.S. Bank, N.A. does not exercise any supervisory function over the management of the FUND, the purchase and sale of securities or the payment of distributions to shareholders.

U.S. Bank, N.A. is the designated Foreign Custody Manager (as the term is defined in Rule 17f-5 under the 1940 Act) of the FUND'S securities and cash held outside the United States. The Directors have delegated to U.S. Bank certain responsibilities for such assets, as permitted by Rule 17f-5. U.S. Bank and the foreign subcustodians selected by it hold the FUND'S assets in safekeeping and collect and remit the income thereon, subject to the instructions of the FUNDS.

U.S. Bancorp Fund Services, LLC now doing business as U.S. Bank Global Fund Services, ("Fund Services"), 615 East Michigan Street, Milwaukee, Wisconsin 53202, an affiliate of U.S. Bank, N.A., acts as the FUND'S fund administrator, fund accountant, transfer agent and dividend disbursing agent. Fund Services has entered into a fund accounting services agreement with the FUND pursuant to which it acts as fund accountant. As fund accountant, Fund Services maintains and keeps current the books, accounts, journals and other records of original entry relating to the business of the FUND and calculates the FUND'S NAV on a daily basis. In consideration of such services, the FUND pays Fund Services a monthly fee based on its average daily net assets, with a minimum annual amount, and reimburses it for its out-of-pocket expenses.

During the fiscal years ended September 30, the FUND paid the following amounts to Fund Services for fund administration services:

Administration Fees Paid During Fiscal Years Ended September 30,		
<u>2025</u>	<u>2024</u>	<u>2023</u>
\$95,526	\$93,806	\$93,799

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

IN VIEW OF THE COMPLEXITIES OF U.S. FEDERAL AND OTHER INCOME TAX LAWS APPLICABLE TO REGULATED INVESTMENT COMPANIES, A PROSPECTIVE SHAREHOLDER IS URGED TO CONSULT WITH AND RELY SOLELY UPON ITS TAX ADVISORS TO UNDERSTAND FULLY THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES TO THAT INVESTOR OF SUCH AN INVESTMENT BASED ON THAT INVESTOR'S PARTICULAR FACTS AND CIRCUMSTANCES. THIS SUMMARY IS NOT INTENDED TO BE, AND SHOULD NOT BE CONSTRUED AS, LEGAL OR TAX ADVICE TO ANY PROSPECTIVE INVESTOR.

The following information supplements and should be read in conjunction with the section in the Prospectus entitled "DIVIDENDS, DISTRIBUTIONS AND TAXES." The Prospectus generally describes the U.S. federal income tax treatment of distributions by the FUND. This section of the SAI provides additional information concerning U.S. federal income taxes. It is based on the Internal Revenue Code of 1986, as amended (the "Code"), applicable Treasury Regulations, judicial authority, and administrative rulings and practice, all as of the date of this SAI and all of which are subject to change, including changes with retroactive effect. Except as specifically set forth below, the following discussion does not address any state, local or foreign tax matters, or any U.S. estate or gift tax consequences.

A shareholder's tax treatment may vary depending upon the shareholder's particular situation. This discussion applies only to shareholders holding FUND shares as capital assets within the meaning of the Code. A shareholder may also be subject to special rules not discussed below if they are a certain kind of shareholder, including, but not limited to: an insurance company; a tax-exempt organization; a financial institution or broker-dealer; a private foundation; a person who is neither a citizen nor resident of the United States or entity that is not organized under the laws of the United States or political subdivision thereof; a shareholder whose functional currency is not the U.S. dollars; a shareholder subject to the U.S. federal alternative minimum tax; a shareholder who holds FUND shares as part of a hedge, straddle or conversion transaction; a shareholder who does not hold FUND shares as a capital asset; or an entity taxable as a partnership for U.S. federal income tax purposes and investors in such an entity.

The FUND has not requested and will not request an advance ruling from the Internal Revenue Service (the "IRS") as to the U.S. federal income tax matters described below. The IRS could adopt positions contrary to those discussed below and such positions could be sustained. In addition, the following discussion and the discussions in the Prospectus applicable to each shareholder address only some of the U.S. federal income tax considerations generally affecting investments in the FUND. Prospective shareholders are urged to consult their own tax advisors

and financial planners regarding the U.S. federal tax consequences of an investment in the FUND, the application of state, local or foreign laws, and the effect of any possible changes in applicable tax laws on their investment in the FUND.

Qualification as a Regulated Investment Company

It is intended that the FUND will qualify for treatment as a regulated investment company (a “RIC”) under Subchapter M of Subtitle A, Chapter 1 of the Code.

In order to qualify as a RIC under the Code, the FUND must, among other things, derive at least 90% of its gross income each taxable year generally from (i) dividends, interest, certain payments with respect to securities loans, gains from the sale or other disposition of stock, securities or foreign currencies, and other income attributable to its business of investing in such stock, securities or foreign currencies (including, but not limited to, gains from options, futures or forward contracts) and (ii) net income derived from an interest in a qualified publicly traded partnership, as defined in the Code. Future U.S. Treasury regulations may (possibly retroactively) exclude from qualifying income foreign currency gains that are not directly related to the FUND’S principal business of investing in stock, securities or options and futures with respect to stock or securities. In general, for purposes of this 90% gross income requirement, income derived from a partnership, except a qualified publicly traded partnership, will be treated as qualifying income only to the extent such income is attributable to items of income of the partnership which would be qualifying income if realized by the RIC.

The FUND must also diversify its holdings so that, at the end of each quarter of the FUND’S taxable year: (i) at least 50% of the fair market value of its gross assets consists of (A) cash and cash items (including receivables), U.S. government securities and securities of other RICs, and (B) securities of any one issuer (other than those described in clause (A)) to the extent such securities do not exceed 5% of the value of the FUND’S total assets and do not exceed 10% of the outstanding voting securities of such issuer, and (ii) not more than 25% of the value of the FUND’S total assets consists of the securities of any one issuer (other than those described in clause (i)(A)), the securities of two or more issuers the FUND controls and which are engaged in the same, similar or related trades or businesses, or the securities of one or more qualified publicly traded partnerships. In addition, for purposes of meeting the diversification requirement of clause (i)(B), the term “outstanding voting securities of such issuer” includes the equity securities of a qualified publicly traded partnership. The qualifying income and diversification requirements applicable to the FUND may limit the extent to which it can engage in transactions in options, futures contracts, forward contracts and swap agreements.

If the FUND fails to satisfy any of the qualifying income or diversification requirements in any taxable year, the FUND may be eligible for relief provisions if the failures are due to reasonable cause and not willful neglect and if a penalty tax is paid with respect to each failure to satisfy the applicable requirement. Additionally, relief is provided for certain *de minimis* failures of the diversification requirements where the FUND corrects the failure within a specified period. If the applicable relief provisions are not available or cannot be met, the FUND will be taxed in the same manner as an ordinary corporation, described below.

In addition, with respect to each taxable year, the FUND generally must distribute to its shareholders at least 90% of its investment company taxable income, which generally includes its ordinary income and the excess of any net short-term capital gain over net long-term capital loss, and at least 90% of its net tax-exempt interest income earned for the taxable year. If the FUND meets all of the RIC qualification requirements, it generally will not be subject to U.S. federal income tax on any of the investment company taxable income and net capital gain (*i.e.*, the excess of net long-term capital gain over net short-term capital loss) it distributes to its shareholders. For this purpose, the FUND generally must make the distributions in the same year that it realizes the income and gain, although in certain circumstances, the FUND may make the distributions in the following taxable year. Shareholders generally are taxed on any distributions from the FUND in the year they are actually distributed. However, if the FUND declares a distribution to shareholders of record in October, November or December of one year and pays the distribution by January 31 of the following year, the FUND and its shareholders will be treated as if the FUND paid the distribution on December 31 of the first year. The FUND intends to distribute its net income and gain in a timely manner to maintain its status as a RIC and eliminate fund-level U.S. federal income taxation of such income and gain. However, no assurance can be given that the FUND will not be subject to U.S. federal income taxation.

