

MULTIPLE COLLECTIVE  
INVESTMENT FUNDS TRUST

Opportunistic Investment Allocation Portfolio  
Statement of Characteristics  
September 2025

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## INVESTMENT OBJECTIVE

Beginning on 23 September 2025, the investment objective of the Opportunistic Investment Allocation Portfolio (the "Portfolio") is to seek an orderly and strategic liquidation of the securities and other assets held in the Portfolio to facilitate the Portfolio's termination.

## INVESTMENT GUIDELINES

The Portfolio may be managed to achieve an orderly and strategic liquidation and making cash proceeds from liquidation available for withdrawal by the Participating Trust in the Portfolio on 1 October 2025, or such later date as is consistent with the orderly liquidation of the holdings.

The securities and other assets in the Portfolio will be sold as market conditions reasonably allow. The liquidity of some or all of the assets held in the Portfolio may at times be limited, and the complete liquidation of the Portfolio's assets may take place over an extended period of time.

During the course of the liquidation process, cash and cash equivalents will not be restricted; the Portfolio may be invested in a short-term investment vehicle, may hold concentrated positions in certain securities, and at times may hold a small number of securities. The Portfolio will not be managed relative to any benchmark.

The Portfolio may invest in commingled pool vehicles offered by Wellington Trust Company, NA or its affiliates, as deemed by the portfolio manager to be consistent with the investment discipline, provided that there is no duplication of investment management fees due to such investments. Such investments may accrue operating expenses internal to the Net Asset Value (NAV) of the pool vehicles, such accruals are separate from and in addition to the operating expense cap of the Portfolio. The assets invested in a commingled pool vehicle will be governed by the Statement of Characteristics or other guidelines for that commingled pool, and not by the guidelines stated in this document.

## SIGNIFICANT RISK FACTORS

The Portfolio may face a number of potential investment risks, including, but not limited to the following:

- In pursuit of its objective to exceed the return of a benchmark consisting of 65% MSCI All Country World Index/35% Bloomberg Aggregate Index over the long-term, the Portfolio typically takes significant risk positions away from the benchmark. The level and variability of its returns may differ significantly from those of the benchmark. In general, the Portfolio is likely to provide a variability of return greater than that of the stated benchmark, and there is a risk of negative returns.
- Because the Portfolio may be concentrated (e.g., by sector, region, country, currency, or asset class), the Portfolio may be subject to more dramatic changes in value than would be the case if the Portfolio were required to maintain high levels of diversification.

## VALUATION DATES; CONTRIBUTIONS AND WITHDRAWALS FROM THE PORTFOLIO

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Except as set forth below, admissions and withdrawals from the Portfolio will be permitted as described in Article V of the Amended and Restated Plan and Declaration of Trust (the “Plan and Declaration of Trust”), governing the Wellington Trust Multiple Common Trust Funds Trust (the “Trust”).

The current Valuation Date for the Portfolio is each day that the New York Stock Exchange (NYSE) is open for trading.

Notwithstanding anything to the contrary in the Plan and Declaration of Trust, for purposes of subscriptions to and withdrawals from the Portfolio, the current valuation date is the last business day of each calendar month (each such date, a “Valuation Date for Subscriptions and Withdrawals”). Contributions to and withdrawals from the Portfolio will be permitted as described in Article V of the Plan and Declaration of Trust, except that notice of any contributions or withdrawals must be received by Wellington Trust no later than the twenty second (22nd) calendar day of the month preceding the Valuation Date.

#### USE OF FUTURES AND OPTIONS ON FUTURES

Wellington Trust Company, NA has claimed an exclusion from the definition of the term “commodity pool operator” under the Commodity Exchange Act and, therefore, is not subject to registration or regulation as a pool operator under said Act.

# CIF Opportunistic Investment Portfolio

## DISCLOSURE SUPPLEMENT

This Disclosure Supplement to the Statement of Characteristics (this “Supplement”) includes key information about the CIF Opportunistic Investment Portfolio (the “Portfolio”). The following information, which provides a summary of investment risks associated with the Portfolio, should be read in conjunction with the Amended and Restated Plan and Declaration of Trust, your Investment Agreement and the exhibits thereto, including the foregoing Statement of Characteristics of the Portfolio (collectively, the “Portfolio Documents”). Please also refer to Wellington Trust’s Our Commingled Funds for additional information about Wellington Trust’s commingled funds, including tax considerations, conflicts of interests and general risks associated with an investment in the Portfolio. Terms not otherwise defined in this Supplement have their meaning in the relevant Portfolio Document.

## CERTAIN INVESTMENT RISK FACTORS

A general description of investment risks associated with the Portfolio is set out below. This description does not purport to be a summary of every potential risk associated with the Portfolio. There can be no assurance that the Portfolio’s investment objectives will be achieved, and it is important to remember that an investment in the Portfolio can lose value. The Portfolio is neither insured nor guaranteed by any US government agency, and is not a deposit or other obligation of Wellington Trust. The Portfolio is not subject to the regulatory requirements imposed on mutual funds and neither the Portfolio nor Wellington Trust is registered with the Securities and Exchange Commission (SEC). Instead, Wellington Trust and its commingled funds, including the Portfolio, are regulated by the Office of the Comptroller of the Currency (OCC).

