Statement of Additional Information Dated November 1, 2020

BARINGS FUNDS TRUST

BARINGS GLOBAL FLOATING RATE FUND
Class/Ticker: A/BXFAX, C/BXFCX, I/BXFIX, Y/BXFYX

BARINGS GLOBAL CREDIT INCOME OPPORTUNITIES FUND
Class/Ticker: A/BXIAX, C/BXICX, I/BXITX, Y/BXIYX

BARINGS U.S. HIGH YIELD FUND
Class/Ticker: A/BXHAX, C/BXHCX, I/BXHIX, Y/BXHYX

BARINGS ACTIVE SHORT DURATION BOND FUND
Class/Ticker: A/BXDAX, C/BXDCX, I/BXDIX, L/BXDLX, Y/BXDYX

BARINGS DIVERSIFIED INCOME FUND
Class/Ticker: A/BXTAX, C/BXTCX, I/BXTIX, Y/BXTYX

BARINGS EMERGING MARKETS DEBT BLENDED TOTAL RETURN FUND
Class/Ticker: A/BXEAX, C/BXECX, I/BXEIX, Y/BXEYX

BARINGS GLOBAL EMERGING MARKETS EQUITY FUND
Class/Ticker: A/BXQAX, C/BXQCX, I/BXQIX, Y/BXQYX

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This Statement of Additional Information ("SAI") is not a prospectus but provides additional information that should be read in conjunction with the Barings Global Floating Rate Fund ("Global Floating Rate Fund"), Barings Global Credit Income Opportunities Fund ("Global Credit Income Opportunities Fund"), Barings U.S. High Yield Fund ("U.S. High Yield Fund"), Barings Active Short Duration Bond Fund ("Active Short Duration Bond Fund"), Barings Diversified Income Fund ("Diversified Income Fund"), Barings Emerging Markets Debt Blended Total Return Fund ("Emerging Markets Debt Blended Total Return Fund") and Barings Global Emerging Markets Equity Fund ("Global Emerging Markets Equity Fund"), (each a "Fund" and together the "Funds") Prospectuses, dated November 1, 2020, and any supplements thereto. The Funds' financial statements are incorporated into this SAI by reference to the Funds' most recent Annual Report to shareholders. Copies of the Funds' Prospectuses and Annual Report, for each of Global Floating Rate Fund, Global Credit Income Opportunities Fund, U.S. High Yield Fund, Active Short Duration Bond Fund, Diversified Income Fund, Emerging Markets Debt Blended Total Return Fund, and Global Emerging Markets Equity Fund are available upon request, by calling the Funds at 1-855-439-5459, visiting the Funds' website (http://www.barings.com/funds/mutual-funds) or writing to the Funds, at Barings Funds Trust, c/o ALPS Fund Services, Inc., Transfer Agent, P.O. Box 1920, Denver, CO 80201. Capitalized terms used in this SAI and not otherwise defined have the meanings given them in the Funds' Prospectuses.

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THE FUNDS

Each of Emerging Markets Debt Blended Total Return Fund and Global Emerging Markets Equity Fund is a non-diversified series and each of Global Floating Rate Fund, Global Credit Income Opportunities Fund, U.S. High Yield Fund, Active Short Duration Bond Fund and Diversified Income Fund is a diversified series of Barings Funds Trust (the "Trust"), an open-end management investment company organized as a Massachusetts business trust on May 3, 2013. Global Floating Rate Fund and Global Credit Income Opportunities Fund commenced operations on September 16, 2013. Active Short Duration Bond Fund and Diversified Income Fund commenced operations on July 8, 2015. Emerging Markets Debt Blended Total Return Fund commenced operations on October 21, 2015. U.S. High Yield Fund commenced operations on October 30, 2015. Global Emerging Markets Equity Fund commenced operations on September 18, 2018. Each Fund offers four classes of shares: Class A, Class C, Class I and Class Y and Active Short Duration fund offers five classes of shares: Class A, Class C, Class I, Class L and Class Y.

Barings LLC ("Barings" or the "Manager") acts as investment manager to each of the Funds. Baring International Investment Limited ("BIIL" or the "Sub-Adviser"), an indirect, wholly-owned subsidiary of Barings, serves as a sub-adviser with respect to the day-to-day management of Global Emerging Markets Equity Fund and the European investments of the Global Floating Rate Fund, Global Credit Income Opportunities Fund and Emerging Markets Debt Blended Total Return Fund.

DESCRIPTION OF PRINCIPAL INVESTMENT STRATEGIES AND RISKS

Global Floating Rate Fund seeks a high level of current income. Preservation of capital is a secondary goal. Under normal market conditions, the Fund invests at least 80% of its net assets (including the amount of any borrowings for investment purposes) in income-producing floating rate debt securities, consisting of floating rate loans, bonds and notes, issued primarily by North American and Western European companies. For this purpose, debt instruments issued by issuers based in the Channel Islands, Cayman Islands and Bermuda are considered North American and Western European companies. Such instruments are primarily, at the time of purchase, rated below investment grade (commonly referred to as "junk bonds") by at least one credit rating agency (below Baa3 by Moody's Investors Services, Inc. ("Moody's") or below BBB- by either Standard & Poor's Rating Services, a division of the McGraw-Hill Company, Inc. ("S&P") or Fitch, Inc. ("Fitch")) or unrated but determined by Barings (the "Manager") or BIIL (the "Sub-Adviser") to be of comparable quality. The Fund may invest in a wide range of income-producing floating rate loans, bonds and notes of issuers based in U.S. and non-U.S. markets, but invests primarily in senior secured loans of North American and Western European corporate issuers that are of below investment grade quality. Under normal market conditions, the Fund allocates its assets among various regions and countries (but in no less than three different countries) and invests at least 40% of its net assets in securities of non-U.S. issuers (or, if less, at least the percentage of net assets that is 10 percentage points less than the percentage of the Fund's benchmark, which is the market weighted average of the Credit Suisse Leveraged Loan Index and the Credit Suisse Western European Leveraged Loan Index, represented by non-U.S. issuers, as determined by the provider of the benchmark). A significant portion of the Fund's investments in floating rate debt securities is denominated in a currency other than the U.S. dollar. Although the Fund's investments in non-U.S. dollar denominated assets may be on a currency hedged or unhedged basis, under normal market conditions, the Fund seeks to hedge substantially all of its exposure to foreign currencies.

Global Credit Income Opportunities Fund seeks an absolute return, primarily through current income and secondarily through capital appreciation. The Fund is managed using an absolute return investment objective, which means that it is not managed relative to the performance of a specific bond index, but rather seeks to generate positive returns over the course of a full market cycle while managing volatility through security selection and possibly hedging to reduce overall exposure to credit and interest rate risk. The Fund seeks absolute total return through a combination of current income and capital appreciation. Under normal circumstances, the Fund invests at least 80% of its net assets (including the amount of any borrowings for investment purposes) in debt instruments (consisting of loans, bonds and notes). The Fund may invest in a wide range of debt instruments of issuers based in U.S. and non-U.S. markets, as well as over-the-counter and exchange-traded derivatives. Investments may be issued or guaranteed by governments and their agencies, corporations, financial institutions and supranational organizations that the Fund believes have the potential to provide a high total return over time. A significant portion of the Fund's investments in debt instruments are denominated in a currency other than the U.S. dollar. Although the Fund's investment in non-U.S. dollar denominated assets may be on a currency hedged or unhedged basis, under normal market conditions, the Fund seeks to hedge substantially all of its exposure to foreign currencies. Under normal market conditions, the Fund allocates its assets among various regions and countries (but in no less than three different countries) and invests at least 40% of its net assets in securities of non-U.S. issuers (or, if less, at least the percentage of net assets that is 10 percentage points less than the percentage of the Bank of America/Merrill Lynch Global Non-Financial Developed Markets High Yield Constrained Index, represented by non-U.S issuers, as determined by the provider of the index). Although the Bank of America/Merrill Lynch Global Non-Financial Developed Markets High Yield Constrained Index is representative of the Fund's investable universe, the Fund does not seek to be correlated with that index.

U.S. High Yield Fund seeks to achieve a high level of total return, with an emphasis on current income, by investing primarily in high yield debt and related securities. The Fund invests primarily in lower rated U.S. debt securities ("junk" or "high yield" bonds), including securities in default. Debt securities may include, for example, corporate bonds, mortgage-backed and asset-backed securities, and obligations of the U.S. government or its agencies or instrumentalities. Under normal circumstances, the Fund invests at least 80% of its net assets (including the amount of any borrowings for investment purposes) in lower rated fixed income securities (rated below Baa3 by Moody's or BBB- by either S&P or Fitch (using the lower rating) or, if unrated, determined by the Manager to be of comparable quality) and at least 80% of its net assets (including the amount of any borrowings for investment purposes) in securities of U.S. issuers. For purposes of determining whether securities held by a Fund are securities of a U.S. or foreign company, a company is considered to be a foreign company if the Manager or Sub-Adviser determines that the company's securities trade on a market outside of the U.S., the company is headquartered or organized outside of the U.S., the company derives a majority of its revenues or profits outside of the U.S., or the company is significantly exposed to the economic fortunes and risks of regions outside the U.S. The Fund may also invest in convertible securities, preferred stocks, warrants, bank loans, and other fixed income securities, including Rule 144A securities, of both U.S. and foreign issuers. Currently, the Manager does not expect that the Fund will invest more than 20% of its total assets in bank loans. The Fund may invest up to 15% of its total assets in securities that are not denominated in U.S. dollars including, but not limited to, corporate bonds, government and agency issues, Rule 144A securities, convertible securities, bank loans, mortgage-backed, and asset-backed securities.

Active Short Duration Bond Fund seeks to achieve a high total rate of return primarily from current income while minimizing fluctuations in capital values by investing primarily in a diversified portfolio of short-term investment grade fixed income securities. Under normal market conditions, the Fund invests at least 80% of its net assets (including the amount of any borrowings for investment purposes) in investment grade fixed income securities (rated investment grade (at least BBB-/Baa3 or its equivalent) by at least one credit rating agency or, if unrated, determined to be of comparable quality by the Manager). These typically include U.S. dollar-denominated corporate obligations, securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities, U.S. and foreign issuer dollar-denominated bonds including, but not limited to, corporate obligations, government and agency issues, private placement bonds, securities subject to resale pursuant to Rule 144A, mortgage-backed, and other asset-backed securities. The Fund may also invest in below investment grade debt securities (rated below investment grade by each credit rating agency that rates the security, or unrated but determined to be of comparable quality by the Manager, commonly referred to as "junk" or "high yield" bonds), including securities in default, and including bank loans; normally, 10% or less of the Fund's total assets will be invested in below investment grade debt securities. In the event that a security is downgraded after its purchase by the Fund, the Fund may continue to hold the security if the Manager considers that doing so would be consistent with the Fund's investment objective. The Fund may invest in structured products (consisting of collateralized bond and loan obligations). The Fund may invest in (i) securities denominated in currencies of emerging market countries, (ii) fixed income securities or debt instruments issued by emerging market entities or sovereign nations, and/or (iii) debt instruments denominated in or based on the currencies, interest rates, or issues of emerging market countries. Emerging market countries are defined to include any country that did not become a member of the Organisation for Economic Cooperation and Development ("O.E.C.D.") prior to 1975 and Turkey. The Fund may invest in other investment companies, including affiliated investment companies.

Diversified Income Fund seeks to provide a total return comprised of current income and capital appreciation. Under normal market conditions, the Fund invests at least 80% of its net assets (including the amount of any borrowings for investment purposes) in in a wide range of U.S. dollar or non-U.S. dollar denominated fixed income securities issued by issuers located in any country globally, including emerging markets. These typically include: collateralized loan obligations ("CLOs"), U.S. and foreign issuer dollar-denominated debt securities including, but not limited to, corporate obligations, government and agency issues, private placement bonds, securities subject to resale pursuant to Rule 144A, convertible bonds, mortgage-backed, and other asset-backed securities, loans, and securities issued or guaranteed by a government or its agencies or instrumentalities. Derivative instruments that provide exposure to fixed income securities or have economic characteristics similar to such investments may be used to satisfy the Fund's 80% policy. The Fund may invest in (i) securities denominated in currencies of emerging market countries, (ii) fixed income securities or debt instruments issued by emerging market entities or sovereign nations, and/or (iii) debt instruments denominated in or based on the currencies, interest rates, or issues of emerging market countries. Emerging market countries are defined to include any country that did not become a member of the O.E.C.D. prior to 1975 and Turkey. The Fund may invest in other investment companies, including affiliated investment companies.

Emerging Markets Debt Blended Total Return Fund seeks to achieve maximum total return, consistent with preservation of capital and prudent investment management, through high current income generation and, where appropriate, capital appreciation. The Fund will invest in debt securities, derivatives and other instruments that are economically tied to emerging market countries or countries with relatively low gross national product per capita and with the potential for rapid economic growth. Under normal market conditions, the Fund will invest at least 80% of its net assets (including the amount of any borrowings for investment purposes) in (i) securities denominated in currencies of the emerging market countries, (ii) fixed income securities or debt instruments issued by emerging market entities or sovereign nations, and/or (iii) debt instruments, denominated in or based on the currencies, interest rates, or issues, of, emerging market countries. Emerging market countries are defined to include any country that did not become a member of the O.E.C.D. prior to 1975 and Turkey. Certain emerging market countries are referred to as "frontier" market countries. The Fund focuses its investments in Asia, Africa, the Middle East, Latin America and the developing countries of Europe. The Fund will invest in debt instruments of all types, including bonds, notes, U.S. and Group of Ten (commonly referred to as "G10") country treasury obligations, sovereign issues, covered bonds, commercial paper and other fixed and floating rate income securities that are either secured or unsecured, and, either senior or subordinated. To a limited extent, the Fund may invest in (i) securities that are convertible into equity securities, (ii) equity securities (including warrants and common stock), (iii) certificates of deposit, (iv) bankers' acceptances, and (v) loan participations and loan assignments which are un-securitized.