Moreover, the FUND may retain for investment all or a portion of their net capital gain. If the FUND retains any net capital gain, it will be subject to a tax at regular corporate rates on the amount retained, but may report the retained amount as undistributed capital gain in a written statement furnished to its shareholders, who (i) will be required to include in income for U.S. federal income tax purposes, as long-term capital gain, their shares of such undistributed amount, and (ii) will be entitled to credit their proportionate shares of the tax paid by the FUND on such undistributed amount against their U.S. federal income tax liabilities, if any, and to claim refunds to the extent the credit exceeds such liabilities. For U.S. federal income tax purposes, the tax basis of shares owned by a shareholder of the FUND will be increased by an amount equal to the difference between the amount of undistributed capital gain included in the shareholder's gross income and the tax deemed paid by the shareholder under clause (ii) of the preceding sentence. The FUND is not required to, and there can be no assurance that it will, make this designation if it retains all or a portion of its net capital gain in a taxable year.

If, for any taxable year, the FUND fails to qualify as a RIC, and is not eligible for relief as described above, it will be taxed in the same manner as an ordinary corporation without any deduction for its distributions to shareholders, and all distributions from the FUND'S current and accumulated earnings and profits (including any distributions of its net tax-exempt income and net long-term capital gain) to its shareholders will be taxable as dividend income. To re-qualify to be taxed as a RIC in a subsequent year, the FUND may be required to distribute to its shareholders its earnings and profits attributable to non-RIC years reduced by an interest charge on 50% of such earnings and profits payable by the FUND to the IRS. In addition, if the FUND initially qualifies as a RIC but subsequently fails to qualify as a RIC for a period greater than two taxable years, the FUND generally would be required to recognize and pay tax on any net unrealized gain (the excess of aggregate gain, including items of income, over aggregate loss that would have been realized if the FUND had been liquidated) or, alternatively, to be subject to tax

on such unrealized gain recognized for a period of ten years, in order to re-qualify as a RIC in a subsequent year.

Equalization Accounting

The FUND may use the so-called “equalization method” of accounting to allocate a portion of its “earnings and profits,” which generally equals the FUND’S undistributed investment company taxable income and net capital gain, with certain adjustments, to redemption proceeds. This method permits the FUND to achieve more balanced distributions for both continuing and redeeming shareholders. Although using this method generally will not affect the FUND’S total returns, it may reduce the amount that the FUND would otherwise distribute to continuing shareholders by reducing the effect of redemptions of FUND shares on FUND distributions to shareholders. However, the IRS may not have expressly sanctioned the particular equalization methods that may be used by the FUND, and thus the FUND’S use of these methods may be subject to IRS scrutiny.

Capital Loss Carry-Forwards

In general, the FUND may carry forward indefinitely a net capital loss to offset its capital gain. The excess of the FUND’S net short-term capital loss over its net long-term capital gain is treated as a short-term capital loss arising on the first day of the FUND’S next taxable year and the excess of the FUND’S net long-term capital loss over its net short-term capital gain is treated as a long-term capital loss arising on the first day of the FUND’S next taxable year. If future capital gain is offset by carried-forward capital losses, such future capital gain is not subject to fund-level U.S. federal income tax, regardless of whether it is distributed to shareholders. Accordingly, the FUND does not expect to distribute any such offsetting capital gain. The FUND cannot carry back or carry forward any net operating losses.

As of September 30, 2025, the FUND did not have any tax basis capital loss carryovers to offset future capital gains.

If the FUND engages in a reorganization, either as an acquiring fund or acquired fund, its capital loss carry-forwards (if any), its unrealized losses (if any), and any such losses of other funds participating in the reorganization may be subject to severe limitations that could make such losses, in particular losses realized in taxable years beginning before January 1, 2011, substantially unusable. The FUND has engaged in reorganizations in the past and/or may engage in reorganizations in the future.

Excise Tax

If the FUND fails to distribute by December 31 of each calendar year at least the sum of 98% of its ordinary income for that year (excluding capital gains and losses), 98.2% of its capital gain net income (adjusted for certain net ordinary losses) for the 12-month period ending on October 31 of that year, and any of its ordinary income and capital gain net income from previous years that was not distributed during such years, the FUND will be subject to a nondeductible 4% U.S. federal excise tax on the undistributed amounts (other than to the extent

of its tax-exempt interest income, if any). For these purposes, the FUND will be treated as having distributed any amount on which it is subject to corporate level U.S. federal income tax for the taxable year ending within the calendar year. The FUND generally intends to actually, or be deemed to, distribute substantially all of its ordinary income and capital gain net income, if any, by the end of each calendar year and thus expects not to be subject to the excise tax. However, no assurance can be given that the FUND will not be subject to the excise tax. Moreover, the FUND reserves the right to pay an excise tax rather than make an additional distribution when circumstances warrant (for example, the amount of excise tax to be paid by the FUND is determined to be *de minimis*).

Taxation of Investments

In general, realized gains or losses on the sale of securities held by the FUND will be treated as capital gains or losses, and long-term capital gains or losses if the FUND has held the disposed securities for more than one year at the time of disposition.

If the FUND purchases a debt obligation with original issue discount (“OID”) (generally, a debt obligation with a purchase price at original issuance less than its principal amount, such as a zero-coupon bond), which generally includes “payment-in-kind” or “PIK” bonds, the FUND generally is required to annually include in its taxable income a portion of the OID as ordinary income, even though the FUND may not receive cash payments attributable to the OID until a later date, potentially until maturity or disposition of the obligation. A portion of the OID includible in income with respect to certain high-yield corporate discount obligations may be treated as a dividend for U.S. federal income tax purposes. Similarly, if the FUND purchases a debt obligation with market discount (generally a debt obligation with a purchase price after original issuance less than its principal amount (reduced by any OID)), the FUND generally is required to annually include in its taxable income a portion of the market discount as ordinary income, even though the FUND may not receive cash payments attributable to the market discount until a later date, potentially until maturity or disposition of the obligation. The FUND generally will be required to make distributions to shareholders representing the OID or market discount income on debt obligations that is currently includible in income, even though the cash representing such income may not have been received by the FUND. Cash to pay such distributions may be obtained from sales proceeds of securities held by the FUND which the FUND otherwise might have continued to hold; obtaining such cash might be disadvantageous for the FUND.

If the FUND invests in debt obligations that are in the lowest rating categories or are unrated, including debt obligations of issuers not currently paying interest or who are in default, special tax issues may exist for the FUND. U.S. federal income tax rules are not entirely clear about issues such as when the FUND may cease to accrue interest, OID, or market discount, when and to what extent deductions may be taken for bad debts or worthless securities, and how payments received on obligations in default should be allocated between principal and income. These and other related issues will be addressed by the FUND when, as, and if it invests in such securities, in order to seek to ensure that it distributes sufficient income to preserve its status as a RIC and does not become subject to U.S. federal income or excise tax.

If an option granted by the FUND is sold, lapses or is otherwise terminated through a closing transaction, such as a repurchase by the FUND of the option from its holder, the FUND will realize a short-term capital gain or loss, depending on whether the premium income is greater or less than the amount paid by the FUND in the closing transaction. Some capital losses realized by the FUND in the sale, exchange, exercise, or other disposition of an option may be deferred if they result from a position that is part of a “straddle,” discussed below. If securities are sold by the FUND pursuant to the exercise of a covered call option granted by it, the FUND generally will add the premium received to the sale price of the securities delivered in determining the amount of gain or loss on the sale. If securities are purchased by the FUND pursuant to the exercise of a put option granted by it, the FUND generally will subtract the premium received from its cost basis in the securities purchased.

Some regulated futures contracts, certain foreign currency contracts, and non-equity, listed options used by the FUND will be deemed “Section 1256 contracts.” The FUND will be required to “mark-to-market” any such contracts held at the end of the taxable year by treating them as if they had been sold on the last day of that year at market value. Sixty percent of any net gain or loss realized on all dispositions of Section 1256 contracts, including deemed dispositions under the “mark-to-market” rule, generally will be treated as long-term capital gain or loss, and the remaining 40% will be treated as short-term capital gain or loss, although certain foreign currency gains and losses from such contracts may be treated as ordinary income or loss (as described below). These provisions may require the FUND to recognize income or gains without a concurrent receipt of cash. Transactions that qualify as designated hedges are exempt from the mark-to-market rule and the “60%/40%” rule and may require the FUND to defer the recognition of losses on certain futures contracts, foreign currency contracts and non-equity options.