### Leverage Risk

Leverage can be obtained through margin borrowing, securities borrowing, use of derivative instruments such as options, futures, swaps, forward contracts, and similar instruments, reverse-repurchase transactions, and other non-fully funded securities. Leverage increases returns to portfolios if the return earned on the leveraged investments is greater than the cost of such leverage. However, the use of leverage exposes the portfolio to a higher degree of additional risk, including (1) greater losses from investments than would otherwise have been the case had leverage not been used to make the investments; (2) margin calls or interim margin requirements that may force premature liquidations of investment positions; and (3) losses on investments in which the investment fails to earn a return that equals or exceeds the cost of leverage related to such investment. In the event of a sudden, precipitous drop in the value of the leveraged assets, or during periods of impaired market liquidity, an investor might not be able to liquidate assets quickly enough to repay borrowings, further magnifying the losses incurred.

In each case, leverage may be obtained on an unsecured or secured, or an uncollateralized or collateralized, basis. Leverage obtained through borrowing is obtained from the relevant lender and may be

limited if the relevant lender is unwilling or unable to lend. Leverage obtained through the use of derivatives and other non-fully funded instruments is obtained from the relevant counterparty and may be limited if a counterparty is unwilling to accept the terms of a proposed investment.

Wellington Trust funds deliver collateral from time to time to other parties (e.g., counterparties to over-the-counter transactions) under the terms of its agreements with such parties (e.g., ISDA master agreements and other trading agreements), by posting initial margin and on a daily mark-to-market basis. The funds may also deposit collateral as security with a broker. There generally are no restrictions on the use of such collateral by such other parties and brokers except in certain circumstances where there are regulatory or contractual restrictions on the right of reuse of collateral.

Margin borrowing through a prime broker typically will be secured by a portfolio’s securities and other assets. A prime broker may demand an increase in the collateral that secures an investor’s obligations, and if the investor were unable to provide additional collateral the prime broker could liquidate assets held in the account to satisfy any obligations to the prime broker. Liquidation in that manner could have extremely adverse consequences.

### Custody and Prime Brokerage Risk

The Portfolio will appoint a prime broker. There are risks involved in dealing with the custodians or prime brokers who settle Portfolio trades. Under certain circumstances, the securities and other assets deposited with a custodian or broker may not be clearly identified as being assets of the Portfolio and hence the Portfolio could be exposed to counterparty risk with regard to such parties. In addition, there may be practical or time problems associated with enforcing the Portfolio’s rights to its assets in the case of an insolvency of any such party.

Although Wellington Trust Company, NA monitors the prime broker and believes that it is an appropriate custodian, there is no guarantee that the prime broker, or any other custodian that the Portfolio may use from time to time, will not become insolvent. While both the U.S. Bankruptcy Code and the Securities Investor Protection Act of 1970 seek to protect customer property in the event of a failure, insolvency or liquidation of a broker-dealer, there is no certainty that, in the event of a failure of a broker-dealer that has custody of Portfolio assets, the Portfolio would not incur losses due to its assets being unavailable for a period of time, ultimately less than full (or no) recovery of its assets, or both. Such losses could be significant and could materially impair the ability of the Portfolio to achieve its investment objective.

The Portfolio or the prime broker may appoint sub-custodians in certain less regulated jurisdictions to hold the assets of the Portfolio. The Portfolio’s prime broker may not be responsible for cash or assets which are held by sub-custodians in certain non-U.S. jurisdictions,

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nor for any losses suffered by the Portfolio as a result of the bankruptcy or insolvency of any such subcustodian. The Portfolio may therefore have a potential exposure on the default of any subcustodian and, as a result, many of the protections which would normally be provided to a Portfolio by a custodian will not be available to the Portfolio. Custody services in certain non-U.S. jurisdictions remain undeveloped and, accordingly, there is a transaction and custody risk of dealing in certain non-U.S. jurisdictions. Given the undeveloped state of regulations on custodial activities and bankruptcy in certain non-U.S. jurisdictions, the ability of the Portfolio to recover assets held by a sub-custodian in the event of the sub-custodian's bankruptcy would be in doubt.

#### **Repurchase and Reverse-Repurchase Transaction Risks**

A repurchase transaction is an investment in which an investor agrees to buy securities for cash and the seller agrees to repurchase the same securities for cash (usually at a higher price) at a later date. A reverse-repurchase transaction is an investment in which an investor sells securities for cash and, at the same time, agrees to repurchase the same securities from the buyer for cash (usually at a higher price) at a later date.

Both repurchase and reverse-repurchase transactions involve counterparty risk. A reverse-repurchase transaction also involves the risk that the market value of the securities the investor is obligated to repurchase may decline below the repurchase price.