Global Emerging Markets Equity Fund seeks to achieve long-term capital growth. Under normal market conditions, the Fund invests at least 80% of its net assets (including the amount of any borrowings for investment purposes) in equity and equity-related securities of issuers that are economically tied to one or more emerging market countries. In general, countries may be considered emerging markets if they are included in any one of the Morgan Stanley Capital Index ("MSCI") emerging markets indices. For purposes of the 80% policy discussed above, a determination that an issuer is economically tied to an emerging market country is based on factors including, but not limited to, whether the issuer is incorporated or listed in one or more emerging market countries, has a significant proportion of its assets or other interests in one or more emerging market countries, or carries on its principal business in or from one or more emerging market countries. The Fund may invest in all types of securities, many of which will be denominated in currencies other than the U.S. dollar. The securities may be listed on a U.S. or non-U.S. stock exchange or traded in U.S. or non-U.S. over-the-counter markets. In addition to common stocks, the Fund may also invest in other types of equity securities, such as depositary receipts (including American Depositary Receipts and Global Depositary Receipts) and participation rights. The Fund may also invest in fixed income securities and cash. The Fund may invest in different regions, countries, industries and sectors. Under normal market conditions, the Fund allocates its assets among various regions and countries (but in no less than three different countries). The Fund may invest without limit in Russia and China. The Fund may invest directly or indirectly in China through China A-Shares or China B-Shares. The Fund anticipates obtaining its exposure to China through direct investment in China A-Shares listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange via Stock Connect and through indirect exposure to China B-Shares via participation notes. In selecting investments for the Fund, the Fund's Sub-Adviser evaluates investment opportunities on a company-by-company basis. This approach includes seeking to identify growth potential unrecognized by market participants through the analysis of factors such as the company's future financial performance, business model and management style, while incorporating wider economic and social trends. The Sub-Adviser monitors individual issuers for changes in the factors above, which may trigger a decision to sell a security. These factors may vary in particular cases and may change over time. The Fund has the flexibility to achieve certain exposures through derivative transactions, which may create economic leverage in the Fund. The Fund may engage in derivative transactions to enhance total return, to seek to hedge against fluctuations in securities prices, interest rates or currency exchange rates, to change the effective duration of its portfolio, to manage certain investment risks and/or as a substitute for the purchase or sale of securities, currencies or commodities.

The following information supplements the discussion of the investment policies and strategies of each Fund described in its Prospectus. In pursuing its objective, each Fund invests as described in its Prospectus and as described below with respect to the following investment policies and strategies.

Bank Loans

A Fund may invest in floating and fixed rate loans issued by banks and other unaffiliated entities, which investments generally are issued directly by the borrower or in the form of loan participations or assignments purchased from banks and other financial institutions and institutional investments. The loans in which each

Fund may invest may include, but are not limited to, secured loans that are senior ("first lien") or subordinated ("second lien") loans, and unsecured loans. Loans and other floating rate debt instruments are subject to the risk of non-payment of scheduled interest or principal. Such non-payment would result in a reduction of income to a Fund, a reduction in the value of the investment and a potential decrease in the net asset value of a Fund. There can be no assurance that the liquidation of any collateral securing a loan would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal payments, or that such collateral could be readily liquidated. Interests in other bank loans may not be readily marketable and may be subject to restrictions on resale. In some cases, negotiations involved in disposing of indebtedness may require weeks to complete. Consequently, some indebtedness may be difficult or impossible to dispose of readily at what the Fund believes to be a fair price. In the event of bankruptcy of a borrower, a Fund could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing a first or second lien loan. The collateral securing a first or second lien loan may lose all or substantially all of its value in the event of bankruptcy of a borrower. Some first or second lien loans are subject to the risk that a court, pursuant to fraudulent conveyance or other similar laws, could subordinate such loans to presently existing or future indebtedness of the borrower or take other action detrimental to the holders of first or second lien loans, including, in certain circumstances, invalidating such loans or causing interest previously paid to be refunded to the borrower. If interest were required to be refunded, it could negatively affect a Fund's performance. Participations and assignments involve credit risk, interest rate risk, liquidity risk, and the risks of being a lender. If a Fund purchases a participation, it is likely that it will only be able to enforce its rights through the lender, and, therefore, it will assume the credit risk of both the lender and the borrower.

The settlement period (the period between the execution of the trade and the delivery of cash to the purchaser) for some bank loan transactions may be significantly longer than the settlement period for other investments, and in some cases longer than seven days. Requirements to obtain the consent of the borrower and/or agent can delay or impede a Fund's ability to sell bank loans and can adversely affect the price that can be obtained. It is possible that sale proceeds from bank loan transactions will not be available to meet redemption obligations, in which case a Fund may be required to utilize cash balances or, if necessary, sell its more liquid investments or investments with shorter settlement periods. Some loans may not be considered "securities" for certain purposes under the federal securities laws, and purchasers, such as a Fund, therefore may not be entitled to rely on the anti-fraud protections of the federal securities laws.

First Lien Loans. A Fund may invest in first lien loans. First lien loans hold a senior position in the capital structure of a borrower. For first lien loans, borrowers are typically corporations, partnerships and other business entities that operate in various industries and geographical regions, including foreign borrowers. First lien loans are typically secured with specific collateral and have a claim on the assets and/or stock of the borrower that is senior to that held by subordinated debt holders and stockholders of the borrower. The capital structure of a borrower may include first lien loans, senior and junior subordinated debt, preferred stock and common stock issued by the borrower, typically in descending order of seniority with respect to claims on the borrower's assets. The proceeds of first lien loans primarily are used to finance highly leveraged transactions including leveraged buyouts, recapitalizations, mergers, acquisitions, stock repurchases, refinancings and internal growth and for other corporate purposes.

First lien loans in which a Fund may invest generally pay interest at rates, which are redetermined periodically by reference to a base lending rate, plus a premium. First lien loans typically have rates of interest which are redetermined either daily, monthly, quarterly or semi-annually by reference to a base lending rate, plus a premium or credit spread. These base lending rates are primarily London-Interbank Offered Rate ("LIBOR"), and secondarily the prime rate offered by one or more major U.S. banks (the "Prime Rate") and the certificate of deposit ("CD") rate or other base lending rates used by commercial lenders. As floating rate loans, the frequency of how often a loan resets its interest rate will impact how closely such loans track current short term market interest rates. The first lien loans that a Fund may hold typically have a dollar-weighted average period until the next interest rate adjustment of approximately 90 days or less. As a result, as short-term interest rates increase, interest payable to a Fund from its investments in first lien loans should increase, and as short-term interest rates decrease, interest payable to a Fund from its investments in first lien loans should decrease. The Funds may utilize derivative instruments to shorten the effective interest rate redetermination period of first lien loans in its portfolio. First lien loans typically have a stated term of between one and ten years. In the experience of the Manager over the last decade, however, the average life of first lien loans has been two to four years because of prepayments.

Second Lien Loans and Other Debt Securities. A Fund may invest in loans, bonds and notes that have the same characteristics as first lien loans except that such loans are second in lien priority rather than first. Such second lien loans and securities typically have adjustable floating rate interest payments. Accordingly, the risks associated with such securities are higher than the risks of loans with first priority over the collateral. In the event of default on a second lien loan, the first priority lien holder has first claim to the underlying collateral of the loan. It is possible that no collateral value would remain for the second priority lien holder and therefore result in a loss of investment to a Fund.

Unsecured Loans. A Fund may invest in unsecured loans, both floating and fixed rate. Unsecured loans are subject to substantially similar risks attributable to secured loans. Issuer risk is more pronounced in unsecured loans since the Fund will not have recourse to recoup its investment against collateral securing the loan.

Unsecured loans, first lien loans and second lien loans are subject to prepayments which shorten the loans' weighted average maturities and may lower their returns. If the credit support or enhancement is exhausted, losses or delays in payment may result if the required payments of principal and interest are not made. The value of these securities also may change because of changes in market value, that is changes in the market's perception of the creditworthiness of the servicing agent for the pool, the originator of the pool, or the financial institution or fund providing the credit support or enhancement.

Bank Obligations

Bank obligations in which a Fund may invest consist of certificates of deposit, bankers' acceptances, and fixed time deposits. Certificates of deposit are negotiable certificates that are issued against funds deposited in a commercial bank for a definite period of time and that earn a specified return. Bankers' acceptances are negotiable drafts or bills of exchange, normally drawn by an importer or exporter to pay for specific merchandise, which are "accepted" by a bank, meaning, in effect, that the bank unconditionally agrees to pay the face value of the instrument on maturity. Fixed time deposits are bank obligations payable at a stated maturity date and bearing interest at a fixed rate. Fixed time deposits may be withdrawn on demand by the investor, but may be subject to early withdrawal penalties which vary depending upon market conditions and the remaining maturity of the obligation. There are generally no contractual restrictions on the right to transfer a beneficial interest in a fixed time deposit to a third party, although there is no market for such deposits. A Fund may also hold funds on deposit with its custodian bank in an interest-bearing account for temporary purposes.

Subject to a Fund's limitation on concentration of 25% or more of its total assets in the securities of issuers in a particular industry or group of industries, a Fund may invest without limit in obligations of foreign banks denominated in U.S. or foreign currencies (of both developed and "emerging market" countries). Obligations of foreign banks involve certain risks associated with investing in foreign securities described under "—Foreign (Non-U.S.) Securities" below, including the possibilities that their liquidity could be impaired because of future political and economic developments, that their obligations may be less marketable than comparable obligations of U.S. banks, that a foreign jurisdiction might impose withholding or other taxes on interest income payable on those obligations, that foreign deposits may be seized or nationalized, that foreign governmental restrictions such as exchange controls may be adopted which might adversely affect the payment of principal and interest on those obligations and that the selection of those obligations may be more difficult because there may be less publicly available information concerning foreign banks or the accounting, auditing and financial reporting standards, practices and requirements applicable to foreign banks may differ from those applicable to U.S. banks. Foreign banks are not generally subject to examination by any U.S. Government agency or instrumentality.

Borrowing and Leverage

Each Fund may borrow money up to 33⅓% of its total assets (including the amount borrowed) at the time the borrowing is made from banks (including its custodian bank) or from other lenders. In the event a Fund's borrowings exceed 33⅓% of its total assets, the Fund will, within three days thereafter (not including Sundays and holidays) or such longer period as the U.S. Securities and Exchange Commission ("SEC") may prescribe, reduce its borrowings to no more than 33⅓% of its total assets. To reduce its borrowings, the Fund might be required to sell securities at a time when it would be disadvantageous to do so. In addition, because interest on money borrowed is a Fund expense that it would not otherwise incur, the Fund may have less net investment income during periods when its borrowings are substantial.

As described in its Prospectus, each Fund may enter into transactions that may give rise to a form of leverage. Such transactions may include, among others, reverse repurchase agreements, loans of portfolio securities, derivatives and when-issued, delayed delivery or forward commitment transactions. Each Fund will segregate liquid assets against or otherwise cover its future obligations under such transactions, to the extent required by applicable law.

The SEC takes the position that transactions that have a leveraging effect on the capital structure of a fund can be viewed as constituting a form of "senior security" of the fund for purposes of the Investment Company Act of 1940, as amended (the "1940 Act"). These transactions may include selling securities short, buying and selling certain derivatives (such as futures contracts), selling (or writing) put and call options, engaging in when-issued, delayed-delivery, forward-commitment or reverse repurchase transactions and other trading practices that have a leveraging effect on the capital structure of a fund or may be viewed as economically equivalent to borrowing. As described above, each Fund will cover its commitment under these instruments by the segregation of assets determined to be liquid by the Manager or the Sub-Adviser in accordance with procedures adopted by the Board of Trustees of the Funds (the "Board"), equal in value to the amount of the Fund's commitment, or by entering into offsetting transactions or owning positions covering its obligations. Such procedures adopted by the Board are based upon published guidance of the staff of the SEC with respect to segregation and coverage. In such cases, the instruments will not be considered "senior securities" under the 1940 Act for purposes of the asset coverage requirements otherwise applicable to borrowings by a Fund. Borrowing will tend to exaggerate the effect on net asset value of any increase or decrease in the market value of the Fund's portfolio. Money borrowed will be subject to interest costs which may or may not be recovered by appreciation of the securities purchased. A Fund also may be required to maintain minimum average balances in connection with such borrowing or to pay a commitment or other fee to maintain a line of credit; either of these requirements would increase the cost of borrowing over the stated interest rate.

Leveraging is a speculative technique and there are special risks and costs involved. There can be no assurance that any use of repurchase agreements, borrowings or other forms of leverage (such as the use of derivatives strategies) will result in a higher yield on Fund shares. Once leverage is used, the net asset value of the shares and the yield to shareholders will be more volatile. See "Other Investment Strategies and Risks — Leverage Risk" in each Fund's Prospectus. In addition, fees and expenses of repurchase agreements and borrowings and other forms of leverage incurred by the Funds are borne entirely by the shareholders and will result in a reduction of the net asset value of the shares.

The Board generally oversees the use by the Manager or the Sub-Adviser of leverage for the Funds.

Commercial Paper

A Fund may invest in commercial paper. Commercial paper represents short-term unsecured promissory notes issued by corporations such as banks or bank holding companies and finance companies. A Fund may invest in commercial paper of any credit quality consistent with the Fund's investment objectives and policies, including unrated commercial paper for which the Manager or the Sub-Adviser has made a credit quality assessment. See Appendix A to this SAI for a description of the ratings assigned by certain credit rating agencies to commercial paper. The rate of return on commercial paper may be linked or indexed to the level of exchange rates between the U.S. dollar and a foreign currency or currencies.

Common Stocks

A Fund may invest in equity securities incident to the purchase or ownership of a loan or debt instrument for the preservation of capital. Each Fund may hold or have exposure to common stocks of issuers of any size (in terms of market capitalization or otherwise) and in any industry or sector. Because a Fund may have exposure to common stocks, historical trends would indicate that the Fund's portfolio and investment returns may be subject at times, and over time, to higher levels of volatility and market and issuer-specific risk than if it invested exclusively in debt securities, although under certain market conditions debt securities may have comparable or greater price volatility.