Foreign currency gains and losses realized by the FUND in connection with certain transactions involving foreign currency-denominated debt obligations, certain options, futures contracts, forward contracts, and similar instruments relating to foreign currency, foreign currencies, or payables or receivables denominated in a foreign currency are subject to Section 988 of the Code, which generally causes such gains and losses to be treated as ordinary income or loss and may affect the amount and timing of recognition of the FUND’S income. Under future U.S. Treasury regulations, any such transactions that are not directly related to the FUND’S investments in stock or securities (or its options contracts or futures contracts with respect to stock or securities) may have to be limited in order to enable the FUND to satisfy the 90% income test described above. If the net foreign currency loss exceeds the FUND’S net investment company taxable income (computed without regard to such loss) for a taxable year, the resulting ordinary loss for such year will not be deductible by the FUND or its shareholders in future years.

Offsetting positions held by the FUND involving certain derivative instruments, such as financial forward, futures, and options contracts, may be considered, for U.S. federal income tax purposes, to constitute “straddles.” “Straddles” are defined to include “offsetting positions” in actively traded personal property. The tax treatment of “straddles” is governed by Section 1092 of the Code which, in certain circumstances, overrides or modifies the provisions of Section 1256 of the Code, described above. If the FUND is treated as entering into a “straddle” and at

least one (but not all) of the FUND'S positions in derivative contracts comprising a part of such straddle is governed by Section 1256 of the Code, then such straddle could be characterized as a "mixed straddle." The FUND may make one or more elections with respect to "mixed straddles." Depending upon which election is made, if any, the results with respect to the FUND may differ. Generally, to the extent the straddle rules apply to positions established by the FUND, losses realized by the FUND may be deferred to the extent of unrealized gain in any offsetting positions. Moreover, as a result of the straddle rules, short-term capital loss on straddle positions may be recharacterized as long-term capital loss, and long-term capital gain may be characterized as short-term capital gain. In addition, the existence of a straddle may affect the holding period of the offsetting positions. As a result, the straddle rules could cause distributions that would otherwise constitute qualified dividend income (defined below) to fail to satisfy the applicable holding period requirements (described below) and therefore to be taxed as ordinary income. Furthermore, the FUND may be required to capitalize, rather than deduct currently, any interest expense and carrying charges applicable to a position that is part of a straddle, including any interest expense on indebtedness incurred or continued to purchase or carry any positions that are part of a straddle. Because the application of the straddle rules may affect the character and timing of gains and losses from affected straddle positions, the amount which must be distributed to shareholders, and which will be taxed to shareholders as ordinary income or long-term capital gain, may be increased or decreased substantially as compared to the situation where the FUND had not engaged in such transactions.

If the FUND enters into a "constructive sale" of any appreciated financial position in stock, a partnership interest, or certain debt instruments, the FUND will be treated as if it had sold and immediately repurchased the property and must recognize gain (but not loss) with respect to that position. A constructive sale of an appreciated financial position occurs when the FUND enters into certain offsetting transactions with respect to the same or substantially identical property, including: (i) a short sale; (ii) an offsetting notional principal contract; (iii) a futures or forward contract; or (iv) other transactions identified in future U.S. Treasury regulations. The character of the gain from constructive sales will depend upon the FUND'S holding period in the appreciated financial position. Losses realized from a sale of a position that was previously the subject of a constructive sale will be recognized when the position is subsequently disposed of. The character of such losses will depend upon the FUND'S holding period in the position and the application of various loss deferral provisions in the Code. Constructive sale treatment does not apply to certain closed transactions, including if such a transaction is closed on or before the 30th day after the close of the FUND'S taxable year and the FUND holds the appreciated financial position unhedged throughout the 60-day period beginning with the day such transaction was closed.

The amount of long-term capital gain the FUND may recognize from certain derivative transactions with respect to interests in certain pass-through entities is limited under the Code's constructive ownership rules. The amount of long-term capital gain is limited to the amount of such gain the FUND would have had if the FUND directly invested in the pass-through entity during the term of the derivative contract. Any gain in excess of this amount is treated as ordinary income. An interest charge is imposed on the amount of gain that is treated as ordinary income.

In addition, the FUND'S transactions in securities and certain types of derivatives (*e.g.*, options, futures contracts, forward contracts, and swap agreements) may be subject to other special tax rules, such as the wash sale rules or the short sale rules, the effect of which may be to accelerate income to the FUND, defer losses to the FUND, cause adjustments to the holding periods of the FUND'S securities, convert long-term capital gains into short-term capital gains, and/or convert short-term capital losses into long-term capital losses. These rules could therefore affect the amount, timing, and character of distributions to shareholders.

Rules governing the U.S. federal income tax aspects of derivatives, including swap agreements, are in a developing stage and are not entirely clear in certain respects. Accordingly, while the FUND intends to account for such transactions in a manner it deems to be appropriate, the IRS might not accept such treatment. If it did not, the status of the FUND as a RIC might be jeopardized. Certain requirements that must be met under the Code in order for the FUND to qualify as a RIC may limit the extent to which the FUND will be able to engage in derivatives transactions.

The FUND may invest in real estate investment trusts ("REITs"). Investments in REIT equity securities may require the FUND to accrue and distribute income not yet received. To generate sufficient cash to make the requisite distributions, the FUND may be required to sell securities in its portfolio (including when it is not advantageous to do so) that it otherwise would have continued to hold. The FUND'S investments in REIT equity securities may at other times result in the FUND'S receipt of cash in excess of the REIT's earnings if the FUND distributes these amounts, these distributions could constitute a return of capital to FUND shareholders for U.S. federal income tax purposes. Dividends received by the FUND from a REIT generally will not constitute qualified dividend income and will not qualify for the dividends-received deduction. Taxable ordinary dividends received and distributed by the FUND on its REIT holdings may be eligible to be reported by the FUND, and treated by individual shareholders, as "qualified REIT dividends" that are eligible for a 20% deduction on its federal income tax returns. Individuals must satisfy holding period and other requirements in order to be eligible for this deduction. Without further legislation, the deduction would sunset after 2025. Shareholders should consult their own tax professionals concerning their eligibility for this deduction.

The FUND may invest directly or indirectly in residual interests in real estate mortgage investment conduits ("REMICs") or in other interests that may be treated as taxable mortgage pools ("TMPs") for U.S. federal income tax purposes. Under IRS guidance, the FUND must allocate "excess inclusion income" received directly or indirectly from REMIC residual interests or TMPs to its shareholders in proportion to dividends paid to such shareholders, with the same consequences as if the shareholders had invested in the REMIC residual interests or TMPs directly.

In general, excess inclusion income allocated to shareholders (i) cannot be offset by net operating losses (subject to a limited exception for certain thrift institutions), (ii) constitutes unrelated business taxable income to Keogh, 401(k) and qualified pension plans, as well as individual retirement accounts and certain other tax exempt entities, thereby potentially requiring such an entity, which otherwise might not be required to file a tax return, to file a tax return and

pay tax on such income, and (iii) in the case of a foreign shareholder, does not qualify for any reduction, by treaty or otherwise, in the 30% U.S. federal withholding tax. In addition, if at any time during any taxable year a “disqualified organization” (as defined in the Code) is a record holder of a share in the FUND, then the FUND will be subject to a tax equal to that portion of its excess inclusion income for the taxable year that is allocable to the disqualified organization, multiplied by the highest federal corporate income tax rate. To the extent permitted under the 1940 Act, the FUND may elect to specially allocate any such tax to the applicable disqualified organization, and thus reduce such shareholder’s distributions for the year by the amount of the tax that relates to such shareholder’s interest in the FUND. The FUND may or may not make such an election.

“Passive foreign investment companies” (“PFICs”) are generally defined as foreign corporations with respect to which at least 75% of their gross income for their taxable year is income from passive sources (such as interest, dividends, certain rents and royalties, or capital gains) or at least 50% of their assets on average produce, or are held for the production of, such passive income. If the FUND acquires any equity interest in a PFIC, the FUND could be subject to U.S. federal income tax and interest charges on “excess distributions” received from the PFIC or on a gain from the sale of such equity interest in the PFIC, even if all income or gain actually received by the FUND is timely distributed to its shareholders. Excess distributions will be characterized as ordinary income even though, absent the application of PFIC rules, some excess distributions may have been classified as capital gain.