#### **Short-Sale Risks**

A short sale involves selling securities not currently owned (i.e., selling borrowed securities) and exposes the investor to the risk of an increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There is the risk that the securities borrowed in connection with a short sale might be recalled by the securities lender on short notice. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a "short squeeze" can occur, and the investor may be compelled to replace borrowed securities previously sold short with purchases at prices significantly in excess of the proceeds received when originally selling the securities short. In addition, the financing fee charged on borrowed securities is subject to market conditions, and may change during the term of the loan, and may result in a high cost to borrow certain securities at times.

At times, regulatory authorities in some regions of the world may introduce limits or prohibitions on short selling. Such restrictions may prevent a commingled fund from expressing negative views on issuers or instruments covered by such restrictions.

#### **Basis Risk**

Certain investment strategies may constitute the combination of two or more different financial instruments in order to obtain an intended investment exposure, or to hedge an investment exposure. While these instruments are expected to have complementary and/or offsetting exposures, they create additional risk of loss (or increased losses) where they do not perform as expected. These strategies are often comprised of one or more derivative instruments, and hence will bear the typical risks of investing in derivatives including but not limited to counterparty, liquidity, leverage, and volatility risks.

#### **Liquidity Risk**

Liquidity is an indicator of how easily an investment may be converted into cash. An investment may be less liquid if it is unlisted,

privately placed, not widely traded, and/or if there are restrictions on the exchange where the trading takes place. Broader market conditions, including the availability and willingness of market participants or counterparties to transact in a particular investment, also may restrict an investment's liquidity. The valuation of less liquid securities may be subject to a significant amount of subjectivity and discretion. As a result, investments with low liquidity can undergo significant changes in market value, and there is no guarantee that these securities can be sold at fair value. The sale of any thinly traded or illiquid investments may be possible only at substantial discounts, or may not be possible at all. A participant that receives such an investment in-kind upon withdrawal may not be able to dispose of the investment. Liquidity is subject to change in varying market environments and could be significantly impaired in extreme market environments.

#### **Manager Risk**

Investment performance depends on the portfolio management team and the team's investment strategies. If the investment strategies do not perform as expected, if opportunities to implement those strategies do not arise, or if the team does not implement its investment strategies successfully, an investment portfolio may underperform or suffer significant losses. There is no assurance that a manager's investment strategies will be successful, or that previously successful strategies will continue to be successful in the future.

#### **Concentration Risk**

Concentration of investments in a relatively small number of securities, sectors, industries, or geographical regions may significantly affect performance. As a result of reduced diversification, poor performance among that group of securities, sectors, industries, or regions may lead to underperformance. In addition, the higher level of exposure to that grouping may result in higher volatility.

#### **Issuer-Specific Risk**

A security issued by a particular issuer may be impacted by factors that are unique to that issuer and thus may cause that security's return to differ from that of the market. As a result, investments affected by such factors may result in underperformance. This risk will be greater if an account concentrates its investments.

#### **Risks of Investment in Other Funds or Pooled Vehicles**

Participants in a fund that has invested in another fund or pooled vehicle will be subject to the same risks, in direct proportion to the amount of assets the investing fund has invested in such other fund or pooled vehicle. Investments in other funds or pooled vehicles are managed in accordance with those funds' investment objectives and strategies and are subject to those funds' valuation, withdrawal, and other policies. In addition, investments in other funds or pooled vehicles generally will indirectly incur a portion of those funds operating expenses.

#### **Risk of Investment in Short-Term Investment Funds**

While Wellington Trust's short-term investment funds (STIFs) generally seek to maintain a stable NAV per unit of \$1.00, they are not insured or guaranteed by the FDIC or any other government agency and can lose value. STIFs are subject to interest rate risk, credit risk, counterparty risk, and liquidity risk. During periods of reduced market liquidity, prices at which securities can be sold may differ materially from the prices used in determining the STIF's NAV. If a STIF's assets decline in market value, its unit price may

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drop below \$1.00. To the extent a commingled fund invests in a STIF, the fund's participants will be indirectly exposed to these risks.

### **Non-US Investment Risks**

Securities of non-US governments and companies that are generally denominated in non-US currencies present risks not typically associated with securities of the US government or US companies. While these risks vary widely across countries and markets, they include social, political, and economic uncertainty; the potential for changes in currency exchange rates and exchange control regulations; imposition of non-US taxes; less-liquid markets and less available information than is generally the case in the US; higher transaction costs; less government supervision of exchanges, brokers, and issuers; greater risks associated with counterparties and settlement; difficulty in enforcing contractual obligations; lack of uniform accounting and auditing standards; and greater price volatility.

FASB Accounting Standards Codification Topic 740 (ASC 740), which provides guidance on the recognition of uncertain tax positions, prescribes a minimum recognition threshold that a tax position must meet before being recognized in an entity's financial statements. The application of ASC 740 to non-US investments could result in a commingled fund accruing a potential tax liability even when it is unclear whether the fund will actually be required to pay the tax. It is possible that a fund would need to make such an accrual, which would in turn reduce the fund's NAV and negatively impact the value of a participating client's investment in the fund at the time of the accrual, to reflect reserves that may be payable for periods prior to the participant's investment. Also, changes in tax law (or in Wellington Trust's interpretation of tax law) may, from time to time, result in an adjustment to provisions for potential taxes, which could adversely affect certain participants depending on the timing of their withdrawals or contributions.