Convertible Securities and Synthetic Convertible Securities

A Fund may invest in convertible securities, which are bonds, debentures, notes or other securities that entitle the holder to acquire common stock or other equity securities of the same or a different issuer. Convertible securities have general characteristics similar to both debt and equity securities.

A convertible security generally entitles the holder to receive interest paid or accrued until the convertible security matures or is redeemed, converted or exchanged. Before conversion, convertible securities have characteristics similar to non-convertible debt obligations. Convertible securities rank senior to common stock in a corporation's capital structure and, therefore, generally entail less risk than the corporation'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.

Because of the conversion feature, the price of the convertible security will normally fluctuate in some proportion to changes in the price of the underlying asset, and will therefore be subject to risks relating to the activities of the issuer and/or general market and economic conditions. The income component of convertible securities may tend to cushion the securities against declines in the price of the underlying asset. However, the income component of convertible securities will typically cause fluctuations based upon changes in interest rates and the credit quality of the issuer. In addition, convertible securities are often lower-rated securities. A convertible security may be subject to redemption at the option of the issuer at a predetermined price. If a convertible security held by a Fund is called for redemption, a Fund would be required to permit the issuer to redeem the security and convert it to underlying common stock, or would sell the convertible security to a third party, which may have an adverse effect on a Fund's ability to achieve its investment objectives.

A Fund may invest in so-called "synthetic convertible securities," which are composed of two or more different securities whose investment characteristics, taken together, resemble those of convertible securities. For example, a Fund may purchase a non-convertible debt security and a warrant or option. The synthetic convertible security differs from the true convertible security in several respects. Unlike a true convertible security, which is a single security having a unitary market value, a synthetic convertible security comprises two or more separate securities, each with its own market value. Therefore, the "market value" of a synthetic convertible security is the sum of the values of its debt component and its convertible component. For this reason, the values of a synthetic convertible security and a true convertible security may respond differently to market fluctuations.

Corporate Bonds

A Fund may invest in a wide variety of bonds and related debt obligations of varying maturities issued by U.S. and foreign corporations and business entities. A Fund may invest in bonds that are fixed or variable rate debt obligations, consisting of bills, notes, debentures and money market instruments. Bonds generally are used by corporations and other issuers to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and normally must repay the amount borrowed on or before maturity. Certain bonds are perpetual in nature in that they have no maturity date; to the extent that these perpetual bonds have fixed interest rates, they may have heightened sensitivity to changes in interest rates.

A Fund's investments in corporate bonds are subject to a number of risks described in the Prospectuses and elaborated upon elsewhere in this section of the SAI, including interest rate risk, credit risk, high yield risk, issuer risk, foreign (non-U.S.) investment risk, inflation risk, liquidity risk, smaller company risk and management risk.

Credit Default Swaps

A Fund may enter into credit default swap contracts to obtain exposure to particular issuers. For hedging purposes, a Fund would be the buyer of a credit default swap contract. In that case, a Fund would be entitled to receive the par (or other agreed-upon) value of a referenced debt obligation from the counterparty to the contract in the event of a default by a third party, such as a U.S. or foreign issuer, on the debt obligation. In return, a Fund would pay to the counterparty a periodic stream of payments over the term of the contract provided that no event of default has occurred. Purchasing credit default swaps would involve the risk that the investment may expire worthless and would generate income only in the event of an actual default by the issuer of the underlying obligation (as opposed to a credit downgrade or other indication of financial instability). It would also involve credit risk – that the seller may fail to satisfy its payment obligations to a Fund in the event of a default.

Delayed Funding Loans and Revolving Credit Facilities

A Fund may also enter into, or acquire participations in, delayed funding loans and revolving credit facilities. Delayed funding loans and revolving credit facilities are borrowing arrangements in which the lender agrees to make loans up to a maximum amount upon demand by the borrower during a specified term. A revolving credit facility differs from a delayed funding loan in that as the borrower repays the loan, an amount equal to the repayment may be borrowed again during the term of the revolving credit facility. Delayed funding loans and revolving credit facilities usually provide for floating or variable rates of interest. These commitments may have the effect of requiring a Fund to increase its investment in a company at a time when it might not otherwise be desirable to do so (including a time when the company's financial condition makes it unlikely that such amounts will be repaid). To the extent that a Fund is committed to advance additional funds, it will at all times segregate assets, determined to be liquid by the Manager or the Sub-Adviser in accordance with procedures established by the Board, in an amount sufficient to meet such commitments.

A Fund may invest in delayed funding loans and revolving credit facilities with credit quality comparable to that of issuers of its securities investments. Delayed funding loans and revolving credit facilities may be subject to restrictions on transfer, and only limited opportunities may exist to resell such instruments. As a result, a Fund may be unable to sell such investments at an opportune time or may have to resell them at less than fair market value. Participation interests in revolving credit facilities will be subject to the limitations discussed in "— Loan Participations and Assignments" below. Delayed funding loans and revolving credit facilities are considered to be debt obligations for the purposes of a Fund's investment restriction relating to the lending of funds or assets by the Fund.

Derivative Instruments

In pursuing their investment objectives, the Funds may, and Global Credit Income Opportunities Fund may to a significant extent, use derivatives for hedging purposes or for speculative purposes — as substitutes for investments in securities in which the Funds can invest — as part of a Fund's investment strategies to increase return for the Fund. A Fund may purchase and sell (write) both put options and call options on securities, swap agreements, and securities indexes, and enter into interest rate, index, or other futures contracts and purchase and sell options on such futures contracts ("futures options") for hedging or risk management purposes or as part of its overall investment strategy in an attempt to increase return. A Fund also may enter into swap agreements with respect to interest rates, currencies, securities indexes and other assets and measures of risk or return. If other types of financial instruments, including other types of swaps, options, futures contracts or futures options are traded in the future, a Fund may also use those instruments, provided that the Board determines that their use is consistent with the Fund's investment objectives. A Fund may invest in derivatives without limit for hedging or investment-related purposes.

The value of some derivative instruments in which a Fund may invest may be particularly sensitive to changes in prevailing interest rates, and, like the other investments of the Fund, the ability of the Fund to successfully utilize these instruments may depend in part upon the ability of the Manager or the Sub-Adviser to forecast interest rates and other economic factors correctly. If the Manager or the Sub-Adviser incorrectly forecasts such factors and has taken positions in derivative instruments contrary to prevailing market trends, a Fund could be exposed to the risk of loss.

A Fund might not employ any of the strategies described below, and no assurance can be given that any strategy used will succeed. If the Manager or the Sub-Adviser incorrectly forecasts interest rates, market values or other economic factors in utilizing a derivatives strategy for a Fund, the Fund might have been in a better position if it had not entered into the transaction at all. Also, suitable derivative transactions may not be available in all circumstances. The use of these strategies involves certain special risks, including a possible imperfect correlation, or even no correlation, between price movements of derivative instruments and price movements of related investments. While some strategies involving derivative instruments can reduce the risk of loss, they can also reduce the opportunity for gain or even result in losses by offsetting favorable price movements in related investments or otherwise, due to the possible inability of a Fund to purchase or sell a portfolio security at a time that otherwise would be favorable or the possible need to sell a portfolio security at a disadvantageous time because the Fund is required to maintain asset coverage or offsetting positions in connection with transactions in derivative instruments, and the possible inability of the Fund to close out or to liquidate its derivatives positions. Income earned by a Fund from many derivative strategies will be treated as capital gain and, if not offset by net realized capital loss, will be distributed to shareholders in taxable distributions. Gains or losses from derivatives can be substantially greater than the derivatives' original cost and can sometimes be unlimited.

Options on Securities, Swap Agreements and Indexes. A Fund may purchase and sell both put and call options on securities, swap agreements or indexes in standardized contracts traded on domestic or other securities exchanges, boards of trade, or similar entities, or quoted on NASDAQ or on an over-the-counter market, and agreements, sometimes called cash puts, which may accompany the purchase of a new issue of debt obligations from a dealer. An option on a security (or an index) is a contract that gives the holder of the option, in return for a premium, the right to buy from (in the case of a call) or sell to (in the case of a put) the writer of the option the security underlying the option (or the cash value of the index) at a specified exercise price at any time during the term of the option. The writer of an option on a security has the obligation upon exercise of the option to deliver the underlying security upon payment of the exercise price or to pay the exercise price upon delivery of the underlying security. Upon exercise, the writer of an option on an index is obligated to pay the difference between the cash value of the index and the exercise price multiplied by the specified multiplier for the index option. (An index is designed to reflect features of a particular securities market, a specific group of financial instruments or securities, or certain economic indicators.)

In the case of a call option on a debt obligation or other security, the option is "covered" if a Fund owns the security underlying the call or has an absolute and immediate right to acquire that security without additional cash consideration (or, if additional cash consideration is required, cash or other assets determined to be liquid by the Manager or the Sub-Adviser in accordance with procedures established by the Board, in such amount are segregated) upon conversion or exchange of other securities held by the Fund. For a call option on an index, the option is covered if a Fund segregates assets determined to be liquid by the Manager or the Sub-Adviser in accordance with procedures established by the Board, in an amount equal to the contract value of the index. A call option is also covered if a Fund holds a call on the same security or index as the call written where the exercise price of the call held is (i) equal to or less than the exercise price of the call written, or (ii) greater than the exercise price of the call written, provided the difference is maintained by the Fund in segregated assets determined to be liquid by the Manager or the Sub-Adviser in accordance with procedures established by the Board. A put option on a security or an index is "covered" if a Fund segregates assets determined to be liquid by the Manager or the Sub-Adviser in accordance with procedures established by the Board equal to the exercise price. A put option is also covered if a Fund holds a put on the same security or index as the put written where the exercise price of the put held is (i) equal to or greater than the exercise price of the put written, or (ii) less than the exercise price of the put written, provided the difference is maintained by the Fund in segregated assets determined to be liquid by the Manager or the Sub-Adviser in accordance with procedures established by the Board.

If an option written by a Fund expires unexercised, the Fund realizes on the expiration date a short-term capital gain equal to the premium the Fund received at the time the option was written. If an option purchased by a Fund expires unexercised, the Fund realizes a short-term capital loss equal to the premium paid. Prior to the earlier of exercise or expiration, an exchange-traded option may be closed out by an offsetting purchase or sale of an option of the same series (type, exchange, underlying security or index, exercise price, and expiration). There can be no assurance, however, that a closing purchase or sale transaction can be effected when a Fund desires.

A Fund may sell put or call options it has previously purchased, which could result in a net gain or loss depending on whether the amount realized on the sale is more or less than the premium and other transaction costs paid on the put or call option which is sold. Prior to exercise or expiration, an option may be closed out by an offsetting purchase or sale of an option of the same series. A Fund will realize a short-term capital gain from a closing purchase transaction if the cost of the closing option is less than the premium received from writing the option, or, if it is more, a Fund will realize a short-term capital loss. If the premium received from a closing sale transaction is more than the premium paid to purchase the option, a Fund will realize a short-term capital gain or, if it is less, a Fund will realize a short-term capital loss. The principal factors affecting the market value of a put or a call option include supply and demand, interest rates, the current market price of the underlying security or index in relation to the exercise price of the option, the volatility of the underlying security or index, and the time remaining until the expiration date.

The premium paid for a put or call option purchased by a Fund is an asset of the Fund. The premium received for an option written by a Fund is recorded as a deferred credit. The value of an option purchased or written is marked to market daily and is valued at the closing price on the exchange on which it is traded or, if not traded on an exchange or no closing price is available, at the mean between the last bid and asked prices.

A Fund may write covered straddles consisting of a combination of a call and a put written on the same underlying security. A straddle will be covered when sufficient assets are deposited to meet a Fund's immediate obligations. A Fund may use the same liquid assets to cover both the call and put options where the exercise price of the call and put are the same, or the exercise price of the call is higher than that of the put. In such cases, a Fund will also segregate liquid assets equivalent to the amount, if any, by which the put is "in the money."

Risks Associated with Options on Securities and Indexes. There are several risks associated with transactions in options on securities and on indexes. For example, there are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objectives. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events.

During the option period, the covered call writer has, in return for the premium on the option, given up the opportunity to profit from a price increase in the underlying security above the exercise price, but, as long as its obligation as a writer continues, has retained the risk of loss should the price of the underlying security decline. The writer of an option has no control over the time when it may be required to fulfill its obligation as a writer of the option. Once an option writer has received an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying security at the exercise price. If a put or call option purchased by a Fund is not sold when it has remaining value, and if the market price of the underlying security remains equal to or greater than the exercise price (in the case of a put), or remains less than or equal to the exercise price (in the case of a call), the Fund will lose its entire investment in the option. Also, where a put or call option on a particular security is purchased to hedge against price movements in a related security, the price of the put or call option may move more or less than the price of the related security.

There can be no assurance that a liquid market will exist when a Fund seeks to close out an option position. If a Fund were unable to close out an option that it had purchased on a security, it would have to exercise the option in order to realize any profit or the option may expire worthless. If a Fund were unable to close out a covered call option that it had written on a security, it would not be able to sell the underlying security unless the option expired without exercise. As the writer of a covered call option, a Fund forgoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the exercise price of the call.

If trading were suspended in an option purchased by a Fund, the Fund would not be able to close out the option. If restrictions on exercise were imposed, a Fund might be unable to exercise an option it has purchased. Except to the extent that a call option on an index written by a Fund is covered by an option on the same index purchased by the Fund, movements in the index may result in a loss to the Fund; however, such losses may be mitigated by changes in the value of the Fund's securities during the period the option was outstanding.

Foreign Currency Options. A Fund may buy or sell put and call options on foreign currencies for investment purposes or as a hedge against changes in the value of the U.S. dollar (or another currency) in relation to a foreign currency in which the Fund's securities may be denominated. A Fund may buy or sell put and call options on foreign currencies either on exchanges or in the over-the-counter market. A put option on a foreign currency gives the purchaser of the option the right to sell a foreign currency at the exercise price until the option expires. A call option on a foreign currency gives the purchaser of the option the right to purchase the currency at the exercise price until the option expires. Currency options traded on U.S. or other exchanges may be subject to position limits which may limit the ability of a Fund to reduce foreign currency risk using such options.