The FUND will not be permitted to pass through to its shareholders any credit or deduction for taxes and interest charges incurred with respect to PFICs. Elections may be available that would ameliorate these adverse tax consequences, but such elections could require the FUND to recognize taxable income or gain without the concurrent receipt of cash. Investments in PFICs could also result in the treatment of associated capital gains as ordinary income. The FUND may attempt to limit and/or manage their holdings in PFICs to minimize their tax liability or maximize their returns from these investments but there can be no assurance that it will be able to do so. Moreover, because it is not always possible to identify a foreign corporation as a PFIC in advance of acquiring shares in the corporation, the FUND may incur the tax and interest charges described above in some instances. Dividends paid by the FUND attributable to income and gains derived from PFICs will not be eligible to be treated as qualified dividend income.

If the FUND owns 10% or more of either the voting power or value of the stock of a “controlled foreign corporation” (a “CFC”), such corporation will not be treated as a PFIC with respect to the FUND. In general, the FUND may be required to recognize dividends from a CFC before actually receiving any dividends. There may also be a tax imposed on a U.S. shareholder’s aggregate net CFC income that is treated as global intangible low-taxed income. As a result of the foregoing, the FUND may be required to recognize income sooner than it otherwise would.

In addition to the investments described above, prospective shareholders should be aware that other investments made by the FUND may involve complex tax rules that may result in

income or gain recognition by the FUND without corresponding current cash receipts. Although the FUND seeks to avoid significant non-cash income, such non-cash income could be recognized by the FUND, in which case the FUND may distribute cash derived from other sources in order to meet the minimum distribution requirements described above. In this regard, the FUND could be required at times to liquidate investments prematurely in order to satisfy their minimum distribution requirements.

Notwithstanding the foregoing, under recently enacted tax legislation, accrual method taxpayers required to recognize gross income under the “all events tests” no later than when such income is recognized as revenue in an applicable financial statement (e.g., an audited financial statement which is used for reporting to partners). This new rule may require the FUND to recognize income earlier than as described above.

Taxation of Distributions

Distributions paid out of the FUND’S current and accumulated earnings and profits (as determined at the end of the year), whether paid in cash or reinvested in the FUND, generally are deemed to be taxable distributions and must be reported by each shareholder who is required to file a U.S. federal income tax return. Dividends and other distributions on the FUND’S shares are generally subject to U.S. federal income tax as described herein to the extent they do not exceed the FUND’S realized income and gains, even though such dividends and distributions may economically represent a return of a particular shareholder’s investment. Such distributions are likely to occur in respect of shares acquired at a time when the FUND’S net asset value reflects gains that are either unrealized, or realized but not distributed. For U.S. federal income tax purposes, the FUND’S earnings and profits, described above, are determined at the end of the FUND’S taxable year and are allocated pro rata to distributions paid over the entire year. Distributions in excess of the FUND’S current and accumulated earnings and profits will first be treated as a return of capital up to the amount of a shareholder’s tax basis in the shareholder’s FUND shares and then as capital gain. The FUND may make distributions in excess of its earnings and profits, from time to time.

For U.S. federal income tax purposes, distributions of investment income are generally taxable as ordinary income, and distributions of gains from the sale of investments that the FUND owned for one year or less will be taxable as ordinary income. Distributions properly reported in writing by the FUND as capital gain dividends will be taxable to shareholders as long-term capital gain (to the extent such distributions do not exceed the FUND’S net capital gain for the taxable year), regardless of how long a shareholder has held FUND shares, and do not qualify as dividends for purposes of the dividends-received deduction or as qualified dividend income. The FUND will report capital gain dividends, if any, in a written statement furnished to its shareholders after the close of the FUND’S taxable year.

Fluctuations in foreign currency exchange rates may result in foreign exchange gain or loss on transactions in foreign currencies, foreign currency-denominated debt obligations, and certain foreign currency options, futures contracts and forward contracts. Such gains or losses are generally characterized as ordinary income or loss for tax purposes. The FUND must make certain distributions in order to qualify as a RIC, and the timing of and character of transactions

such as foreign currency-related gains and losses may result in the fund paying a distribution treated as a return of capital. Such distribution is nontaxable to the extent of the recipient's basis in its shares.

Some states will not tax distributions made to individual shareholders that are attributable to interest the FUND earned on direct obligations of the U.S. government if the FUND meets the state's minimum investment or reporting requirements, if any. Investments in GNMA or FNMA securities, bankers' acceptances, commercial paper and repurchase agreements collateralized by U.S. government securities generally do not qualify for state-tax-free treatment. This exemption may not apply to corporate shareholders.

Sales and Exchanges of FUND Shares

If a shareholder sells, pursuant to a cash or in-kind redemption, or exchanges the shareholder's FUND shares, subject to the discussion below, the shareholder generally will recognize a taxable capital gain or loss on the difference between the amount received for the shares (or deemed received in the case of an exchange) and the shareholder's tax basis in the shares. This gain or loss will be long-term capital gain or loss if the shareholder has held such FUND shares for more than one year at the time of the sale or exchange, and short-term otherwise.

If a shareholder sells or exchanges FUND shares within 90 days of having acquired such shares and if, before January 31 of the calendar year following the calendar year of the sale or exchange, as a result of having initially acquired those shares, the shareholder subsequently pays a reduced sales charge on a new purchase of shares of the FUND or a different RIC, the sales charge previously incurred in acquiring the FUND'S shares generally shall not be taken into account (to the extent the previous sales charges do not exceed the reduction in sales charges on the new purchase) for the purpose of determining the amount of gain or loss on the disposition, but generally will be treated as having been incurred in the new purchase. Also, if a shareholder recognizes a loss on a disposition of FUND shares, the loss will be disallowed under the "wash sale" rules to the extent the shareholder purchases substantially identical shares within the 61-day period beginning 30 days before and ending 30 days after the disposition. Any disallowed loss generally will be reflected in an adjustment to the tax basis of the purchased shares.

If a shareholder receives a capital gain dividend with respect to the FUND share and such FUND share is held for six months or less, then (unless otherwise disallowed) any loss on the sale or exchange of that FUND share will be treated as a long-term capital loss to the extent of the capital gain dividend. If such loss is incurred from the redemption of shares pursuant to a periodic redemption plan then U.S. Treasury regulations may permit an exception to this six-month rule. No such regulations have been issued as of the date of this SAI.

Corporate Shareholders

Subject to limitation and other rules, a corporate shareholder of the FUND may be eligible for the FATCA deduction on FUND distributions attributable to dividends received by the FUND from domestic corporations, which, if received directly by the corporate shareholder,

would qualify for such a deduction. For eligible corporate shareholders, the dividends-received deduction may be subject to certain reductions, and a distribution by the FUND attributable to dividends of a domestic corporation will be eligible for the deduction only if certain holding period and other requirements are met. These requirements are complex; therefore, corporate shareholders of the FUND is urged to consult their own tax advisors and financial planners.

Foreign Taxes

Amounts realized by the FUND from sources within foreign countries may be subject to withholding and other taxes imposed by such countries. Tax conventions between certain countries and the United States may reduce or eliminate such taxes. If more than 50% of the value of the FUND'S total assets at the close of its taxable year consists of securities of foreign corporations, the FUND will be eligible to file an annual election with the IRS pursuant to which the FUND may pass through to its shareholders on a pro rata basis certain foreign income and similar taxes paid by the FUND, and such taxes may be claimed, subject to certain limitations, either as a tax credit or deduction by the shareholders. However, even if the FUND qualifies for the election for any year, it may not make the election for such year. If the FUND does not so elect, then shareholders will not be entitled to claim a credit or deduction with respect to foreign taxes paid or withheld. If the FUND does elect to "pass through" its foreign taxes paid in a taxable year, the FUND will furnish a written statement to its shareholders reporting such shareholders proportionate share of the FUND'S foreign taxes paid.

Even if the FUND qualifies for the election, foreign income and similar taxes will only pass through to the FUND'S shareholders if the FUND and its shareholders meet certain holding period requirements.

If the FUND makes the election, the FUND will not be permitted to claim a credit or deduction for foreign taxes paid in that year, and the FUND'S dividends-paid deduction will be increased by the amount of foreign taxes paid that year. FUND shareholders that have satisfied the holding period requirements and certain other requirements shall include their proportionate share of the foreign taxes paid by the FUND in their gross income and treat that amount as paid by them for the purpose of the foreign tax credit or deduction. If the shareholder claims a credit for foreign taxes paid, the credit will be limited to the extent it exceeds the shareholder's federal income tax attributable to foreign source taxable income. If the credit is attributable, wholly or in part, to qualified dividend income (as defined below), special rules will be used to limit the credit in a manner that reflects any resulting dividend rate differential.