### **Emerging Markets Risks**

Investing in securities of issuers based in countries with developing (emerging market) economies may carry risks that are different from, or greater than, risks of investing in securities of the US or other developed countries. These risks include smaller market capitalization of securities markets; increased risk of illiquidity; significant price volatility; restrictions on foreign investment that require the use of access products to gain exposure and/or reduce the available investment opportunity set; restrictions on repatriation of investment capital and income; more substantial government involvement in the economy; and increased social, economic, and political uncertainty and instability, which could lead to price controls, forced mergers, confiscatory taxation, expropriation or seizure of assets, or the creation of government monopolies. The currencies of emerging market countries may experience significant declines against the US dollar and other currencies, and devaluation may occur subsequent to investment in these currencies. Currency hedging techniques may not be available with respect to emerging market currencies. Restrictions, risks, and impracticalities in non-US markets may cause Wellington Trust and Wellington Management to rely on third parties with respect to currency transactions (including income repatriation), and may increase the cost of currency transactions. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies, currencies, and securities markets of certain emerging market countries.

Additional risks of emerging market investments may include companies that are newly organized, small, and lack long operating

or reporting histories, and which may have limited access to capital; differences in auditing and financial reporting standards, which may result in unavailability of material information about issuers; inexperience of financial intermediaries; lack of modern technology; and less-developed legal and regulatory systems governing exchanges, brokers, and issuers. In addition, emerging securities markets may have different clearance and settlement procedures, which may be unable to keep pace with the volume of securities transactions or otherwise make it difficult to engage in such transactions. Settlement problems may cause an investor to miss attractive investment opportunities, hold a portion of its assets in cash pending investment, or be delayed in disposing of a portfolio security.

### **Currency Risk**

Investments in currencies, currency futures contracts, forward currency exchange contracts, or similar instruments, as well as in securities that are denominated in foreign currency, are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. A change in exchange rates between currencies or the conversion from one currency to another may cause the value of investments to decline. Currency exchange rates may fluctuate widely over short periods of time. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, and long-term opportunities for investment and capital appreciation. Currency exchange rates can be affected unpredictably by government or central bank intervention (or lack thereof), or by currency controls or political developments. These risks are generally greater with respect to the currencies of emerging market countries. A portfolio manager may try to hedge these risks, but there can be no assurance that such strategies will be implemented or, if implemented, will be effective.

### **Asset Allocation Risk**

If a fund's strategy for allocating assets among different asset classes and/or portfolio management teams does not work as intended, the fund may not achieve its objective or may underperform other funds with similar investment strategies. The investment styles employed across portfolio managers may not be complementary, which could adversely affect the performance of a fund.

### **Model and Data Risk**

Portfolio managers may use recommendations generated by proprietary quantitative analytical models in the management of the fund's investment strategy. When executing an investment strategy using various proprietary quantitative or investment models, securities or other financial instruments selected can perform differently than expected, or from the market as a whole, as a result of a model's component factors, the weight placed on each factor, changes from the factors' historical trends, and technical issues in the construction, implementation and maintenance of the models (e.g., data problems, software issues, etc.)

Quantitative modelling is a very complex process involving numerous data points and settings encoded in computer software, and Wellington Management review these codes and the various components to the models with a view to ensuring that they are appropriately adapted and calibrated to reflect Wellington Management's views as to the potential implications of evolving external events and factors, including constantly changing economic, financial market and other conditions. This process involves the exercise of judgments and a number of inherent uncertainties.



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Wellington Management's views, including those related to the optimal configuration, calibration and adaptation of the models, may change over time depending on evolving circumstances, on information that becomes available to Wellington Management and its affiliates and on other factors. Although Wellington Management attempts to ensure that the models are appropriately developed, operated and implemented on a continuing basis, sub-optimal calibrations of the models and similar issues may arise from time to time, and neither Wellington Management cannot guarantee that the models are in an optimal state of calibration and configuration at all times. Further, inadvertent human errors, trading errors, software development and implementation errors, and other types of errors are an inherent risk in complex quantitative investment management processes of the type Wellington Management employs. Although Wellington Management's policy is to promptly address any such errors when identified, there can be no guarantee that the overall investment process will be without error or that it will produce the desired results.

### **Equity Market Risks**

Equity markets are subject to many factors, including economic conditions, government regulations, market sentiment, local and international political events, and environmental and technological issues. Equity security prices may decline as a result of adverse changes in these factors, and there is no assurance that a portfolio manager will be able to predict these changes. Some equity markets, such as certain emerging markets, are more volatile than others and may present higher risks of loss.