Futures Contracts and Options on Futures Contracts. A Fund may invest in interest rate futures contracts and options thereon ("futures options"). A Fund may also purchase and sell futures contracts on debt obligations (to the extent they are available) and U.S. Government and agency securities, as well as purchase put and call options on such futures contracts.

A futures contract provides for the future sale by one party and purchase by another party of a specified quantity of the security or other financial instrument at a specified price and time. A futures contract on an index is an agreement pursuant to which two parties agree to take or make delivery of an amount of cash equal to the difference between the value of the index at the close of the last trading day of the contract and the price at which the index contract was originally written. Although the value of an index might be a function of the value of certain specified securities, physical delivery of these securities is not always made. A public market exists in futures contracts covering a number of indexes as well as financial instruments, including, without limitation: U.S. Treasury bonds; U.S. Treasury notes; Government National Mortgage Association ("GNMA") Certificates; three-month U.S. Treasury bills; 90-day commercial paper; bank certificates of deposit; Eurodollar certificates of deposit; the Australian dollar; the Canadian dollar; the British pound sterling; the Japanese yen; the Swiss franc; the Mexican peso; and certain multinational currencies, such as the euro. Other futures contracts may be developed and traded in the future.

A Fund may purchase and write call and put futures options. Futures options possess many of the same characteristics as options on securities and indexes (discussed above). A futures option gives the holder the right, in return for the premium paid, to assume a long position (call) or short position (put) in a futures contract at a specified exercise price at any time during the period of the option. Upon exercise of a call option, the holder acquires a long position in the futures contract and the writer is assigned the opposite short position. In the case of a put option, the opposite is true.

A Fund may close open positions on the futures exchanges on which index futures are traded at any time up to and including the expiration day. All positions which remain open at the close of the last business day of the contract's life are required to settle on the next business day (based upon the value of the relevant index on the expiration day), with settlement made with the appropriate clearing house. Because the specific procedures for trading foreign stock index futures on futures exchanges are still under development, additional or different margin requirements as well as settlement procedures may be applicable to foreign stock Index Futures at the time a Fund purchases such instruments. Positions in Index Futures may be closed out by a Fund only on the futures exchanges upon which the Index Futures are then traded.

The following example illustrates generally the manner in which index futures operate. The S&P 100 Index is composed of 100 selected common stocks, most of which are listed on the New York Stock Exchange. The S&P 100 Index assigns relative weightings to the common stocks included in the Index, and the Index fluctuates with changes in the market values of those common stocks. In the case of the S&P 100 Index, contracts are to buy or sell 100 units. Thus, if the value of the S&P 100 Index were $180, one contract would be worth $18,000 (100 units x $180). The S&P 100 Index future specifies that no delivery of the actual stocks making up the Index will take place. Instead, settlement in cash must occur upon the termination of the contract, with the settlement being the difference between the contract price and the actual level of the Index at the expiration of the contract. For example, if a Fund enters into a futures contract to buy 100 units of the S&P 100 Index at a specified future date at a contract price of $180 and the S&P 100 Index is at $184 on that future date, the Fund will gain $400 (100 units x gain of $4). If a Fund enters into a futures contract to sell 100 units of the Index at a specified future date at a contract price of $180 and the S&P 100 Index is at $182 on that future date, the Fund will lose $200 (100 units x loss of $2).

A Fund may enter into futures contracts and futures options that are standardized and traded on a U.S. or other exchange, board of trade, or similar entity, or quoted on an automated quotation system, and each Fund may also enter into over-the-counter options on futures contracts.

When a purchase or sale of a futures contract is made by a Fund, the Fund is required to deposit with its clearing broker a specified amount of assets determined to be liquid by the Manager or the Sub-Adviser in accordance with procedures established by the Board ("initial margin"). The margin required for a futures contract is set by the exchange on which the contract is traded and may be modified during the term of the contract. The initial margin is in the nature of a performance bond or good faith deposit on the futures contract that is returned to a Fund upon termination of the contract, assuming all contractual obligations have been satisfied. A Fund earns taxable interest income on its initial margin deposits. A futures contract held by a Fund is valued daily at the official settlement price of the exchange on which it is traded. Each day a Fund pays or receives cash, called "variation margin," equal to the daily change in value of the futures contract. This process is known as "marking to market." Variation margin does not represent a borrowing or loan by a Fund but is instead a settlement between a Fund and the broker of the amount one would owe the other if the futures contract expired. In computing daily net asset value, the Fund will mark to market its open futures positions.

A Fund is also required to deposit and maintain margin with respect to put and call options on futures contracts written by it. Such margin deposits will vary depending on the nature of the underlying futures contract (and the related initial margin requirements), the current market value of the option, and other futures positions held by the Fund.

Although some futures contracts call for making or taking delivery of the underlying securities, generally these obligations are closed out prior to delivery by offsetting purchases or sales of matching futures contracts (involving the same exchange, underlying security or index, and delivery month). If an offsetting purchase price is less than the original sale price, a Fund realizes a capital gain, or if it is more, a Fund realizes a capital loss. Conversely, if an offsetting sale price is more than the original purchase price, a Fund realizes a capital gain, or if it is less, a Fund realizes a capital loss. The transaction costs must also be included in these calculations.

Straddles of Futures. Each Fund may write straddles consisting of a call and a put written on the same underlying futures contract. A straddle will be covered when sufficient liquid assets are segregated to meet a Fund's immediate obligations. Each Fund may use the same liquid assets to cover both the call and put options where the exercise price of the call and put are the same, or the exercise price of the call is higher than that of the put. In these cases, a Fund will also segregate liquid assets equivalent to the amount, if any, by which the put is "in the money." Because straddles involve multiple trades, they result in higher transaction costs and may be more difficult to open and close out.

Combined Positions. A Fund may purchase and write options in combination with each other, or in combination with futures or forward contracts, to adjust the risk and return characteristics of the overall position. For example, a Fund could construct a combined position whose risk and return characteristics are similar to selling a futures contract by purchasing a put option and writing a call option on the same underlying instrument. Alternatively, a Fund could write a call option at one strike price and buy a call option at a lower price to reduce the risk of the written call option in the event of a substantial price increase. Because combined options positions involve multiple trades, they result in higher transaction costs and may be more difficult to open and close out.

The Manager has claimed an exclusion from the definition of the term "commodity pool operator" ("CPO") under the Commodity Exchange Act ("CEA") pursuant to Rule 4.5 under the CEA (the "exclusion") promulgated by the Commodity Futures Trading Commission ("CFTC"). Even though the Manager is currently registered as a CPO with the CFTC, the Manager does not act in a registered capacity as a CPO with respect to each Fund. In the event that a Fund's investments in derivative instruments regulated under the CEA ("commodity interests"), including futures, swaps and options, exceed the thresholds set forth in Rule 4.5, the Manager may be required to register as a CPO with the CFTC as it relates to a Fund. A Fund's eligibility to claim the exclusion will be based upon the level and scope of its investment in commodity interests, the purposes of such investments and the manner in which a Fund holds out its use of commodity interests. For example, Rule 4.5 requires a fund with respect to which the operator is claiming the exclusion to, among other things, satisfy one of the two following trading thresholds: (i) the aggregate initial margin and premiums required to establish positions in commodity interests cannot generally exceed 5% of the liquidation value of a fund's portfolio, after taking into account unrealized profits and unrealized losses; or (ii) the aggregate net notional value of commodity interests not used solely for "bona fide hedging purposes," determined at the time the most recent position was established, cannot generally exceed 100% of the liquidation value of a fund's portfolio, after taking into account unrealized profits and unrealized losses on any such positions it has entered into. Each Fund currently intends to operate in a manner that would permit the Manager to continue to claim the exclusion under Rule 4.5 (the "4.5 limits"), which may adversely affect the Manager's ability to manage each Fund under certain market conditions and may adversely affect a Fund's total return. There can be no assurance that a Fund's activities will remain within the 4.5 limits at any time. In the event the Manager is required to register with the CFTC as a CPO with respect to a Fund, the Fund will become subject to additional recordkeeping, disclosure and reporting requirements, which may increase the Fund's expenses, adversely affecting the Fund's return. Additionally, even though the Manager is also currently registered as a "commodity trading advisor" ("CTA") with the CFTC, the Manager relies on an exemption from registration as a CTA under CFTC Rule 4.14(a)(8), such that the Manager does not act in a registered capacity as a CTA with respect to each Fund.

The U.S. government and foreign governments are in the process of adopting and implementing regulations governing derivatives markets, including mandatory clearing of certain derivatives, margin and reporting requirements. The ultimate impact of the regulations remains unclear. Additional regulation of derivatives may make derivatives more costly, limit their availability, or utility otherwise adversely affect their performance or disrupt markets.

In December 2019, the SEC proposed a new rule that would govern the use of derivatives by mutual funds such as the Funds. If adopted as proposed, the rule would, among other things, require that a fund entering into derivatives transactions comply with an absolute or relative value-at-risk limitation and implement a derivatives risk management program, unless the fund's derivatives usage is maintained at minimal levels. While the full extent and cost of these regulations is unclear, and proposed regulations may be revised before adoption or may never be adopted, these regulations could, among other things, restrict a Fund's ability to engage in derivatives transactions and/or increase the cost of such derivatives transactions (through increased margin or capital requirements).

Congress, various exchanges and regulatory and self-regulatory authorities have undertaken reviews of options and futures trading in light of market volatility. Among the actions that have been taken or are proposed to be taken are new limits and reporting requirements for speculative positions, particularly in the energy markets, new or more stringent daily price fluctuation limits for futures and options transactions, and increased margin requirements for various types of futures transactions. Additional measures are under active consideration and as a result there may be further actions that adversely affect the regulation of the instruments in which each Fund invests.

Limitations on Use of Futures and Futures Options. When purchasing a futures contract, a Fund will maintain with its custodian (and mark to market on a daily basis) assets determined to be liquid by the Manager or the Sub-Adviser in accordance with procedures established by the Board, that, when added to the amounts deposited with a futures commission merchant as margin, are equal to the market value of the futures contract. Alternatively, a Fund may "cover" its position by purchasing a put option on the same futures contract with a strike price as high as or higher than the price of the contract held by the Fund.

When selling a futures contract, a Fund will segregate (and mark to market on a daily basis) assets determined to be liquid by the Manager or the Sub-Adviser in accordance with procedures established by the Board, that are equal to the market value of the instruments underlying the contract. Alternatively, a Fund may "cover" its position by owning the instruments underlying the contract (or, in the case of an index futures contract, a portfolio with a volatility substantially similar to that of the index on which the futures contract is based), or by holding a call option permitting the Fund to purchase the same futures contract at a price no higher than the price of the contract written by the Fund (or at a higher price if the Fund segregates the difference in liquid assets).

When selling a call option on a futures contract, a Fund will segregate (and mark to market on a daily basis) assets determined to be liquid by the Manager or the Sub-Adviser in accordance with procedures established by the Board, that, when added to the amounts deposited with a futures commission merchant as margin, equal the total market value of the futures contract underlying the call option. Alternatively, a Fund may cover its position by entering into a long position in the same futures contract at a price no higher than the strike price of the call option, by owning the instruments underlying the futures contract, or by holding a separate call option permitting the Fund to purchase the same futures contract at a price not higher than the strike price of the call option sold by the Fund.

When selling a put option on a futures contract, a Fund will segregate (and mark to market on a daily basis) assets determined to be liquid by the Manager or the Sub-Adviser in accordance with procedures established by the Board, that equal the purchase price of the futures contract, less any margin on deposit. Alternatively, a Fund may cover the position either by entering into a short position in the same futures contract, or by owning a separate put option permitting it to sell the same futures contract so long as the strike price of the purchased put option is the same as or higher than the strike price of the put option sold by the Fund.

To the extent that securities with maturities greater than one year are used to segregate assets to cover a Fund's obligations under futures contracts and related options, such use will not eliminate the leverage risk arising from such use, which may tend to exaggerate the effect on net asset value of any increase or decrease in the market value of the Fund's portfolio, and may require liquidation of portfolio positions when it is not advantageous to do so. The requirements for qualification as a "regulated investment company" under the Internal Revenue Code of 1986, as amended (the "Code") also may limit the extent to which a Fund may enter into futures, futures options or forward contracts. See "Tax Matters."

Risks Associated with Futures and Futures Options. There are several risks associated with the use of futures contracts and futures options as hedging techniques. A purchase or sale of a futures contract may result in losses in excess of the amount invested in the futures contract. There can be no guarantee that there will be a correlation between price movements in the hedging vehicle and in a Fund securities being hedged. In addition, there are significant differences between the securities and futures markets that could result in an imperfect correlation between the markets, causing a given hedge not to achieve its objectives. The degree of imperfection of correlation depends on circumstances such as variations in speculative market demand for futures and futures options on securities, including technical influences in futures trading and futures options, and differences between the financial instruments being hedged and the instruments underlying the standard contracts available for trading in such respects as interest rate levels, maturities, and creditworthiness of issuers. A decision as to whether, when and how to hedge involves the exercise of skill and judgment, and even a well-conceived hedge may be unsuccessful to some degree because of market behavior or unexpected interest rate trends.

Futures contracts on U.S. Government securities historically have reacted to an increase or decrease in interest rates in a manner similar to that in which the underlying U.S. Government securities reacted. To the extent, however, that a Fund enters into such futures contracts, the value of such futures will not vary in direct proportion to the value of the Fund's holdings of debt obligations. Thus, the anticipated spread between the price of the futures contract and the hedged security may be distorted due to differences in the nature of the markets. The spread also may be distorted by differences in initial and variation margin requirements, the liquidity of such markets and the participation of speculators in such markets.