The FUND may elect not make the foregoing election, if that is determined to be in the best interests of the FUND and its shareholders.

In general, an individual with \$300 or less of creditable foreign taxes may elect to be exempt from the foreign source taxable income and qualified dividend income limitations if the individual has no foreign source income other than qualified passive income. This \$300 threshold is increased to \$600 for joint filers. A deduction for foreign taxes paid may only be claimed by shareholders that itemize their deductions.

U.S. Federal Income Tax Rates

Noncorporate FUND shareholders (*i.e.*, individuals, trusts and estates) are taxed at a maximum rate of 37% on ordinary income and 20% on net capital gain.

In general, “qualified dividend income” realized by noncorporate FUND shareholders is taxable at the same rate as net capital gain. Generally, qualified dividend income is dividend income attributable to certain U.S. and foreign corporations, as long as certain holding period requirements are met. In general, if less than 95% of the FUND’S income is attributable to qualified dividend income, then only the portion of the FUND’S distributions that are attributable to qualified dividend income and reported in writing as such in a timely manner will be so treated in the hands of individual shareholders. Payments received by the FUND from securities lending, repurchase, and other derivative transactions ordinarily will not qualify. The rules attributable to the qualification of FUND distributions as qualified dividend income are complex, including the holding period requirements. Individual FUND shareholders therefore are urged to consult their own tax advisors and financial planners.

The corporate U.S. federal income tax rate applicable to ordinary income and net capital gain currently is 21%. Actual marginal tax rates may be higher for some shareholders, for example, through reductions in deductions. Distributions from the FUND may qualify for the “dividends-received deduction” applicable to corporate shareholders with respect to certain dividends. Naturally, the amount of tax payable by any taxpayer will be affected by a combination of tax laws covering, for example, deductions, credits, deferrals, exemptions, sources of income and other matters.

In addition, a noncorporate FUND shareholders generally will be subject to an additional 3.8% tax on its “net investment income,” which ordinarily includes taxable distributions received from the corresponding FUND and taxable gain on the disposition of FUND shares if the shareholder meets a taxable income test.

Under the Foreign Account Tax Compliance Act, or “FATCA,” U.S. federal income tax withholding at a 30% rate will be imposed on dividends and proceeds of redemptions in respect of FUND shares received by FUND shareholders who own their shares through foreign accounts or foreign intermediaries if certain disclosure requirements related to U.S. accounts or ownership are not satisfied. The FUND will not pay any additional amounts in respect to any amounts withheld.

Backup Withholding

The FUND is generally required to withhold and remit to the U.S. Treasury, subject to certain exemptions (such as for certain corporate or foreign shareholders), at a rate set under Section 3406 of the Code for U.S. residents of all distributions and redemption proceeds (including proceeds from exchanges and redemptions in-kind) paid or credited to the FUND shareholder if (i) the shareholder fails to furnish the FUND with a correct “taxpayer identification number” (“TIN”), (ii) the shareholder fails to certify under penalties of perjury that the TIN provided is correct, (iii) the shareholder fails to make certain other certifications, or (iv)

the IRS notifies the FUND that the shareholder's TIN is incorrect or that the shareholder is otherwise subject to backup withholding. Backup withholding is not an additional tax imposed on the shareholder. The shareholder may apply amounts withheld as a credit against the shareholder's U.S. federal income tax liability and may obtain a refund of any excess amounts withheld, provided that the required information is furnished to the IRS. If a shareholder fails to furnish a valid TIN upon request, the shareholder can also be subject to IRS penalties. A shareholder may generally avoid backup withholding by furnishing a properly completed IRS Form W-9. State backup withholding may also be required to be withheld by the FUND under certain circumstances.

Foreign Shareholders

For purposes of this discussion, "foreign shareholders" include: (i) nonresident alien individuals, (ii) foreign trusts (*i.e.*, a trust other than a trust with respect to which a U.S. court is able to exercise primary supervision over administration of that trust and one or more U.S. persons have authority to control substantial decisions of that trust), (iii) foreign estates (*i.e.*, the income of which is not subject to U.S. tax regardless of source), and (iv) foreign corporations.

Generally, distributions made to foreign shareholders will be subject to non-refundable U.S. federal income tax withholding at a 30% rate (or such lower rate provided under an applicable income tax treaty) even if they are funded by income or gains (such as portfolio interest, short-term capital gain, or foreign-source dividend and interest income) that, if paid to a foreign person directly, would not be subject to such withholding.

Under legislation that has been available from time to time, the FUND could report in writing to its shareholders certain distributions made to foreign shareholders that would not be subject to U.S. federal income tax withholding where the distribution is attributable to specific sources (such as "portfolio interest" and short-term capital gain), certain requirements are met and the FUND makes appropriate designations to pay such "exempt" distributions. Even if the FUND realizes income from such sources, no assurance can be made the FUND would meet such requirements or make such designations. Where FUND shares are held through an intermediary, even if the FUND makes the appropriate designation, the intermediary may withhold U.S. federal income tax.

Capital gains dividends and gains recognized by a foreign shareholder on the redemption of FUND shares generally will not be subject to U.S. federal income tax withholding, provided that certain requirements are satisfied.

Under FATCA, a withholding tax of 30% will be imposed on dividends on, and the gross proceeds of a disposition of, FUND shares paid to certain foreign shareholders unless various information reporting requirements are satisfied. Such withholding tax will generally apply to non-U.S. financial institutions, which are generally defined for this purpose as non-U.S. entities that (i) accept deposits in the ordinary course of a banking or similar business, (ii) are engaged in the business of holding financial assets for the account of others, or (iii) are engaged or hold themselves out as being engaged primarily in the business of investing, reinvesting, or trading in securities, partnership interests, commodities, or any interest in such assets. Prospective foreign

shareholders are encouraged to consult their tax advisors regarding the implications of FATCA on their investment in the FUND.

Before investing in the FUND'S shares, a prospective foreign shareholder should consult with its own tax advisors, including whether the shareholder's investment can qualify for benefits under an applicable income tax treaty.

Tax-Deferred Plans

Shares of the FUND may be available for a variety of tax-deferred retirement and other tax-advantaged plans and accounts. Prospective investors should contact their tax advisors and financial planners regarding the tax consequences to them of holding FUND shares through such plans and/or accounts.

A 1.4% excise tax is imposed on the net investment income of certain private colleges and universities. This tax would only apply to private institutions with endowment valued at \$500,000 per full-time student or more, subject to other limitations. Tax-exempt shareholders should contact their tax advisors and financial planners regarding the tax consequences to them of an investment in the FUND.

Any investment in residual interests of a collateralized mortgage obligation that has elected to be treated as a REMIC can create complex U.S. federal income tax consequences, especially if the FUND has state or local governments or other tax-exempt organizations as shareholders.

Special tax consequences apply to charitable remainder trusts ("CRTs") (as defined in Section 664 of the Code) that invest in RICs that invest directly or indirectly in residual interests in REMICs or equity interests in TMPs. CRTs are urged to consult their own tax advisors and financial planners concerning these special tax consequences.

Tax Shelter Reporting Regulations

Generally, under U.S. Treasury regulations, if an individual shareholder recognizes a loss of \$2 million or more, or if a corporate shareholder recognizes a loss of \$10 million or more, with respect to FUND shares, the shareholder must file with the IRS a disclosure statement on Form 8886. Direct shareholders of securities are in many cases exempt from this reporting requirement, but under current guidance, shareholders of a RIC are not exempt. Future guidance may extend the current exemption from this reporting requirement to shareholders of most or all RICs. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer's treatment of the loss is proper. Shareholders should consult their own tax advisors to determine the applicability of these regulations in light of their individual circumstances.

Cost Basis Reporting

In general, the FUND must report “cost basis” information to its shareholders and the IRS for redemptions of “covered shares.” FUND shares purchased on or after January 1, 2012 are generally treated as covered shares. By contrast, FUND shares purchased before January 1, 2012 or shares without complete cost basis information are generally treated as non-covered shares. FUND shareholders should consult their tax advisors to obtain more information about how these cost basis rules apply to them and determine which cost basis method allowed by the IRS is best for them.