### **Exchange Traded Funds**

The Portfolio may make investments in the securities of exchange-traded funds (ETFs) in different asset classes and sectors. ETF securities represent interests in (i) fixed portfolios of common stocks designed to track the price and dividend yield performance of broad-based securities indices (such as the S&P 500 or NASDAQ 100) or (ii) "baskets" of industry-specific securities. ETF securities are traded on an exchange like shares of common stock, and the value of ETF securities fluctuates in relation to changes in the value of the underlying portfolio of securities. However, the market price of ETF securities may not be equivalent to the pro rata value of the underlying portfolio of securities. ETF securities are subject to the risks of an investment in a broad-based portfolio of common stocks or to the risks of a concentrated, industry-specific investment in common stocks. Furthermore, certain ETFs in which the Portfolio may invest may leverage their assets, thereby significantly increasing the potential volatility of such ETFs. ETF securities are typically considered investments in registered investment companies.

### **Real Estate Securities Risks**

Risks associated with investing in the securities of companies principally engaged in the real estate industry, such as Real Estate Investment Trust (REIT) securities, include the cyclical nature of real estate values; risk related to general and local economic conditions; overbuilding and increased competition; increases in property taxes and operating expenses; demographic trends and variations in rental income; changes in zoning laws; casualty or condemnation losses; environmental risks; regulatory limitations on rents; changes in neighborhood values; related party risks; changes in the appeal of properties to tenants; and increases in interest rates and other real estate capital market influences. Generally, increases in interest rates will increase the costs of obtaining financing, which could directly and indirectly decrease the value of the REIT security.

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### **Smaller-Capitalization Stock Risks**

Smaller-capitalization stocks represent investments in smaller, and potentially earlier stage companies and can involve greater risks than the securities of larger companies. The share prices of small- and mid-cap companies may exhibit greater volatility than the share prices of larger-cap companies. In addition, shares of small- and mid-cap companies are often less liquid than those of larger-cap companies. The management teams of smaller companies are frequently less seasoned than those of larger companies, and smaller companies may not have significant institutional ownership.

### **Fixed Income Securities Market Risks**

Fixed income securities markets are subject to many factors, including economic conditions, government regulations, market sentiment, and local and international political events. In addition, the market value of fixed income securities will fluctuate in response to changes in interest rates, currency values, and the creditworthiness of the issuer. There is no assurance that a portfolio manager will be able to predict these changes. Some fixed income securities, such as emerging market debt instruments and below-investment-grade securities, are more volatile than others and may present higher risks of loss.

### **Credit Risk**

The value of a fixed income security may decline, or the issuer or guarantor of that security may fail to pay interest or principal when due, as a result of adverse changes to the issuer's or guarantor's financial status and/or business. Some fixed income securities may not be protected by sufficient collateral, financial covenants, or limitations on additional indebtedness, therefore increasing the credit risks associated with those investments. Credit risk also increases when a fixed income security is downgraded by a credit rating agency, or the perceived creditworthiness of the issuer or guarantor deteriorates. In general, lower-rated securities carry a greater degree of credit risk than higher-rated securities. However, credit ratings are only the opinions of the agencies issuing them and are not absolute guarantees of the quality of the securities.

### **Interest Rate Risk**

Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. The risk that changes in interest rates will adversely affect investments will be greater for longer-term fixed income securities than for shorter-term fixed income securities.

### **Mortgage-backed and Asset-backed Securities**

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The Portfolio may invest in mortgage-backed and asset-backed securities. A mortgage-backed security is a general obligation of the issuer, which generally is secured by mortgages or mortgage-backed collateral. Mortgage-backed securities may include securities issued or guaranteed by U.S. government agencies or instrumentalities or issued by private entities such as banks, savings and loans, mortgage bankers and other nongovernmental issuers. Mortgage-backed securities may directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans secured by real property. Mortgage-backed securities include mortgage pass-through certificates representing participation interests in pools of mortgage loans originated by the U.S. government or by private lenders and guaranteed directly or indirectly by U.S. government agencies or by private lenders without government guarantees. The underlying collateral may include whole mortgage loans or pass-through certificates secured by mortgage loans.

The yield and payment characteristics of mortgage-backed securities differ from traditional debt securities. Interest and principal payments are made more frequently, usually monthly, over the life of the mortgage loans and principal may be prepaid at any time because the underlying mortgage loans generally may be prepaid at any time. Faster or slower prepayments than expected on underlying mortgage loans can dramatically alter the yield to maturity of a mortgage-backed security. The value of most mortgage-backed securities, like traditional debt securities, tends to vary inversely with changes in interest rates (i.e., as interest rates increase, the value of such securities decrease). Mortgage-backed securities, however, may benefit less than traditional debt securities from declining interest rates because prepayment of mortgages tends to accelerate during periods of declining interest rates. Prepayments shorten the life of the security and shorten the time over which the Portfolio would receive income at the higher rate. Alternatively, during periods of rising interest rates, mortgage-backed securities are often more susceptible to extension risk (i.e., rising interest rates could cause property owners to prepay their mortgages more slowly than expected when the security was purchased by the Portfolio which may further reduce the market value of such security and lengthen the duration of the security) than traditional debt securities.

Asset-backed securities have structural characteristics similar to mortgage-backed securities, but have underlying assets such as automobile and credit card receivables and home equity loans. Asset-backed securities generally do not have the benefit of a security interest in such collateral like mortgage-backed securities. Although the assets underlying asset-backed securities generally are of a shorter duration than mortgage loans and historically have been less likely to experience substantial prepayments, no assurance can be given as to the actual duration of an asset-backed security because prepayments of principal may be made at any time.