Futures exchanges may limit the amount of fluctuation permitted in certain futures contract prices during a single trading day. The daily limit establishes the maximum amount that the price of a futures contract may vary either up or down from the previous day's settlement price at the end of the current trading session. Once the daily limit has been reached in a futures contract subject to the limit, no more trades may be made on that day at a price beyond that limit. The daily limit governs only price movements during a particular trading day and therefore does not limit potential losses because the limit may work to prevent the liquidation of unfavorable positions. For example, futures prices have occasionally moved to the daily limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of positions and subjecting some holders of futures contracts to substantial losses.

There can be no assurance that a liquid market will exist at a time when a Fund seeks to close out a futures contract or a futures option position, and the Fund would remain obligated to meet margin requirements until the position is closed. In addition, many of the contracts discussed above are relatively new instruments without a significant trading history. As a result, there can be no assurance that an active secondary market will develop or continue to exist.

Forward Foreign Currency Exchange Contracts. A forward foreign currency contract involves an obligation to purchase or sell a specific amount of currency at a future date or date range at a specific price. In the case of a cancelable forward contract, the holder has the unilateral right to cancel the contract at maturity by paying a specified fee. Forward foreign currency exchange contracts differ from foreign currency futures contracts in certain respects. These contracts may be bought or sold to protect a Fund against a possible loss resulting from an adverse change in the relationship between foreign currencies and the U.S. dollar or to increase exposure to a particular foreign currency. Although forwards are intended to minimize the risk of loss due to a decline in the value of the hedged currencies, at the same time, they tend to limit any potential gain which might result should the value of such currencies increase.

By entering into a forward foreign currency exchange contract, a Fund "locks in" the exchange rate between the currency it will deliver and the currency it will receive for the duration of the contract. As a result, a Fund reduces its exposure to changes in the value of the currency it will deliver and increases its exposure to changes in the value of the currency it will exchange into. Contracts to sell foreign currencies would limit any potential gain which might be realized by a Fund if the value of the hedged currency increases. A Fund may enter into these contracts for the purpose of hedging against foreign exchange risks arising from the Fund's investment or anticipated investment in securities denominated in foreign currencies. Suitable hedging transactions may not be available in all circumstances. Also, such hedging transactions may not be successful.

A Fund may also enter into forward foreign currency exchange contracts for purposes of increasing exposure to a foreign currency or to shift exposure to foreign currency fluctuations from one currency to another. To the extent that it does so, a Fund will be subject to the additional risk that the relative value of currencies will be different than anticipated by the Fund. A Fund may additionally enter into forward contracts to protect against anticipated changes in future foreign currency exchange rates. A Fund may use one currency (or a basket of currencies) to hedge against adverse changes in the value of another currency (or a basket of currencies) when exchange rates between the two currencies are positively correlated. A Fund may also use related options on currencies for the same reasons for which forward foreign currency exchange contracts are used.

Unlike futures contracts, forward contracts:

(i) do not have standard maturity dates or amounts (*i.e.*, the parties to the contract may fix the maturity date and the amount);

(ii) are traded in the inter-bank markets conducted directly between currency traders (usually large commercial banks) and their customers, as opposed to futures contracts, which are traded only on exchanges regulated by the CFTC;

(iii) do not require an initial margin deposit; and

(iv) may be closed by entering into a closing transaction with the currency trader who is a party to the original forward contract, as opposed to a commodities exchange.

Certain Consequences of Hedging. It is important to note that hedging costs are treated as capital transactions and are not, therefore, deducted from a Fund's dividend distribution and are not reflected in its yield. Under applicable tax law, a Fund's hedging activities may result in the application of the mark-to-market and straddle provisions of the Code. Those provisions could result in an increase (or decrease) in the amount of taxable dividends paid by a Fund and could affect whether dividends paid by a Fund are classified as capital gains or ordinary income. See "Tax Matters."

Additional Risks of Options on Securities, Futures Contracts, Options on Futures Contracts and Forward Currency Exchange Contracts and Options thereon. Options on securities, futures contracts, options on futures contracts, and options on currencies may be traded on foreign exchanges. Such transactions may not be regulated as effectively as similar transactions in the U.S., may not involve a clearing mechanism and related guarantees, and are subject to the risk of governmental actions affecting trading in, or the prices of, foreign securities. Some foreign exchanges may be principal markets so that no common clearing facility exists and a trader may look only to the broker for performance of the contract. The value of such positions also could be adversely affected by (i) other complex foreign political, legal and economic factors, (ii) lesser availability than in the U.S. of data on which to make trading decisions, (iii) delays in a Fund's ability to act upon economic events occurring in foreign markets during non-business hours in the U.S., (iv) the imposition of different exercise and settlement terms and procedures and margin requirements than in the U.S. and (v) lesser trading volume. In addition, unless a Fund hedges against fluctuations in the exchange rate between the U.S. dollar and the currencies in which trading is done on foreign exchanges, any profits that the Fund might realize in trading could be eliminated by adverse changes in the exchange rate, or the Fund could incur losses as a result of those changes. A Fund's use of such instruments may cause the Fund to realize higher amounts of short-term capital gains (generally taxed to shareholders at ordinary income tax rates) than if the Fund had not used such instruments.

Swap Agreements. A Fund may enter into swap agreements with respect to interest rates, currencies, indexes of securities and other assets or measures of risk or return. Each Fund may also enter into options on swap agreements ("swaptions"). These transactions are entered into in an attempt to obtain a particular return when it is considered desirable to do so, possibly at a lower cost to a Fund than if the Fund had invested directly in an instrument that yielded that desired return. Swap agreements are two-party contracts entered into primarily by institutional investors for periods ranging from a few weeks to more than one year. 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, which may be adjusted for an interest factor. The gross returns to be exchanged or "swapped" between the parties are generally 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 or in a "basket" of securities representing a particular index. Forms of swap agreements include interest rate caps, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates exceed a specified rate, or "cap"; interest rate floors, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates fall below a specified rate, or "floor"; and interest rate collars, under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels. Each Fund may use interest rate caps, floors and collars in connection with its leveraging strategies. See "— Certain Interest Rate Transactions" below and "Description of Principal Investments — Certain Interest Rate Transactions" in each Fund's Prospectus. A swaption is a contract that gives a counterparty the right (but not the obligation) to enter into a new swap agreement or to shorten, extend, cancel or otherwise modify an existing swap agreement, at some designated future time on specified terms. A Fund may write (sell) and purchase put and call swaptions.

Most swap agreements entered into by a Fund would calculate the obligations of the parties to the agreement on a "net basis." Consequently, a Fund's current 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 (the "net amount"). A Fund's current obligations under a swap agreement will be accrued daily (offset against any amounts owed to the Fund). A Fund may use swap agreements to add leverage to the portfolio. A Fund, except with regard to credit default swaps, as described below, will cover any accrued but unpaid net amounts owed to a swap counterparty through the segregation of assets determined to be liquid by the Manager or the Sub-Adviser in accordance with procedures established by the Board. Obligations under swap agreements so covered will not be construed to be "senior securities" for purposes of a Fund's investment restrictions concerning senior securities and borrowings.

Whether a Fund's use of swap agreements or swaptions is successful in furthering its investment objectives depends on the Manager's or the Sub-Adviser's ability to predict correctly whether certain types of investments are likely to produce greater returns than other investments. Moreover, a Fund 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 agreement counterparty. The swaps market is a relatively new market and is largely unregulated. It is possible that developments in the swaps market, including potential government regulation, could adversely affect a Fund's ability to terminate existing swap agreements or to realize amounts to be received under such agreements.

Depending on the terms of the particular option agreement, a Fund will generally incur a greater degree of risk when it writes a swaption than it will incur when it purchases a swaption. When a Fund purchases a swaption, it risks losing only the amount of the premium it has paid should it decide to let the option expire unexercised. However, when a Fund writes a swaption, upon exercise of the option the Fund will become obligated according to the terms of the underlying agreement.

Certain Interest Rate Transactions. As described above, a Fund may enter into interest rate swaps and caps. Interest rate swaps involve a Fund's agreement with the swap counterparty to pay a fixed rate payment in exchange for the counterparty paying the Fund a variable rate payment that may be structured so as to approximate the Fund's variable rate payment obligation on any variable rate borrowing. The payment obligation would be based on the notional amount of the swap. A Fund may use an interest rate cap, which would require the Fund to pay a premium to the cap counterparty and would entitle the Fund, to the extent that a specified variable rate index exceeds a predetermined fixed rate, to receive from the counterparty payment of the difference based on the notional amount. A Fund may use interest rate swaps or caps with the intent to reduce or eliminate the risk that an increase in short-term interest rates could have on the performance of the shares as a result of the Fund's investments and capital structure, and may also use these instruments for other hedging purposes.

Distressed Securities. A Fund may invest in securities, including loans purchased in the secondary market, that are the subject of bankruptcy proceedings or otherwise in default or in risk of being in default as to the repayment of principal and/or interest at the time of acquisition by the Fund or that are rated in the lower rating categories by one or more nationally recognized statistical rating organizations ("Distressed Securities"). Investment in Distressed Securities is speculative and involves significant risks and a Fund could lose all of its investment in any Distressed Security.

Distressed Securities are subject to greater credit and liquidity risks than other types of loans. Reduced liquidity can affect the values of Distressed Securities, make their valuation and sale more difficult, and result in greater volatility. A bankruptcy proceeding or other court proceeding could delay or limit the ability of the Fund to collect the principal and interest payments on Distressed Securities or adversely affect the Fund's rights in collateral relating to a Distressed Security. If a lawsuit is brought by creditors of a borrower under a Distressed Security, a court or a trustee in bankruptcy could take certain actions that would be adverse to a Fund. For example:

- Other creditors might convince the court to set aside a loan or the collateralization of the loan as a "fraudulent conveyance" or "preferential transfer." In that event, the court could recover from the Fund the interest and principal payments that the borrower made before becoming insolvent. There can be no assurance that the Fund would be able to prevent that recapture.
- A bankruptcy court may restructure the payment obligations under the loan so as to reduce the amount to which the Fund would be entitled.
- The court might discharge the amount of the loan that exceeds the value of the collateral.
- The court could subordinate the Fund's rights to the rights of other creditors of the borrower under applicable law, decreasing, potentially significantly, the likelihood of any recovery on the Fund's investment.

A Fund may, but will not necessarily, invest in a Distressed Security when the Manager or Sub-Adviser believes it is likely that the issuer of the Distressed Securities will make an exchange offer or will be the subject of a plan of reorganization pursuant to which the Fund will receive new securities in return for the Distressed Securities. There can be no assurance that such an exchange offer will be made or that such a plan of reorganization will be adopted. In addition, a significant period of time may pass between the time at which a Fund makes its investment in Distressed Securities and the time that any such exchange offer or plan of reorganization is completed. Even if an exchange offer is made or plan of reorganization is adopted with respect to Distressed Securities held by a Fund, there can be no assurance that the securities or other assets received by a Fund in connection with such exchange offer or plan of reorganization will not have a lower value or income potential than may have been anticipated when the investment was made. If a Fund participates in negotiations with respect to any exchange offer or plan of reorganization with respect to an issuer of Distressed Securities, the Fund may be restricted from disposing of such securities.

Emerging Markets Securities

A Fund that invests in emerging markets securities may invest in instruments it deems are economically tied to an emerging market country if: (i) the issuer is the government (or any political subdivision, agency, authority or instrumentality of such government) of the country; (ii) it is principally traded on the country's securities markets; or (iii) the issuer is organized or principally operates in the country, derives 50% or more of its income from its operation within the country, or has 50% or more of its assets in the country. With respect to derivative instruments, generally such instruments are treated as economically tied to emerging market countries if the underlying assets are, or the performance of the instrument is otherwise determined with reference to, currencies of emerging market countries (or baskets or indexes of such currencies), interest rates that are associated with an emerging market country, or instruments or securities that are issued by governments or issuers organized under the laws of an emerging market country. Barings considers emerging market countries to include any country that did not become a member of the O.E.C.D. prior to 1975 and Turkey, and a country considered by Barings to be equivalent to such countries. The Sub-Adviser considers emerging markets countries to include any country that is included in any one of the MSCI emerging markets indices, and a country considered by the Sub-Adviser to be equivalent to such countries.

Investments tied economically to emerging market countries may be more volatile than investments in countries with more developed markets. The risk of expropriation, confiscatory taxation, nationalization and social, political, and economic instability, greater susceptibility to environmental problems, greater government involvement in the economy, inflation or deflation, currency devaluations, currency exchange rate fluctuations, war, and terrorism may be greater in emerging market countries than countries in developed markets. In addition, many emerging market countries with less established health care systems have experienced outbreaks of pandemic or contagious diseases from time to time. The economies of emerging market countries may be based on only a few industries, may be vulnerable to changes in trade conditions, and may have large debt burdens and higher inflation rates.

A number of emerging market countries restrict, to varying degrees, foreign investment in securities. Further, some securities may not be available to the Fund because foreign shareholders hold the maximum amount permissible under current law. Repatriation of investment income, capital, and the proceeds of sales by foreign investors may require governmental registration and/or approval in some emerging market countries and may be subject to currency exchange control restrictions. In addition to withholding taxes on investment income, some emerging market countries may impose different capital gains taxes on foreign investors.

Generally accepted accounting, auditing, and financial reporting practices and standards in emerging market countries may be significantly different from those countries in developed markets, and such practices and standards may vary significantly from country to country. There may be less publicly available information about issuers and certain financial instruments, and currency hedging may be unavailable. Shares of companies that only trade on an emerging market securities exchange are not likely to file reports with the SEC. The availability of material financial information about such companies and its reliability may be limited since such companies are generally not subject to the same regulatory, accounting, auditing or auditor oversight requirements applicable to companies that file reports with the SEC. In addition, the Public Company Accounting Oversight Board, which regulates auditors of U.S. public companies, is unable to inspect audit work papers in certain emerging market countries. Many emerging market countries have less government supervision, regulation, and enforcement of the securities markets and participants in those markets.