Recently Enacted Tax Legislation

Under recently enacted tax legislation, the FUND may be required to recognize income sooner than it otherwise would (as described above), which also may result in a change in its methods of tax accounting. The full effects of this tax legislation are not certain. Prospective shareholders should recognize that the present U.S. federal income tax treatment of the FUND and their shareholders may be modified by legislative, judicial or administrative actions at any time, which may be retroactive in effect. The rules dealing with U.S. federal income taxation are constantly under review by Congress, the IRS and the Treasury Department, and statutory changes as well as promulgation of new regulations, revisions to existing statutes, and revised interpretations of established concepts occur frequently. You should consult your advisors concerning the status of legislative proposals that may pertain to holding FUND shares.

The foregoing summary should not be considered to describe fully the income and other tax consequences of an investment in the FUND. FUND investors are strongly urged to consult with their tax advisors, with specific reference to their own situations, with respect to the potential tax consequences of an investment in the FUND.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Weaver and Tidwell, LLP, 2821 West 7th Street, Suite 700, Fort Worth, Texas, 76107, serves as the independent registered public accounting firm for the FUND.

CAPITAL STRUCTURE

The Corporation’s Articles of Incorporation permit the Board to issue 30,000,000 shares of Common Stock, \$1.00 par value. The Common Stock is divisible into an unlimited number of “series,” each of which is a separate mutual fund. Each share of the FUND represents an equal proportionate interest in that FUND. Shareholders are entitled: (i) to one vote per full share of Common Stock; (ii) to such distributions as may be declared by the Board out of funds legally available; and (iii) upon liquidation, to participate ratably in the assets available for distribution. There are no conversion or sinking fund provisions applicable to the shares, and the holders have no preemptive rights and may not cumulate their votes in the election of directors. Consequently, the holders of more than 50% of the shares of Common Stock voting for the election of directors can elect the entire Board and in such event the holders of the remaining shares voting for the election of directors will not be able to elect any person or persons to the Board. The shares are

redeemable and are transferable. All shares issued and sold by the FUND will be fully paid and non-assessable. Fractional shares of Common Stock entitle the holder to the same rights as whole shares.

SHAREHOLDER MEETINGS

The Texas Business Corporation Act permits registered investment companies, such as the Corporation, to operate without an annual meeting of shareholders under specified circumstances if an annual meeting is not required by the 1940 Act. The Corporation has adopted the appropriate provisions in its By-Laws and may, at its discretion, not hold an annual meeting in any year in which the election of directors is not required to be acted on by shareholders under the 1940 Act.

The Corporation's By-Laws also contain procedures for the removal of directors by its shareholders. At any meeting of shareholders duly called and held at which a quorum is present, the shareholders may, by the affirmative vote of the holders of a majority of the votes entitled to be cast thereon, remove any director or directors from office and may elect a successor or successors to fill any resulting vacancies for the unexpired terms of removed directors.

Upon the written request of the holders of shares entitled to vote not less than 10% of the FUND'S outstanding shares, the secretary of the Corporation (the "Secretary") shall promptly call a meeting of shareholders for the purpose of voting upon the question of removal of any director. Whenever ten or more shareholders of record who have been such for at least six months preceding the date of application, and who hold in the aggregate either shares having a NAV of at least \$25,000 or at least one percent (1%) of the total outstanding shares, whichever is less, shall apply to the Secretary in writing, stating that they wish to communicate with other shareholders with a view of obtaining signatures to a request for a meeting of shareholders and accompanied by a form of communication and request which they wish to transmit, the Secretary shall within five business days after such application either: (1) afford to such applicants access to a list of the names and addresses of all shareholders as recorded on the books of the Corporation; or (2) inform such applicants as to the approximate number of shareholders of record and the approximate cost of mailing to them the proposed communication and form of request.

If the Secretary elects to follow the course specified in clause (2) of the last sentence of the preceding paragraph, the Secretary, upon the written request of such applicants, accompanied by a tender of the material to be mailed and of the reasonable expenses of mailing, shall, with reasonable promptness, mail such material to all shareholders of record at their addresses as recorded on the books unless within five business days after such tender the Secretary shall mail to such applicants and file with the SEC, together with a copy of the material to be mailed, a written statement signed by at least a majority of the directors to the effect that in their opinion either such material contains untrue statements of fact or omits to state facts necessary to make the statements contained therein not misleading, or would be in violation of applicable law, and specifying the basis of such opinion.

After opportunity for hearing upon the objections specified in the written statement so filed, the SEC may, and if demanded by the directors or by such applicants shall, enter an order either sustaining one or more of such objections or refusing to sustain any of them. If the SEC shall enter an order refusing to sustain any of such objections, or if, after the entry of an order sustaining one or more of such objections, the SEC shall find, after notice and opportunity for hearing, that all objections so sustained have been met, and shall enter an order so declaring, the Secretary shall mail copies of such material to all shareholders with reasonable promptness after the entry of such order and the renewal of such tender.

DESCRIPTION OF BOND RATINGS

RATINGS DEFINITIONS

Short-Term Issue Credit Ratings

An *S&P Global Ratings* short-term issue credit rating is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific financial obligation having an original maturity of no more than 365 days. The following summarizes the rating categories used by S&P Global Ratings for short-term issues:

“A-1” – A short-term obligation rated “A-1” is rated in the highest category by S&P Global Ratings. The obligor’s capacity to meet its financial commitments on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor’s capacity to meet its financial commitment on these obligations is extremely strong.

“A-2” – A short-term obligation rated “A-2” is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor’s capacity to meet its financial commitments on the obligation is satisfactory.

“A-3” – A short-term obligation rated “A-3” exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken an obligor’s capacity to meet its financial commitments on the obligation.

“B” – A short-term obligation rated “B” is regarded as vulnerable and has significant speculative characteristics. The obligor currently has the capacity to meet its financial commitments; however, it faces major ongoing uncertainties that could lead to the obligor’s inadequate capacity to meet its financial commitments.

“C” – A short-term obligation rated “C” is currently vulnerable to nonpayment and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitments on the obligation.

“D” – A short-term obligation rated “D” is in default or in breach of an imputed promise. For non-hybrid capital instruments, the “D” rating category is used when payments on an obligation are not made on the date due, unless S&P Global Ratings believes that such payments will be made within any stated grace period. However, any stated grace period longer than five business days will be treated as five business days. The “D” rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. An obligation’s rating is lowered to “D” if it is subject to a distressed exchange offer.

Local Currency and Foreign Currency Ratings – S&P Global Ratings’ issuer credit ratings make a distinction between foreign currency ratings and local currency ratings. An

issuer's foreign currency rating will differ from its local currency rating when the obligor has a different capacity to meet its obligations denominated in its local currency, vs. obligations denominated in a foreign currency.

Moody's Investors Service ("Moody's") short-term ratings are forward-looking opinions of the relative credit risks of financial obligations with an original maturity of thirteen months or less and reflect both on the likelihood of a default on contractually promised payments and the expected financial loss suffered in the event of default.

Moody's employs the following designations to indicate the relative repayment ability of rated issuers:

"P-1" – Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.

"P-2" – Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.

"P-3" – Issuers (or supporting institutions) rated Prime-3 have an acceptable ability to repay short-term obligations.

"NP" – Issuers (or supporting institutions) rated Not Prime do not fall within any of the Prime rating categories.

"NR" – Is assigned to an unrated issuer.

Fitch, Inc. / Fitch Ratings Ltd. ("Fitch") short-term issuer or obligation rating is based in all cases on the short-term vulnerability to default of the rated entity and relates to the capacity to meet financial obligations in accordance with the documentation governing the relevant obligation. Short-term deposit ratings may not be adjusted for loss severity. Short-term ratings are assigned to obligations whose initial maturity is viewed as "short-term" based on market convention. Typically, this means up to 13 months for corporate, sovereign, and structured obligations and up to 36 months for obligations in U.S. public finance markets. The following summarizes the rating categories used by Fitch for short-term obligations:

"F1" – Securities possess the highest short-term credit quality. This designation indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.

"F2" – Securities possess good short-term credit quality. This designation indicates good intrinsic capacity for timely payment of financial commitments.

"F3" – Securities possess fair short-term credit quality. This designation indicates that the intrinsic capacity for timely payment of financial commitments is adequate.

“B” – Securities possess speculative short-term credit quality. This designation indicates minimal capacity for timely payment of financial commitments, plus heightened vulnerability to near term adverse changes in financial and economic conditions.

“C” – Securities possess high short-term default risk. Default is a real possibility.