#### **Below-Investment-Grade Securities Risks**

Debt obligations rated below investment grade (below Baa3 by Moody's and BBB- by Standard & Poor's), or unrated securities of comparable quality, also known as "junk bonds" or high yield bonds, are considered by credit-rating agencies to be speculative and to carry a high level of risk. Lower-rated securities have a significantly greater risk of default in payments of interest and/or principal than the risk of default for investment-grade securities. Issuers of lower-rated securities present a higher risk of bankruptcy or reorganization than issuers of investment-grade securities, or may have recently been in bankruptcy or reorganization proceedings. These issuers may be particularly susceptible to economic downturns.

The secondary market for lower-rated securities is typically much less liquid than the market for investment-grade securities, frequently with significantly more-volatile prices and larger spreads between bid and ask price in trading. The market price of lower-rated securities will be affected by the bond market's perception of credit quality and the effect of stronger or weaker economic growth as well as political developments. The market price of lower-rated securities will also be affected by general changes in interest rates (decreasing as rates rise and increasing as rates fall) that affect the market price of all fixed income securities, although lower-rated securities may be less sensitive to interest rate changes than are investment-grade securities. In addition to credit-risk and liquidity-risk concerns, the market price of lower-rated securities in particular may be adversely affected by legislative or regulatory developments, such as changes in rules regarding taxation, corporate reorganizations, or divestiture.

#### **Bank Loan Risks**

Bank loans, which may bear fixed or floating rates, have generally been arranged through private negotiations between a corporate borrower and one or more lenders, including banks. A loan is often administered by a bank or other financial institution that acts as agent for all holders. An investor generally has no direct recourse against a borrower and must instead rely on the agent to apply appropriate remedies.

An investment in bank loans may be in the form of participations in loans or of assignments of all or a portion of loans from third parties. Participations and assignments involve additional risks, including the risk of nonpayment of principal and interest by the borrower, the risk that any loan collateral may become impaired, and that the investor may obtain less than the full value for the loan interests sold because they may be illiquid.

Participation gives the holder the right to receive payments of principal, interest, and any fees to which it is entitled only from the lender selling the participation and only upon receipt by the lender of the payments from the borrower. In connection with purchasing participations, an investor generally will have no right to enforce compliance by the borrower with the terms of the loan agreement relating to the loan, and the investor may not benefit directly from any collateral supporting the loan in which it has purchased the participation. Thus, the investor assumes the credit risk of both the borrower and the lender that is selling the participation. In addition, an investor generally will have no role in terms of negotiating or effecting amendments, waivers, and consents with respect to the loans underlying the participations. In the event of the insolvency of the lender, the investor may be treated as a general creditor of the lender and may not benefit from any set-off between the lender and the borrower.

The rights and obligations acquired through the purchase of an assignment may differ from, and be more limited than, those held by the selling institution. Assignments are sold strictly without recourse to the selling institutions, and the selling institutions will generally make no representations or warranties to the purchaser about the underlying loan, the borrowers, the documentation of the loans, or any collateral securing the loans. Investments in loans through direct assignment may involve additional risks. For example, if a loan is foreclosed, the investor could become part owner of any collateral, and would bear the costs and liabilities associated with owning and

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disposing of the collateral. In addition, it is conceivable that under emerging legal theories of lender liability, the investor could be held liable as a co-lender.

Interests in loans are also subject to additional liquidity risks. Loans are generally subject to legal or contractual restrictions on resale. Loans are not currently listed on any securities exchange or automatic quotation system, but are traded by banks and other institutional investors engaged in loan syndication. As a result, no active market may exist for some loans, and to the extent a secondary market exists for other loans, that market may be subject to irregular trading activity, wide bid/ask spreads, and extended trade settlement periods. These factors may also make it more difficult to value assignments or participations.

#### **Convertible Securities Risks**

Convertible securities are hybrid securities that combine investment characteristics of bonds and common stocks, and may be exchanged or converted into a predetermined number of the issuer's underlying shares, the shares of another company, or shares that are indexed to a market index at the option of the holder during a specified time period. Although to a lesser extent than with fixed income securities generally, the market value of convertible securities tends to decline as interest rates rise. Because of the conversion feature, the market value of convertible securities also tends to vary with fluctuations in the market value of the underlying shares and thus is subject to equity market risk as well.

#### **Commodities Risks**

Commodities may be more volatile than traditional equity or fixed income securities. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity-index volatility, interest rate changes, or events affecting a particular commodity or industry, such as supply/demand dynamics, political instability or conflict, international economic and regulatory developments, embargoes and tariffs, droughts, floods, and other events. Instruments typically used to invest in commodities include forward contracts, futures contracts, options, and swap agreements, and hence will bear the typical risks of investing in derivatives including but not limited to counterparty, liquidity, leverage, and volatility risks.