Investors in emerging markets may not have the ability to seek certain legal remedies in U.S. courts as private plaintiffs. As a practical matter, investors may have to rely on domestic legal remedies that are available in the emerging market and such remedies are often limited and difficult for international investors to pursue. Shareholder claims, including class action and securities law and fraud claims, generally are difficult or unavailable to pursue as a matter of law or practicality in many emerging market countries. In addition, the SEC, U.S. Department of Justice and other U.S. authorities often have substantial difficulties in bringing and enforcing actions against non-U.S. companies and non-U.S. persons, including company officers and directors, in certain emerging markets due to jurisdictional limitations and various other factors.

The securities markets of emerging market countries may have substantially less trading volume, resulting in a lack of liquidity and high price volatility. There may be a high concentration of market capitalization and trading volume in a small number of issuers representing a limited number of industries as well as a high concentration of investors and financial intermediaries. In addition, securities markets of emerging market countries are subject to the risk that such markets may close, sometimes for extended periods of time, due to market, economic, political, regulatory, geopolitical, environmental, public health, or other conditions.

Practices in relation to settlement of securities transactions in emerging market countries involve higher risks than those in developed countries because brokers and counterparties in such countries may be less well-capitalized and custody and registration of assets in some countries may be unreliable.

Russia, the Middle East, and many other emerging market countries are highly reliant on income from oil sales. Oil prices can have a major impact on these economies. Other commodities such as base and precious metals are also important to these economies. As global supply and demand for commodities fluctuates, these economies can be significantly impacted by the prices of such commodities.

Equity Securities

A Fund may invest in equity securities, such as common stock, that represent an ownership interest, or the right to acquire an ownership interest in an issuer. Common stock generally takes the form of shares in a corporation. The value of a company's stock may fall as a result of factors directly relating to that company, such as decisions made by its management or lower demand for the company's products or services. A stock's value also may fall because of factors affecting not just the company, but also companies in the same industry or in a number of different industries, such as increases in production costs. The value of a company's stock also may be affected by changes in financial markets that are relatively unrelated to the company or its industry, such as changes in interest rates or currency exchange rates. In addition, a company's stock generally pays dividends only after the company invests in its own business and makes required payments to holders of its bonds, other debt and preferred stock. For this reason, the value of a company's stock will usually react more strongly than its bonds, other debt and preferred stock to actual or perceived changes in the company's financial condition or prospects. Stocks of smaller companies may be more vulnerable to adverse developments than those of larger companies. Stocks of companies that the portfolio managers believe are fast-growing may trade at a higher multiple of current earnings than other stocks. The value of such stocks may be more sensitive to changes in current or expected earnings than the values of other stocks.

Different types of equity securities provide different voting and dividend rights and priority in the event of the bankruptcy and/or insolvency of the issuer. In addition to common stock, equity securities may include preferred stock, convertible securities and warrants, which are discussed elsewhere in the Prospectuses and this SAI. Equity securities other than common stock are subject to many of the same risks as common stock, although possibly to different degrees. The risks of equity securities are generally magnified in the case of equity investments in distressed companies.

Foreign Currency Exchange-Related Securities

Foreign Currency Warrants. Foreign currency warrants, such as Currency Exchange WarrantsSM ("CEWsSM"), are warrants that entitle their holders to receive from their issuer an amount of cash (generally, for warrants issued in the U.S., in U.S. dollars) that is calculated pursuant to a predetermined formula and based on the exchange rate between a specified foreign currency and the U.S. dollar as of the exercise date of the warrant. Foreign currency warrants generally are exercisable upon their issuance and expire as of a specific date and time. Foreign currency warrants have been issued in connection with U.S. dollar-denominated debt offerings by major issuers in an attempt to reduce the foreign currency exchange risk that, from the point of view of the prospective purchasers of the securities, is inherent in the international debt obligation marketplace. Foreign currency warrants may attempt to reduce the foreign exchange risk assumed by purchasers of a security by, for example, providing for a supplement payment in the event that the U.S. dollar depreciates against the value of a major foreign currency such as the Japanese yen. The formula used to determine the amount payable upon exercise of a foreign currency warrant may make the warrant worthless unless the applicable foreign currency exchange rate moves in a particular direction (*e.g.*, unless the U.S. dollar appreciates or depreciates against the particular foreign currency to which the warrant is linked or indexed). Foreign currency warrants are severable from the debt obligations with which they may be offered, and may be listed on exchanges. Foreign currency warrants may be exercisable only in certain minimum amounts, and an investor wishing to exercise warrants who possesses less than the minimum number required for exercise may be required either to sell the warrants or to purchase additional warrants, thereby incurring additional transaction costs. In the case of any exercise of warrants, there may be a time delay between the time a holder of warrants gives instructions to exercise and the time the exchange rate relating to exercise is determined, during which time the exchange rate could change significantly, thereby affecting both the market and cash settlement values of the warrants being exercised. The expiration date of the warrants may be accelerated if the warrants should be delisted from an exchange or if their trading should be suspended permanently, which would result in the loss of any remaining "time values" of the warrants (*i.e.*, the difference between the current market value and the exercise value of the warrants), and, if the warrants were "out-of-the-money," in a total loss of the purchase price of the warrants. Warrants are generally unsecured obligations of their issuers and are not standardized foreign currency options issued by the Options Clearing Corporation ("OCC"). Unlike foreign currency options issued by the OCC, the terms of foreign exchange warrants generally will not be amended in the event of government or regulatory actions affecting exchange rates or in the event of the imposition of other regulatory controls affecting the international currency markets. The initial public offering price of foreign currency warrants is generally considerably in excess of the price that a commercial user of foreign currencies might pay in the interbank market for a comparable option involving significantly larger amounts of foreign currencies. Foreign currency warrants are subject to significant foreign exchange risk, including risks arising from complex political or economic factors.

Principal Exchange Rate Linked Securities. Principal exchange rate linked securities ("PERLsSM") are debt obligations the principal on which is payable at maturity in an amount that may vary based on the exchange rate between the U.S. dollar and a particular foreign currency at or about that time. The return on "standard" principal exchange rate linked securities is enhanced if the foreign currency to which the security is linked appreciates against the U.S. dollar, and is adversely affected by increases in the foreign exchange value of the U.S. dollar; "reverse" principal exchange rate linked securities are like "standard" securities, except that their return is enhanced by increases in the value of the U.S. dollar and adversely impacted by increases in the value of foreign currency. Interest payments on the securities are generally made in U.S. dollars at rates that reflect the degree of foreign currency risk assumed or given up by the purchaser of the notes (*i.e.*, at relatively higher interest rates if the purchaser has assumed some of the foreign exchange risk, or relatively lower interest rates if the issuer has assumed some of the foreign exchange risk, based on the expectations of the current market). Principal exchange rate linked securities may in limited cases be subject to acceleration of maturity (generally, not without the consent of the holders of the securities), which may have an adverse impact on the value of the principal payment to be made at maturity.

Performance Indexed Paper. Performance indexed paper ("PIPsSM") is U.S. dollar-denominated commercial paper the yield of which is linked to certain foreign exchange rate movements. The yield to the investor on performance indexed paper is established at maturity as a function of spot exchange rates between the U.S. dollar and a designated currency as of or about that time (generally, the index maturity two days prior to maturity). The yield to the investor will be within a range stipulated at the time of purchase of the obligation, generally with a guaranteed minimum rate of return that is below, and a potential maximum rate of return that is above, market yields on U.S. dollar-denominated commercial paper, with both the minimum and maximum rates of return on the investment corresponding to the minimum and maximum values of the spot exchange rate two business days prior to maturity.

Foreign Currency Transactions

A Fund also may purchase and sell foreign currency options and foreign currency futures contracts and related options (see "— Derivative Instruments" above), and may engage in foreign currency transactions either on a spot (cash) basis at the rate prevailing in the currency exchange market at the time or through forward foreign currency exchange contracts ("forwards") with terms generally of less than one year. A Fund may engage in these transactions in order to protect against uncertainty in the level of future foreign exchange rates in the purchase and sale of securities.

A forward involves an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days from the date of the contract agreed upon by the parties, at a price set at the time of the contract. These contracts may be bought or sold to protect a Fund against a possible loss resulting from an adverse change in the relationship between foreign currencies and the U.S. dollar or to increase exposure to a particular foreign currency. Open positions in forwards used for non-hedging purposes are covered by the segregation of assets of a Fund determined to be liquid by the Manager or the Sub-Adviser in accordance with procedures established by the Board, and are marked to market daily. Although forwards are intended to minimize the risk of loss due to a decline in the value of the hedged currencies, at the same time, they tend to limit any potential gain which might result should the value of such currencies increase. Forwards are used primarily to adjust the foreign exchange exposure of a Fund with a view to protecting the outlook, and a Fund might be expected to enter into such contracts under the following circumstances:

Lock In. When the Manager or the Sub-Adviser desires to lock in the U.S. dollar price on the purchase or sale of a security denominated in a foreign currency.

Direct Hedge. If the Manager or the Sub-Adviser wants to eliminate substantially all of the risk of owning a particular currency, and/or if the Manager or the Sub-Adviser believes that a Fund can benefit from price appreciation in a given country's debt obligations but does not want to hold the currency, it may employ a direct hedge back into the U.S. dollar. In either case, a Fund would enter into a forward contract to sell the currency in which a portfolio security is denominated and purchase U.S. dollars at an exchange rate established at the time it initiated a contract. The cost of the direct hedge transaction may offset most, if not all, of the yield advantage offered by the foreign security, but a Fund would hope to benefit from an increase (if any) in the value of the foreign security.

Proxy Hedge. The Manager or the Sub-Adviser might choose to use a proxy hedge, which may be less costly than a direct hedge. In this case, a Fund, having purchased a security, will sell a currency whose value is believed to be closely linked to the currency in which the security is denominated. Interest rates prevailing in the country whose currency was sold would be expected to be close to those in the United States and lower than those of securities denominated in the currency of the original holding. This type of hedging entails greater risk than a direct hedge because it is dependent on a stable relationship between the two currencies paired as proxies and the relationships can be very unstable at times.

Costs of Hedging. When a Fund purchases a foreign bond with a higher interest rate than is available on U.S. bonds of a similar maturity, the additional yield on the foreign bond could be substantially reduced or lost if the Fund were to enter into a direct hedge by selling the foreign currency and purchasing the U.S. dollar. This is what is known as the "cost" of hedging. Proxy hedging attempts to reduce this cost through an indirect hedge back to the U.S. dollar.

It is important to note that hedging costs are treated as capital transactions and are not, therefore, deducted from a Fund's dividend distribution and are not reflected in its yield.

Tax Consequences of Hedging. Under applicable tax law, a Fund's hedging activities may result in the application of the mark-to-market and straddle provisions, among other provisions, of the Code. Those provisions could result in an increase (or decrease) in the amount of taxable dividends paid by a Fund and could affect whether dividends paid by a Fund are classified as capital gains or ordinary income.

Foreign (Non-U.S.) Securities

A Fund may invest in securities issued by foreign corporate or government issuers. Such foreign securities may be U.S. currency denominated or foreign currency denominated.

A Fund may invest in debt obligations of foreign issuers, consisting of foreign corporate issuers and obligations of foreign governments or their subdivisions, agencies and instrumentalities, international agencies and supranational government entities. A Fund may also invest in debt instruments denominated in U.S. dollars or foreign currencies (of both developed and "emerging market" countries), consisting of obligations of corporations and non-U.S. governments and their respective sub-divisions, agencies and government-sponsored enterprises. A Fund may invest in securities of issuers located in developed countries (regardless of the currency in which such securities are denominated) and of issuers located in "emerging market" countries.

The U.S. dollar-denominated foreign securities in which a Fund may invest include "Eurodollar" obligations and "Yankee Dollar" obligations. Eurodollar obligations are U.S. dollar-denominated certificates of deposit and time deposits issued outside the U.S. capital markets by foreign branches of U.S. banks and by foreign banks. Yankee Dollar obligations are U.S. dollar-denominated obligations issued in the U.S. capital markets by foreign banks. Eurodollar and Yankee Dollar obligations are generally subject to the same risks that apply to domestic debt issues, notably credit risk, market risk and liquidity risk. Additionally, Eurodollar (and to a limited extent, Yankee Dollar) obligations are subject to certain sovereign risks. One such risk is the possibility that a sovereign country might prevent capital, in the form of U.S. dollars, from flowing across its borders. Other risks include adverse political and economic developments; the extent and quality of government regulation of financial markets and institutions; the imposition of foreign withholding or other taxes; and the expropriation or nationalization of foreign issuers.

Investing in the securities of foreign issuers involves special risks and considerations not typically associated with investing in U.S. companies. These include: differences in accounting; auditing and financial reporting standards; generally higher commission rates on foreign portfolio transactions; the possibility of expropriation or confiscatory taxation; adverse changes in investment or exchange control regulations (which may include suspension of the ability to transfer currency from a country or other economic sanctions); political instability which can affect U.S. investments in foreign countries and potential restrictions on the flow of international capital. In addition, foreign securities and dividends and interest payable on those securities may be subject to foreign taxes, including taxes withheld from payments on or proceeds from the disposition of those securities. Foreign securities often trade with less frequency and volume than domestic securities and therefore may exhibit greater price volatility. Changes in foreign exchange rates will affect the value of those securities which are denominated or quoted in currencies other than the U.S. dollar.

Sovereign Debt. Investment in sovereign debt can involve a high degree of risk. The governmental entity that controls the repayment of sovereign debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of the debt. A governmental entity's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the governmental entity's policy toward the International Monetary Fund, and the political constraints to which a governmental entity may be subject. Governmental entities may also depend on expected disbursements from foreign governments, multilateral agencies and others to reduce principal and interest arrearages on their debt. The commitment on the part of these governments, agencies and others to make such disbursements may be conditioned on a governmental entity's implementation of economic reforms and/or economic performance and the timely service of such debtor's obligations. Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties' commitments to lend funds to the governmental entity, which may further impair such debtor's ability or willingness to service its debts in a timely manner. Consequently, governmental entities may default on their sovereign debt. Holders of sovereign debt (including a Fund) may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities. There is no bankruptcy proceeding by which sovereign debt on which governmental entities have defaulted may be collected in whole or in part. The risk of investing in sovereign debt is heightened for emerging market issuers, as certain emerging market countries are among the largest debtors to commercial banks and foreign governments. At times, certain emerging market countries have declared moratoria on the payment of principal and interest on external debt. Certain emerging market countries have experienced difficulty in servicing their sovereign debt on a timely basis, which has led to defaults and the restructuring of certain indebtedness to the detriment of debtholders.