“RD” – Restricted default. Indicates an entity that has defaulted on one or more of its financial commitments, although it continues to meet other financial obligations. Typically applicable to entity ratings only.

“D” – Default. Indicates a broad-based default event for an entity, or the default of a short-term obligation.

Plus (+) or minus (-) – The “F1” rating may be modified by the addition of a plus (+) or minus (-) sign to show the relative status within that major rating category.

“NR” – Is assigned to an unrated issue of a rated issuer.

The **DBRS® Ratings Limited (“DBRS”)** short-term debt rating scale provides an opinion on the risk that an issuer will not meet its short-term financial obligations in a timely manner. Ratings are based on quantitative and qualitative considerations relevant to the issuer and the relative ranking of claims. The R-1 and R-2 rating categories are further denoted by the sub-categories “(high)”, “(middle)”, and “(low)”.

The following summarizes the ratings used by DBRS for commercial paper and short-term debt:

“R-1 (high)” - Short-term debt rated “R-1 (high)” is of the highest credit quality. The capacity for the payment of short-term financial obligations as they fall due is exceptionally high. Unlikely to be adversely affected by future events.

“R-1 (middle)” – Short-term debt rated “R-1 (middle)” is of superior credit quality. The capacity for the payment of short-term financial obligations as they fall due is very high. Differs from “R-1 (high)” by a relatively modest degree. Unlikely to be significantly vulnerable to future events.

“R-1 (low)” – Short-term debt rated “R-1 (low)” is of good credit quality. The capacity for the payment of short-term financial obligations as they fall due is substantial. Overall strength is not as favorable as higher rating categories. May be vulnerable to future events, but qualifying negative factors are considered manageable.

“R-2 (high)” – Short-term debt rated “R-2 (high)” is considered to be at the upper end of adequate credit quality. The capacity for the payment of short-term financial obligations as they fall due is acceptable. May be vulnerable to future events.

“R-2 (middle)” – Short-term debt rated “R-2 (middle)” is considered to be of adequate credit quality. The capacity for the payment of short-term financial obligations as they fall due is

acceptable. May be vulnerable to future events or may be exposed to other factors that could reduce credit quality.

“R-2 (low)” – Short-term debt rated “R-2 (low)” is considered to be at the lower end of adequate credit quality. The capacity for the payment of short-term financial obligations as they fall due is acceptable. May be vulnerable to future events. A number of challenges are present that could affect the issuer’s ability to meet such obligations.

“R-3” – Short-term debt rated “R-3” is considered to be at the lowest end of adequate credit quality. There is a capacity for the payment of short-term financial obligations as they fall due. May be vulnerable to future events and the certainty of meeting such obligations could be impacted by a variety of developments.

“R-4” – Short-term debt rated “R-4” is considered to be of speculative credit quality. The capacity for the payment of short-term financial obligations as they fall due is uncertain.

“R-5” – Short-term debt rated “R-5” is considered to be of highly speculative credit quality. There is a high level of uncertainty as to the capacity to meet short-term financial obligations as they fall due.

“D” – Short-term debt rated “D” is assigned when the issuer has filed under any applicable bankruptcy, insolvency or winding up statute or there is a failure to satisfy an obligation after the exhaustion of grace periods, a downgrade to “D” may occur. DBRS may also use “SD” (Selective Default) in cases where only some securities are impacted, such as the case of a “distressed exchange”.

Long-Term Credit Ratings

The following summarizes the ratings used by *S&P Global Ratings* for long-term issues:

“AAA” – An obligation rated “AAA” has the highest rating assigned by S&P Global Ratings. The obligor’s capacity to meet its financial commitments on the obligation is extremely strong.

“AA” – An obligation rated “AA” differs from the highest-rated obligations only to a small degree. The obligor’s capacity to meet its financial commitments on the obligation is very strong.

“A” – An obligation rated “A” is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor’s capacity to meet its financial commitments on the obligation is still strong.

“BBB” – An obligation rated “BBB” exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor’s capacity to meet its financial commitments on the obligation.

“BB,” “B,” “CCC,” “CC” and “C” – Obligations rated “BB,” “B,” “CCC,” “CC” and “C” are regarded as having significant speculative characteristics. “BB” indicates the least degree of speculation and “C” the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposure to adverse conditions.

“BB” – An obligation rated “BB” is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions that could lead to the obligor’s inadequate capacity to meet its financial commitments on the obligation.

“B” – An obligation rated “B” is more vulnerable to nonpayment than obligations rated “BB”, but the obligor currently has the capacity to meet its financial commitments on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor’s capacity or willingness to meet its financial commitments on the obligation.

“CCC” – An obligation rated “CCC” is currently vulnerable to nonpayment and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitments on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitments on the obligation.

“CC” – An obligation rated “CC” is currently highly vulnerable to nonpayment. The “CC” rating is used when a default has not yet occurred but S&P Global Ratings expects default to be a virtual certainty, regardless of the anticipated time to default.

“C” – An obligation rated “C” is currently highly vulnerable to nonpayment, and the obligation is expected to have lower relative seniority or lower ultimate recovery compared with obligations that are rated higher.

“D” – An obligation rated “D” is in default or in breach of an imputed promise. For non-hybrid capital instruments, the “D” rating category is used when payments on an obligation are not made on the date due, unless S&P Global Ratings believes that such payments will be made within five business days in the absence of a stated grace period or within the earlier of the stated grace period or 30 calendar days. The “D” rating also will be used upon the filing of a bankruptcy petition or the taking of similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. An obligation’s rating is lowered to “D” if it is subject to a distressed exchange offer.

Plus (+) or minus (-) – The ratings from “AA” to “CCC” may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

“NR” – This indicates that a rating has not been assigned, or is no longer assigned.

Local Currency and Foreign Currency Risks - S&P Global Ratings’ issuer credit ratings make a distinction between foreign currency ratings and local currency ratings. An issuer’s

foreign currency rating will differ from its local currency rating when the obligor has a different capacity to meet its obligations denominated in its local currency, vs. obligations denominated in a foreign currency.

Moody's long-term ratings are forward-looking opinions of the relative credit risks of financial obligations with an original maturity of one year or more. Such ratings reflect both on the likelihood of default on contractually promised payments and the expected financial loss suffered in the event of default. The following summarizes the ratings used by Moody's for long-term debt:

“Aaa” – Obligations rated “Aaa” are judged to be of the highest quality, subject to the lowest level of credit risk.

“Aa” – Obligations rated “Aa” are judged to be of high quality and are subject to very low credit risk.

“A” – Obligations rated “A” are judged to be upper-medium grade and are subject to low credit risk.

“Baa” – Obligations rated “Baa” are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.

“Ba” – Obligations rated “Ba” are judged to be speculative and are subject to substantial credit risk.

“B” – Obligations rated “B” are considered speculative and are subject to high credit risk.

“Caa” – Obligations rated “Caa” are judged to be speculative of poor standing and are subject to very high credit risk.

“Ca” – Obligations rated “Ca” are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.

“C” – Obligations rated “C” are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.

Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from “Aa” through “Caa.” The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

“NR” – Is assigned to unrated obligations.

The following summarizes long-term ratings used by **Fitch**:

“AAA” – Securities considered to be of the highest credit quality. “AAA” ratings denote the lowest expectation of credit risk. They are assigned only in cases of exceptionally strong

capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

“AA” – Securities considered to be of very high credit quality. “AA” ratings denote expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

“A” – Securities considered to be of high credit quality. “A” ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

“BBB” – Securities considered to be of good credit quality. “BBB” ratings indicate that expectations of credit risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.

“BB” – Securities considered to be speculative. “BB” ratings indicate that there is an elevated vulnerability to credit risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial alternatives may be available to allow financial commitments to be met.

“B” – Securities considered to be highly speculative. “B” ratings indicate that material credit risk is present.

“CCC” – A “CCC” rating indicates that substantial credit risk is present.

“CC” – A “CC” rating indicates very high levels of credit risk.

“C” – A “C” rating indicates exceptionally high levels of credit risk.

Defaulted obligations typically are not assigned “RD” or “D” ratings but are instead rated in the “CCC” to “C” rating categories, depending on their recovery prospects and other relevant characteristics. Fitch believes that this approach better aligns obligations that have comparable overall expected loss but varying vulnerability to default and loss.