#### **Derivative Instruments Risks**

Derivatives instruments, such as options, futures, forward contracts, swaps, and credit-linked instruments, may be utilized for a variety of reasons, including to enhance return, to hedge certain investment risks, or to provide a substitute for purchasing or selling particular securities or other assets. The value of a derivative instrument depends, at least in part, on the performance of an underlying asset, index, interest rate, or instrument.

Derivatives can be volatile and involve various degrees of risk, depending upon the characteristics of the particular derivative and the portfolio as a whole. Derivative instruments do not always perfectly or even highly correlate with or track the value of the asset, index, interest rate, or instrument that they are designed to track. The value of derivative instruments may be affected by changes in overall market movements, the business or financial condition of specific companies, index volatility, changes in interest rates, or factors affecting a particular industry or region, such as embargoes, tariffs, and economic, political, and regulatory developments.

Other relevant risks include the possible default of the counterparty to the transaction and the potential liquidity risk with respect to particular derivative instruments. Moreover, because many derivative instruments provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can result not only in the loss of the entire investment, but may also expose a portfolio to the possibility of a loss exceeding the original amount invested.

Derivatives may be purchased on established exchanges or through privately negotiated transactions. Derivatives purchased by the latter method are referred to as over-the-counter derivatives. Exchange-traded derivatives generally are guaranteed by the clearing agency that is the issuer or counterparty to such derivatives. This guarantee is usually supported by a daily payment system (i.e., margin requirements) operated by the clearing agency in order to reduce overall credit risk. As a result, unless the clearing agency defaults, there is relatively little counterparty credit risk associated with derivatives purchased on an exchange. By contrast, no clearing agency guarantees over-the-counter derivatives. Therefore, each party to an over-the-counter derivative bears the risk that the counterparty will default. Over-the-counter derivatives may also be less liquid than exchange-traded derivatives since the other party to the transaction may be the only investor with sufficient understanding of the derivative to be interested in bidding for it.

There has been an international effort to increase the stability of the over-the-counter derivatives market in response to the 2008 financial crisis. In the US, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") includes provisions that comprehensively regulate the over-the-counter derivatives markets. In Europe, the European Parliament has adopted a regulation on over-the-counter derivatives, central counterparties, and trade repositories (known as the European Markets and Infrastructure Regulation (EMIR)), which also comprehensively regulates the over-the-counter derivatives markets. These regulations, which are partially finalized and in effect, impose compliance costs on market participants (including the commingled funds), and they also increase the dealers' costs, which are expected to be passed through to other market participants in the form of higher fees and less-favorable dealer marks. These regulations may also render certain strategies the commingled funds might otherwise use impossible or so costly that they will no longer be economical to implement. The overall impact of these regulations on the commingled funds is highly uncertain and it is unclear how the over-the-counter derivatives markets will adapt to this new regulatory regime.

#### **Counterparty Risk**

Investments in over-the-counter derivatives, such as options, swaps, forwards, and access products, may subject an investor to credit risk with regard to the counterparties with whom it trades, as well as the risk of settlement default. These risks may differ materially from those presented by exchange-traded transactions, which generally are backed by clearing organization guarantees, daily mark-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections and expose the parties to the risk that the counterparty will default. A default could result in losses due to the delay of settlement of a transaction, loss of market gains, fees and expenses incurred in enforcing an investor's rights, or, in certain circumstances, loss of a portion or the full amount of the notional value of the transaction.



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## Access Products

Derivative securities issued by a financial institution or special-purpose entity, such as equity-linked notes or zero-strike options or warrants, the performance of which depends on the performance of a corresponding foreign security or index, often referred to as access products, may be used in lieu of direct investments in those securities or markets. Upon redemption or maturity, the principal amount or redemption amount is payable based on the price level of the linked security or index at the time of redemption or maturity. Access products are generally subject to the same risks as direct holdings of non-US securities, including currency risk. Moreover, these derivative instruments are also subject to counterparty risk and can result in higher transaction costs than direct investments. As such, the use of access products can negatively impact portfolio performance. Because the full notional value of the exposure is often provided to the issuer of the access product at the time of purchase, counterparty exposure can be significant. An investor may also have difficulty redeeming an access product for a variety of reasons, including because of applicable restrictions on such redemptions, few (or lack of any) counterparties available to trade the instruments, or because such instruments are either thinly-traded or have no market.

## Credit Derivatives

Credit derivatives, which include credit default swaps, credit-linked notes, and similar instruments, are instruments that transfer price, spread, and/or default risks of debt and other instruments from one party to another. Such instruments may transfer the credit risks of one or more debtors. Payments under credit derivatives are generally triggered by credit events such as bankruptcy, default, restructuring, failure to pay, or acceleration.

The “buyer” in a credit default swap agreement is obligated to pay the “seller” a stream of payments over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying reference obligation. If a credit event occurs, the seller typically must pay the contingent payment to the buyer, which is typically the “par value” (full notional amount) of the reference obligation. Settlement may occur on a cash basis or by physical delivery of the reference obligation in return for payment of the notional amount of the obligation. If an investor is a buyer and no credit event occurs, it may lose its investment and recover nothing. However, if a credit event occurs, the buyer typically receives full notional value for a reference obligation that may have little or no value. As a seller, an investor receives a fixed rate of income throughout the term of the contract, which typically is between one month and several years, provided that no credit event occurs. If a credit event occurs, the seller must pay the buyer the full notional value of the reference obligation.