Europe. A number of countries in Europe have experienced severe economic and financial difficulties. Many non-governmental issuers, and even certain governments, have defaulted on, or been forced to restructure, their debts; many other issuers have faced difficulties obtaining credit or refinancing existing obligations; financial institutions have in many cases required government or central bank support, have needed to raise capital, and/or have been impaired in their ability to extend credit; and financial markets in Europe and elsewhere have experienced extreme volatility and declines in asset values and liquidity. These difficulties may continue, worsen or spread within and without Europe. Responses to the financial problems by European governments, central banks and others, including austerity measures and reforms, may not work, may result in social unrest and may limit future growth and economic recovery or have other unintended consequences. Further defaults or restructurings by governments and others of their debt could have additional adverse effects on economies, financial markets and asset valuations around the world. In addition, on January 31, 2020, the United Kingdom formally withdrew from the European Union (commonly known as "Brexit"), and an 11-month transition period commenced during which most European Union law will continue to apply in the United Kingdom while it negotiates its future relationship with the European Union. While the full impact of Brexit is unknown, Brexit has already resulted in volatility in European and global markets. Potential negative long-term effects could include, among others, greater market volatility and illiquidity, disruptions to world securities markets, currency fluctuations, deterioration in economic activity, a decrease in business confidence, and an increased likelihood of a recession in the United Kingdom. Moreover, other countries may seek to withdraw from the European Union and/or abandon the euro, the common currency of the European Union. A number of countries in Europe have suffered terror attacks, and additional attacks may occur in the future. Ukraine has experienced ongoing military conflict; this conflict may expand and military attacks could occur elsewhere in Europe. Europe has also been struggling with mass migration from the Middle East and Africa. The ultimate effects of these events and other socio-political or geopolitical issues are not known but could profoundly affect global economies and markets. Whether or not a Fund invests in securities of issuers located in Europe or with significant exposure to European issuers or countries, these events could negatively affect the value and liquidity of the Fund's investments.

Investment in China. Investing in the Chinese securities markets is subject to both emerging market risks as well as country specific risks. Political changes, restrictions on currency exchange, exchange monitoring, taxes, limitations on foreign capital investments and capital repatriation can also affect investment performance.

While the number of available share issues continues to increase, availability remains limited as compared with the choices available in other developed financial markets. This can impact the level of liquidity in the shares markets which in turn can lead to price volatility.

The legal and regulatory framework for capital markets and joint stock companies in China is less developed when compared with those of developed countries. In addition, Chinese accounting standards may differ from international accounting standards. Investment in Chinese securities may involve certain custodial risks. For example, the evidence of title of exchange traded securities in the People's Republic of China ("PRC") consists only of electronic book-entries in the depository and/or registry associated with the relevant exchange. These arrangements of the depositories and registries are new and not fully tested with regard to their efficiency, accuracy and security.

Investment in mainland China remains sensitive to any major change in economic, social and political policy in the PRC. The capital growth and thus the performance of these investments may be adversely affected due to such sensitivity. The PRC government's control of future movements in exchange rates and currency conversion may have an adverse impact on the operations and financial results of the companies in which the Fund invests.

With the potential uncertainty concerning the tax treatment of investments in Chinese securities, the possibility of tax rules being changed and the possibility of taxes or tax liabilities being applied retroactively, any provisions for taxation made by the relevant Fund at any time may prove to be excessive or inadequate to meet any eventual tax liabilities. Consequently, investors may be advantaged or disadvantaged depending on the position of the Chinese tax authorities in the future and the level of tax provisions proving to be either excessive or inadequate when they invest in the Fund.

Under the prevailing PRC tax policy, there are certain tax incentives available to PRC companies with foreign investments. However, there is no assurance that tax incentives currently offered to foreign companies will not be abolished in the future. Moreover, there is a possibility that the tax laws, regulations and practice in the PRC may be subject to change and that such changes may have retrospective effect. In addition, by investing in Chinese securities including China A-Shares and China B-Shares (indirectly), the Fund may be subject to withholding and other taxes imposed in the PRC which cannot be eliminated by any applicable double taxation treaty.

Investment via Stock Connect. A Fund may invest in China A-Shares or China B-Shares provided that such investment is in accordance with the requirements of the relevant regulatory authorities in the People's Republic of China ("PRC"). Currently, shares of Chinese companies listed on PRC Stock Exchanges include China A-Shares denominated and traded in Renminbi and China B-shares denominated in Renminbi but traded in either US Dollars or Hong Kong Dollars.

Currently, foreign investors may only invest in China A-Shares and the PRC domestic securities market: (1) through quotas approved under the Qualified Foreign Institutional Investor Regulations; (2) through the Shanghai Hong Kong Stock Connect Scheme and Shenzhen Hong Kong Stock Connect Scheme (the "Connect Schemes"); or (3) as a strategic investor under applicable PRC regulations. Foreign investors may invest in China B-Shares directly. It is anticipated that the Fund's exposure to China A-Shares listed on the Shanghai Stock Exchange ("SSE") and Shenzhen Stock Exchange ("SZSE") will be obtained directly via the Connect Schemes and exposure to China A-Shares listed on other exchanges and China B-Shares will be obtained through indirect exposure through investment in participation notes.

The Shanghai Hong Kong Stock Connect Scheme is a securities trading and clearing linked program developed by the Stock Exchange of Hong Kong ("SEHK"), Hong Kong Exchanges and Clearing Limited

("HKEx"), SSE, and China Securities Depository and Clearing Corporation Limited ("ChinaClear") and the Shenzhen Hong Kong Stock Connect Scheme is a securities trading and clearing linked program developed by SEHK, HKEx and the SZSE and ChinaClear. The aim of the Connect Schemes is to achieve mutual stock market access between mainland China and Hong Kong.

The Shanghai Hong Kong Stock Connect Scheme enables Hong Kong and overseas investors to invest in China A-Shares listed in the SSE ("SSE Securities") through their Hong Kong brokers and a securities trading service company established by SEHK using the Northbound Shanghai Trading Link. Under the Northbound Shanghai Trading Link, investors, through their Hong Kong brokers and a securities trading service company established by the SEHK, may be able to trade SSE Securities, listed on the SSE, subject to the rules of the Shanghai Hong Kong Stock Connect Scheme. SSE Securities include shares listed on the SSE that are (a) constituent stocks of SSE 180 Index; (b) constituent stocks of SSE 380 Index; (c) China A-Shares listed on the SSE that are not constituent stocks of the SSE 180 Index or SSE 380 Index but which have corresponding China H-Shares accepted for listing and trading on SEHK, provided that: (i) they are not traded on the SSE in currencies other than RMB, and (ii) they are not under risk alert. SEHK may include or exclude securities as SSE Securities and may change the eligibility of shares for trading on the Northbound Shanghai Trading Link.

The Shenzhen Hong Kong Stock Connect enables Hong Kong and overseas investors to invest in China A-Shares listed in the SZSE ("SZSE Securities") through their Hong Kong brokers and a securities trading service company established by SEHK using the Northbound Shenzhen Trading Link. Under the Northbound Shenzhen Trading Link, through their Hong Kong brokers and a securities trading service company established by SEHK, may be able to trade SZSE Securities, listed on the SZSE, subject to the rules of the Shenzhen Hong Kong Stock Connect Scheme. SZSE Securities include (a) all the constituent stocks of the SZSE Component Index and SZSE Small/Mid Cap Innovation Index which has a market capitalization of not less than RMB 6 billion, and (b) China A-Shares listed on the SZSE which have corresponding China H-Shares accepted for listing and trading on SEHK, provided that: (i) they are not traded on the SZSE in currencies other than RMB, and (ii) they are not under risk alert or under delisting arrangement.

At the initial stage of the Shenzhen Hong Kong Stock Connect, investors eligible to trade shares that are listed on the ChiNext Board under Northbound trading will be limited to institutional professional investors as defined in the relevant Hong Kong rules and regulations.

SEHK may include or exclude securities as SZSE Securities and may change the eligibility of shares for trading on the Northbound Shenzhen Trading Link.

Under the Connect Schemes, the Hong Kong Securities Clearing Company Limited ("HKSCC"), a wholly-owned subsidiary of HKEx, will be responsible for the clearing, settlement and provision of depository, nominee and other related services of the trades executed by Hong Kong market participants and investors.

The relevant rules and regulations on Stock Connect (the "Connect Schemes") are subject to change which may have potential retrospective effect. The Connect Schemes are subject to quota limitations. Where a suspension in the trading through the program is effected, the Fund's ability to invest in China A-Shares or access the PRC market through the program will be adversely affected. In such event, the Fund's ability to achieve its investment objective could be negatively affected.

Trading under the Connect Schemes will be subject to a daily quota ("Daily Quota"). The Northbound Shanghai Trading Link under the Shanghai-Hong Kong Stock Connect Scheme, Northbound Shenzhen Trading Link under the Shenzhen-Hong Kong Stock Connect Scheme, Southbound Hong Kong Trading Link under the Shanghai-Hong Kong Stock Connect Scheme and Southbound Hong Kong Trading Link under the Shenzhen-Hong Kong Stock Connect Scheme will be respectively subject to a separate set of Daily Quota. The Daily Quota limits the maximum net buy value of cross-boundary trades under each of the Connect Schemes each day. The Northbound Daily Quota is currently set at RMB13 billion for each of the Connect Schemes as of the date of this SAI. The Stock Exchange of Hong Kong ("SEHK") will monitor the quota and publish the remaining balance of the Northbound Daily Quota at scheduled times on the HKEx's website.

Once the remaining balance of the Northbound Daily Quota drops to zero or the Northbound Daily Quota is exceeded during the opening call session, new buy orders will be rejected (though investors will be allowed to sell their cross-boundary securities regardless of the quota balance). Therefore, quota limitations may restrict a Fund's ability to invest in China A-Shares through the Connect Schemes on a timely basis, and a Fund may not be able to effectively pursue its investment strategies.

The SSE Securities and SZSE Securities in respect of a Fund are held by the Depositary in accounts in the Central Clearing and Settlement System ("CCASS") maintained by the HKSCC as central securities depositary in Hong Kong. HKSCC in turn holds the SSE Securities and SZSE Securities, as the nominee holder, through an omnibus securities account in its name registered with ChinaClear for each of the Connect Schemes. The precise nature and rights of a Fund as the beneficial owners of the SSE Securities and SZSE Securities through HKSCC as nominee is not well defined under PRC law. There is lack of a clear definition of, and distinction between, "legal ownership" and "beneficial ownership" under PRC law and there have been few cases involving a nominee account structure in the PRC courts. Therefore, the exact nature and methods of enforcement of the rights and interests of a Fund under PRC law is uncertain. Because of this uncertainty, in the unlikely event that HKSCC becomes subject to winding up proceedings in Hong Kong it is not clear if the SSE Securities and SZSE Securities will be regarded as held for the beneficial ownership of a Fund or as part of the general assets of HKSCC available for general distribution to its creditors.

The HKSCC and ChinaClear have established the clearing links and each is a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house.

Should the remote event of ChinaClear default occur and ChinaClear be declared as a defaulter, HKSCC's liabilities in Northbound trades under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against ChinaClear. HKSCC will, in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or through ChinaClear's liquidation. In that event, a Fund may suffer delay in the recovery process or may not be able to fully recover its losses from ChinaClear.

Hong Kong and overseas investors will trade and settle SSE Securities and SZSE Securities in RMB only. Hence, a Fund will need to use RMB to trade and settle SSE Securities and SZSE Securities.

Investment through the Connect Schemes is conducted through brokers, and is subject to the risks of default by such brokers' in their obligations.

A Fund's investments through Northbound trading under the Connect Schemes are not covered by Hong Kong's Investor Compensation Fund.

Hong Kong's Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorized financial institution in relation to exchange-traded products in Hong Kong.

Since default matters in the Northbound Trading Link via the Connect Schemes does not involve products listed or traded in SEHK or Hong Kong Futures Exchange Limited, they will not be covered by the Investor Compensation Fund.

On the other hand, since a Fund is carrying out Northbound trading through securities brokers in Hong Kong but not the PRC brokers, therefore, it is not protected by the China Securities Investor Protection Fund.

Notwithstanding the fact that HKSCC does not claim proprietary interests in the SSE Securities and SZSE Securities held in its omnibus stock account in ChinaClear, ChinaClear as the share registrar for SSE and SZSE listed companies will still treat HKSCC as one of the shareholders when it handles corporate actions in respect of such SSE Securities and SZSE Securities.

HKSCC will monitor the corporate actions affecting SSE Securities and SZSE Securities and keep the relevant brokers or custodians participating in CCASS ("CCASS participants") informed of all such corporate actions that require CCASS participants to take steps in order to participate in them.

SSE-/SZSE-listed companies usually announce information regarding their annual general meetings/ extraordinary general meetings about two to three weeks before the meeting date. A poll is called on all resolutions for all votes. HKSCC will advise CCASS participants of all general meeting details such as meeting date, time, venue and the number of resolutions.

The HKSCC will keep CCASS participants informed of corporate actions of SSE Securities and SZSE Securities (as defined above). Where the articles of association of a listed company do not prohibit the appointment of proxy/multiple proxies by its shareholder, HKSCC will make arrangements to appoint one or more investors as its proxies or representatives to attend shareholders' meetings when instructed. Further, investors (with holdings reaching the thresholds required under the PRC regulations and the articles of associations of listed companies) may, through their CCASS participants, pass on proposed resolutions to listed companies via HKSCC under the CCASS rules. HKSCC will pass on such resolutions to the companies as shareholder on record if so permitted under the relevant regulations and requirements. Hong Kong and overseas investors (including the Fund) are holding SSE Securities and SZSE Securities traded via the Connect Schemes through their brokers or custodians, and they will need to comply with the arrangement and deadline specified by their respective brokers or custodians (i.e. CCASS participants). The time for them to take actions for some types of corporate actions of SSE Securities and SZSE Securities may be very short. Therefore, it is possible that a Fund may not be able to participate in some corporate actions in a timely manner.