Plus (+) or minus (-) may be appended to a rating to denote relative status within major rating categories. Such suffixes are not added to the “AAA” obligation rating category, or to corporate finance obligation ratings in the categories below “CCC”.

“NR” – Is assigned to an unrated issue of a rated issuer.

The **DBRS** long-term rating scale provides an opinion on the risk of default. That is, the risk that an issuer will fail to satisfy its financial obligations in accordance with the terms under which an obligation has been issued. Ratings are based on quantitative and qualitative considerations relevant to the issuer, and the relative ranking of claims. All rating categories other than AAA and D also contain subcategories “(high)” and “(low)”. The absence of either a

“(high)” or “(low)” designation indicates the rating is in the middle of the category. The following summarizes the ratings used by DBRS for long-term debt:

“AAA” – Long-term debt rated “AAA” is of the highest credit quality. The capacity for the payment of financial obligations is exceptionally high and unlikely to be adversely affected by future events.

“AA” – Long-term debt rated “AA” is of superior credit quality. The capacity for the payment of financial obligations is considered high. Credit quality differs from “AAA” only to a small degree. Unlikely to be significantly vulnerable to future events.

“A” – Long-term debt rated “A” is of good credit quality. The capacity for the payment of financial obligations is substantial, but of lesser credit quality than “AA.” May be vulnerable to future events, but qualifying negative factors are considered manageable.

“BBB” – Long-term debt rated “BBB” is of adequate credit quality. The capacity for the payment of financial obligations is considered acceptable. May be vulnerable to future events.

“BB” – Long-term debt rated “BB” is of speculative, non-investment grade credit quality. The capacity for the payment of financial obligations is uncertain. Vulnerable to future events.

“B” – Long-term debt rated “B” is of highly speculative credit quality. There is a high level of uncertainty as to the capacity to meet financial obligations.

“CCC”, “CC” and “C” – Long-term debt rated in any of these categories is of very highly speculative credit quality. In danger of defaulting on financial obligations. There is little difference between these three categories, although “CC” and “C” ratings are normally applied to obligations that are seen as highly likely to default, or subordinated to obligations rated in the “CCC” to “B” range. Obligations in respect of which default has not technically taken place but is considered inevitable may be rated in the “C” category.

“D” – A security rated “D” is assigned when the issuer has filed under any applicable bankruptcy, insolvency or winding up statute or there is a failure to satisfy an obligation after the exhaustion of grace periods, a downgrade to “D” may occur. DBRS may also use “SD” (Selective Default) in cases where only some securities are impacted, such as the case of a “distressed exchange”.

Municipal Note Ratings

An *S&P Global Ratings* U.S. municipal note rating reflects S&P Global Ratings’ opinion about the liquidity factors and market access risks unique to the notes. Notes due in three years or less will likely receive a note rating. Notes with an original maturity of more than three years will most likely receive a long-term debt rating. In determining which type of rating, if any, to assign, S&P Global Ratings’ analysis will review the following considerations:

- Amortization schedule - the larger the final maturity relative to other maturities, the more likely it will be treated as a note; and

- Source of payment - the more dependent the issue is on the market for its refinancing, the more likely it will be treated as a note.

Municipal Short-Term Note rating symbols are as follows:

“SP-1” – A municipal note rated “SP-1” exhibits a strong capacity to pay principal and interest. An issue determined to possess a very strong capacity to pay debt service is given a plus (+) designation.

“SP-2” – A municipal note rated “SP-2” exhibits a satisfactory capacity to pay principal and interest, with some vulnerability to adverse financial and economic changes over the term of the notes.

“SP-3” – A municipal note rated “SP-3” exhibits a speculative capacity to pay principal and interest.

“D” – This rating is assigned upon failure to pay the note when due, completion of a distressed exchange offer, or the filing of a bankruptcy petition or the taking of similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions.

Moody’s uses the Municipal Investment Grade (“MIG”) scale to rate U.S. municipal bond anticipation notes of up to five years maturity. Municipal notes rated on the MIG scale may be secured by either pledged revenues or proceeds of a take-out financing received prior to note maturity. MIG ratings expire at the maturity of the obligation, and the issuer’s long-term rating is only one consideration in assigning the MIG rating. MIG ratings are divided into three levels – “MIG-1” through “MIG-3” while speculative grade short-term obligations are designated “SG”. The following summarizes the ratings used by *Moody’s* for short-term municipal obligations:

“MIG-1” – This designation denotes superior credit quality. Excellent protection is afforded by established cash flows, highly reliable liquidity support, or demonstrated broad-based access to the market for refinancing.

“MIG-2” – This designation denotes strong credit quality. Margins of protection are ample, although not as large as in the preceding group.

“MIG-3” – This designation denotes acceptable credit quality. Liquidity and cash-flow protection may be narrow, and market access for refinancing is likely to be less well-established.

“SG” – This designation denotes speculative-grade credit quality. Debt instruments in this category may lack sufficient margins of protection.

“NR” – Is assigned to an unrated obligation.

In the case of variable rate demand obligations (“VRDOs”), a two-component rating is assigned: a long or short-term debt rating and a demand obligation rating. The first element represents *Moody’s* evaluation of risk associated with scheduled principal and interest payments.

The second element represents Moody's evaluation of risk associated with the ability to receive purchase price upon demand ("demand feature"). The second element uses a rating from a variation of the MIG scale called the Variable Municipal Investment Grade or "VMIG" scale. The rating transitions on the VMIG scale differ from those on the Prime scale to reflect the risk that external liquidity support generally will terminate if the issuer's long-term rating drops below investment grade.

"VMIG-1" – This designation denotes superior credit quality. Excellent protection is afforded by the superior short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

"VMIG-2" – This designation denotes strong credit quality. Good protection is afforded by the strong short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

"VMIG-3" – This designation denotes acceptable credit quality. Adequate protection is afforded by the satisfactory short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

"SG" – This designation denotes speculative-grade credit quality. Demand features rated in this category may be supported by a liquidity provider that does not have an investment grade short-term rating or may lack the structural and/or legal protections necessary to ensure the timely payment of purchase price upon demand.

"NR" – Is assigned to an unrated obligation.

About Credit Ratings

An *S&P Global Ratings* issue credit rating is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program (including ratings on medium-term note programs and commercial paper programs). It takes into consideration the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation and takes into account the currency in which the obligation is denominated. The opinion reflects S&P Global Ratings' view of the obligor's capacity and willingness to meet its financial commitments as they come due, and this opinion may assess terms, such as collateral security and subordination, which could affect ultimate payment in the event of default.

Moody's credit ratings must be construed solely as statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities.

Fitch's credit ratings provide an opinion on the relative ability of an entity to meet financial commitments, such as interest, preferred dividends, repayment of principal, insurance claims or counterparty obligations. Fitch credit ratings are used by investors as indications of the likelihood of receiving the money owed to them in accordance with the terms on which they invested. Fitch's credit ratings cover the global spectrum of corporate, sovereign financial, bank,

insurance, and public finance entities (including supranational and sub-national entities) and the securities or other obligations they issue, as well as structured finance securities backed by receivables or other financial assets.

Credit ratings provided by **DBRS** are forward-looking opinions about credit risk which reflect the creditworthiness of an issuer, rated entity, and/or security. Credit ratings are not statements of fact. While historical statistics and performance can be important considerations, credit ratings are not based solely on such; they include subjective considerations and involve expectations for future performance that cannot be guaranteed. To the extent that future events and economic conditions do not match expectations, credit ratings assigned to issuers and/or securities can change. Credit ratings are also based on approved and applicable methodologies, models and criteria (“Methodologies”), which are periodically updated and when material changes are deemed necessary, this may also lead to rating changes.

Credit ratings typically provide an opinion on the risk that investors may not be repaid in accordance with the terms under which the obligation was issued. In some cases, credit ratings may also include consideration for the relative ranking of claims and recovery, should default occur. Credit ratings are meant to provide opinions on relative measures of risk and are not based on expectations of any specific default probability, nor are they meant to predict such.

The data and information on which DBRS bases its opinions is not audited or verified by DBRS, although DBRS conducts a reasonableness review of information received and relied upon in accordance with its Methodologies and policies.

DBRS uses rating symbols as a concise method of expressing its opinion to the market, but there are a limited number of rating categories for the possible slight risk differentials that exist across the rating spectrum and DBRS does not assert that credit ratings in the same category are of “exactly” the same quality.