A credit-linked note is a derivative instrument that is created by embedding a credit default swap agreement in a funded asset to form an investment that has credit risk and cash flow characteristics resembling a bond or a loan.

The market for credit derivatives may be illiquid, and there are considerable risks that it may be difficult to either buy or sell the instruments as needed or at reasonable prices. Sellers of credit derivatives carry the inherent price, spread, and default risks of the debt instruments covered by the derivative instruments. Buyers of credit derivatives carry the counterparty risk of nonperformance by

the seller. There are also risks with respect to credit derivatives in determining whether an event will trigger payment under the derivative and whether such payment will offset the loss or payment due under another instrument.

The value of a credit derivative instrument depends largely on price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to trading derivatives related to such asset.

## Forward Trading

Forward contracts and options thereon are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements, and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies, commodities, or other assets they trade, and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies, commodities, or other assets or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Market illiquidity or disruption could result in significant losses.

## Futures Contracts

The low margin or premiums normally required by futures contracts may provide a large amount of market exposure, and thus a relatively small change in the price of a security can produce disproportionately large profits or losses.

Futures positions (including financial futures) may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day. These regulatory limits could prevent an investor from promptly liquidating positions and thus subject an investment to substantial losses. In addition, an investor may not be able to execute futures contract trades at favorable prices if little trading in the contracts involved is taking place. It also is possible that an exchange or the US Commodity Futures Trading Commission (CFTC) may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only.

Under the Commodity Exchange Act, as amended, a futures commission merchant (FCM) is required to segregate all funds received from customers from its proprietary assets. If the FCM fails to do so, an investor’s assets might not be fully protected in the event of the FCM’s bankruptcy. Furthermore, in the event of the FCM’s bankruptcy, the investor could be limited to recovering either a pro-rata share of all available funds segregated on behalf of the FCM’s combined customer accounts, or may not recover any assets at all, even though certain property specifically traceable to the investor was held by the FCM. In the event of a bankruptcy or insolvency of any exchange or clearinghouse, an investor could experience a loss of the funds deposited through the FCM as margin with the exchange or clearinghouse, a loss of any profits on its open positions on the exchange, and the loss of unrealized profits on its closed positions on the exchange.

## Options

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The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, basket of securities, commodity, or other instrument for a specific price at a certain time or during a certain period. Purchasing an option involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses the premium paid. However, the seller of an option takes on the potentially greater risk of the actual price movement in the underlying instrument, which could result in a potentially unlimited loss rather than only the loss of the premium payment received. Over-the-counter options also involve counterparty risk.

may increase the costs of entering into certain transactions. Key provisions of the Dodd-Frank Act require rulemaking by the SEC and the CFTC; much but not all of the provisions have been finalized as of the date of this document, and further changes in this regulatory environment should be expected.

### **Digital Asset Risk**

The portfolio may invest in exchange-traded funds and other investment vehicles that in turn invest substantially all of their assets in digital currencies. The value of cryptocurrencies is not backed by any government, corporation, or other identified body. The further development of the cryptocurrency network, which is part of a new and rapidly changing industry, is subject to a variety of factors that are difficult to evaluate. Volatility in the price of digital assets could adversely impact the value and liquidity of these investments. The price of digital assets could decline significantly as a result of a range of factors, including a decrease in demand for a particular digital asset, increased competition from other digital currencies and/or payment industry incumbents, cyberattacks on or other risks to the any one or more digital asset network and/or trading platforms, lack of agreement regarding future changes to blockchain or other proprietary protocols, as well as new regulation impacting digital assets, networks or trading platforms.

### **Swap Agreements**

In a standard “swap” transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments. The gross returns to be exchanged or “swapped” between the parties are calculated with respect to a notional amount (i.e., the return on or increase in value of a particular dollar amount invested at a particular interest rate, in a particular currency or security, or in a “basket” of securities representing a particular index). The notional amount of the swap agreement typically serves only as a basis on which to calculate the obligations that the parties agree to exchange, but in certain cases the full notional amount may also be exchanged at the initiation and termination of a swap agreement. Most swap agreements calculate the obligations of the parties on a net basis. Consequently, an investor’s obligations (or rights) under a swap agreement will generally be equal only to the net amount to be paid or received under the agreement based on the relative values of the positions held by each party to the agreement.

Whether the use of swap agreements, if any, will be successful in furthering the investment objective of a portfolio will depend on the portfolio manager’s ability to correctly predict whether certain types of investments are likely to produce greater returns than other investments. An investor bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap counterparty.

As noted above under “Derivative Instruments in General,” the Dodd-Frank Act includes provisions that require increased regulation of derivatives markets. The Dodd-Frank Act has introduced mandatory execution and clearing of certain swaps, as well as recordkeeping and reporting requirements. This increased regulation