China Securities Regulatory Commission ("CSRC") stipulates that, when holding China A-Shares through the Connect Schemes, Hong Kong and overseas investors are subject to the following shareholding restrictions: (i) shares held by a single foreign investor (such as a Fund) investing in a listed company must not exceed 10% of the total issued shares of such listed company; and (ii) total shares held by all foreign investors (i.e. Hong Kong and overseas investors) who make investment in a listed company must not exceed 30% of the total issued shares of such listed company.

When the aggregate foreign shareholding of an individual China A-Shares reaches 26%, SSE or SZSE, as the case may be, will publish a notice on its website. If the aggregate foreign shareholding exceeds the 30% threshold, the foreign investors concerned will be requested to sell the shares on a last-in-first-out basis within five trading days.

The Connect Schemes provide a channel for investors from Hong Kong and overseas to access the China stock markets directly.

The Connect Schemes are premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in this program subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house.

Market participants generally have configured and adapted their operational and technical systems for the purpose of trading China A-Shares through the Connect Schemes. However, it should be appreciated that the securities regimes and legal systems of the two markets differ significantly and in order for the program to operate, market participants may need to address issues arising from the differences on an on-going basis.

Further, the "connectivity" in the Connect Schemes requires routing of orders across the border. SEHK has set up an order routing system ("China Stock Connects System") to capture, consolidate and route the cross boundary orders input by exchange participants. There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems failed to function properly, trading in both markets through the programme could be disrupted. A Fund's ability to access the China A-Share market will be adversely affected.

The Connect Schemes will be subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in the PRC and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Connect Schemes.

It should be noted that the current regulations and rules on the Connect Schemes are subject to change which may have potential retrospective effect. There can be no assurance that the Connect Schemes will not be abolished. A Fund, which may invest in the PRC markets through the Connect Schemes, may be adversely affected as a result of such changes.

Each of the SEHK, SSE and SZSE reserves the right to suspend Northbound and/or Southbound trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension in the

Northbound trading through the Connect Schemes is effected, a Fund's ability to access to the PRC market will be adversely affected. Restrictions on selling imposed by front-end monitoring PRC regulations require that before an investor sells any share, there should be sufficient shares in the account; otherwise SSE or SZSE will reject the sell order concerned.

SEHK will carry out pre-trade checking on China A-Shares sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling.

Generally, if a Fund desires to sell certain China A-Shares it holds, it must transfer those China A-Shares to the respective accounts of its brokers before the market opens on the day of selling ("trading day"). If it fails to meet this deadline, it will not be able to sell those shares on the trading day. Because of this requirement, a Fund may not be able to dispose of holdings of China A-Shares in a timely manner.

However, a Fund may request a custodian to open a special segregated account ("SPSA") in CCASS to maintain its holdings in China A-Shares under the enhanced pre-trade checking model. Each SPSA will be assigned a unique "Investor ID" by CCASS for the purpose of facilitating China Stock Connects System to verify the holdings of an investor such as a Fund. Provided that there is sufficient holding in the SPSA when a broker inputs a Fund's sell order, a Fund will be able to dispose of its holdings of China A-Shares (as opposed to the practice of transferring China A-Shares to the broker's account under the current pre-trade checking model for non-SPSA accounts). Opening of the SPSA accounts for a Fund will enable it to dispose of its holdings of China A-Shares in a timely manner.

The Connect Schemes will only operate on days when both the PRC and the Hong Kong stock markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the PRC stock markets but Hong Kong investors cannot carry out any China A-Shares trading due to the differences in trading days, a Fund may be subject to a risk of price fluctuations in China A-Shares on a day that the PRC stock markets are open for trading but the Hong Kong stock market is closed.

When a stock is recalled from the scope of eligible stocks for trading via the Connect Schemes, the stock can only be sold but restricted from being bought. This may affect the investment portfolio or strategies of a Fund, for example, when a Fund wishes to purchase a stock which is recalled from the scope of eligible stocks.

Stocks listed on SME Board and/or ChiNext Board may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.

The rules and regulations regarding companies listed on ChiNext Board are less stringent in terms of profitability and share capital than those in the Main Board and SME Board.

It may be more common and faster for companies listed on the SME Board and/or ChiNext Board to delist. This may have an adverse impact on a Fund if the companies that it invests in are delisted.

Investments in the SME Board and/or ChiNext Board may result in significant losses for a Fund and its investors.

A Fund's investments in foreign currency-denominated debt obligations and hedging activities will likely produce a difference between its book income and its taxable income. This difference may cause a portion of a Fund's income distributions to constitute returns of capital for tax purposes or require a Fund to make distributions exceeding book income to qualify as a "regulated investment company" under the Code, for federal income tax purposes and avoid an entity-level tax.

Investment Bond Connect

A Fund may invest in the China Interbank Bond market via the CIBM Initiative, Bond Connect and subject to any other rules and regulations and administrative procedures as promulgated by the Mainland Chinese authorities. Under the prevailing regulations in the Peoples Republic of China, foreign institutional investors who wish to invest directly in China Interbank Bond Market ("CIBM") may do so via an onshore settlement agent (as in the CIBM Initiative) or offshore custody agent (as in Bond Connect) and such agent will carry out the relevant filings and account opening with the relevant authorities. There are distinct operational and regulatory risks inherent in investing in debt instruments traded on the CIBM in addition to the risks typically associated with investments in emerging market countries. The prices of debt instruments traded on the CIBM may fluctuate significantly due to low trading volume and potential lack of liquidity. The rules to access debt instruments that trade on the CIBM through Bond Connect are relatively new and subject to change, which may adversely affect the Fund's ability to invest in these instruments and to enforce its rights as a beneficial owner of these instruments. Trading through Bond Connect is subject to a number of restrictions that may affect the Fund's investments and returns. In addition, securities offered through Bond Connect may lose their eligibility for trading through the program at any time, in which case it is expected that they may be sold but can no longer be purchased through Bond Connect. There can be no assurance as to the program's continued existence or whether future developments regarding the program may restrict or adversely affect the Fund's investments or returns.

Investments made through Bond Connect are subject to order, clearance and settlement procedures that are relatively untested in China, which could pose risks to the Fund. CIBM does not support all trading strategies (such as short selling) and investments in Chinese debt instruments that trade on the CIBM are subject to the risks of suspension of trading without cause or notice, trade failure or trade rejection and default of securities depositories and counterparties. Furthermore, Chinese debt instruments purchased via Bond Connect will be held via a book entry omnibus account in the name of the Hong Kong Monetary Authority Central Money Markets Unit ("CMU") maintained with a China-based depository (either the China Central Depository & Clearing Co. ("CDCC") or the Shanghai Clearing House ("SCH")). The Fund's ownership interest in these Chinese debt instruments will not be reflected directly in book entry with CDCC or SCH and will instead only be reflected on the books of the Fund's Hong Kong sub-custodian. Therefore, the Fund's ability to enforce its rights as a bondholder may depend on CMU's ability or willingness as record-holder of the bonds to enforce the Fund's rights as a bondholder. Additionally, the omnibus manner in which Chinese debt instruments are held could expose the Fund to the credit risk of the relevant securities depositories and the Fund's Hong Kong sub-custodian. While the Fund holds a beneficial interest in the instruments it acquires through Bond Connect, the mechanisms that beneficial owners may use to enforce their rights are untested. In addition, courts in China have limited experience in applying the concept of beneficial ownership. Moreover, Chinese debt instruments acquired through Bond Connect generally may not be sold, purchased or otherwise transferred other than through Bond Connect in accordance with applicable rules.

The Fund's investments in Chinese debt instruments acquired through Bond Connect are generally subject to a number of regulations and restrictions, including Chinese securities regulations and listing rules, loss recovery limitations and disclosure of interest reporting obligations. The Fund will not benefit from access to Hong Kong investor compensation funds, which are set up to protect against defaults of trades, when investing through Bond Connect. Bond Connect can only operate when both China and Hong Kong markets are open for trading and when banking services are available in both markets on the corresponding settlement days. In addition, the trading, settlement and IT systems required for non-Chinese investors in Bond Connect are relatively new. In the event of systems malfunctions or extreme market conditions, trading via Bond Connect could be disrupted. The rules applicable to taxation of Chinese debt instruments acquired through Bond Connect remain subject to further clarification. Uncertainties in the Chinese tax rules governing taxation of income and gains from investments via Bond Connect could result in unexpected tax liabilities for the Fund, which may negatively affect investment returns for shareholder.

Bond Connect trades are settled in Renminbi, and investors must have timely access to a reliable supply of Renminbi in Hong Kong, which cannot be guaranteed.

Investments in the Middle East. The economies of the countries in the Middle East are all considered emerging market economies and tend to be highly reliant on the exportation of commodities. Many Middle Eastern economies have little or no democratic tradition and are led by family structures. Opposition parties are often banned, leading to dissidence and militancy. Such developments, if they were to occur, could result in significant disruptions in securities markets. Certain Middle Eastern countries have strained relations with other Middle Eastern countries due to territorial disputes, historical animosities, international alliances, defense concerns or other reasons, which may adversely affect the economies of these Middle Eastern countries. Certain Middle Eastern countries may be heavily dependent upon international trade and, consequently, have been and may continue to be negatively affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed by the countries with which they trade. In addition, certain issuers in Middle Eastern countries in which a Fund invests may operate in, or have dealings with, countries subject to sanctions and/or embargoes imposed by the U.S. government as state sponsors of terrorism. As a result, an issuer may sustain damage to its reputation if it is identified as an issuer operating in, or having dealings with, such countries.

The manner in which foreign investors may invest in companies in certain Middle Eastern countries, as well as limitations on those investments, may have an adverse impact on the operations of a Fund. For example, in certain of these countries, a Fund may be required to invest initially through a local broker or other entity and then have the shares that were purchased re-registered in the name of the Fund. Re-registration in some instances may not be possible on a timely basis. This may result in a delay during which the Fund may be denied certain of its rights as an investor, including rights as to dividends or to be made aware of certain corporate actions. There also may be instances where the Fund places a purchase order but is subsequently informed, at the time of re-registration, that the permissible allocation of the investment to foreign investors has been filled.

Investments in Saudi Arabia. A Fund generally expects to conduct its transactions in a manner in which it would not be limited by regulations to a single broker. However, there may be a limited number of brokers who can provide services to the fund in Saudi Arabia, which may have an adverse impact on the prices, quantity or timing of fund transactions.

A Fund's ability to invest in Saudi Arabian equity securities depends on the ability of the Manager, as a Foreign Portfolio Manager, and the Fund, as a Qualified Foreign Investor ("QFI"), to obtain and maintain such authorizations from the Saudi Arabia Capital Market Authority ("CMA"). Even though a Fund may obtain a QFI approval, the Fund does not have an exclusive investment quota and is subject to foreign investment limitations and other regulations imposed by the CMA on QFIs, as well as local market participants. Any change in the QFI system generally, including the possibility of the Manager or the Fund losing its respective Foreign Portfolio Manager and QFI status by the CMA, may adversely affect the Fund.

The Fund is required to use a trading account to buy and sell securities in Saudi Arabia. This trading account can be held directly with a broker, or held with a custodian, which is known as the Independent Custody Model ("ICM"). The ICM approach is generally regarded as preferable because securities are under the safe keeping and control of the custodian and would be recoverable in the event of the bankruptcy of the custodian. When a Fund utilizes the ICM approach, it relies on a broker standing instruction letter to authorize the Fund's sub-custodian to move securities to a trading account for settlement, based on the details supplied by the broker. However, an authorized broker could potentially either fraudulently or erroneously sell a Fund's securities, although opportunities for a local broker to conduct fraudulent transactions are limited due to short trading hours (trading hours in Saudi Arabia are generally between 10 a.m. to 3 p.m.) In addition, the risk of fraudulent or erroneous transactions are further mitigated by a manual pre-matching process conducted by the custodian, which validates the Fund's settlement instructions with the local broker contract note and the transaction report from the depository. Similar risks also apply to using a direct broker trading account. When a Fund utilizes a direct broker trading account, the account is set up in the Fund's name, and the assets are likely to be treated as ring-fenced and separated from any other accounts at the broker. However, if the broker defaults, there may be a delay to recovering the Fund's assets that are held in the broker account and legal proceedings may need to be initiated in order to do so.

High Yield Securities

Investments in high yield securities and instruments generally provide greater income and increased opportunity for capital appreciation than investments in higher quality securities, but they also typically entail greater price volatility and principal and income risk, including the possibility of issuer default and bankruptcy. High yield securities and instruments are regarded as predominantly speculative with respect to the issuer's continuing ability to meet principal and interest payments. Debt securities and instruments in the lowest investment grade category also may be considered to possess some speculative characteristics by certain rating agencies. In addition, analysis of the creditworthiness of issuers of high yield securities and instruments may be more complex than for issuers of higher quality securities.

High yield securities and instruments may be more susceptible to real or perceived adverse economic and competitive industry conditions than investment grade securities. A projection of an economic downturn or of a period of rising interest rates, for example, could cause a decline in high yield security prices because the advent of a recession could lessen the ability of an issuer to make principal and interest payments on its debt obligations. If an issuer of high yield securities and instruments defaults, in addition to risking non-payment of all or a portion of interest and principal, a Fund may incur additional expenses to seek recovery. The market prices of high yield securities and instruments structured as zero-coupon, step-up or payment-in-kind securities will normally be affected to a greater extent by interest rate changes, and therefore tend to be more volatile than the prices of securities that pay interest currently and in cash. Barings seeks to reduce these risks through diversification, credit analysis and attention to current developments and trends in both the economy and financial markets.

The secondary market on which high yield securities and instruments are traded may be less liquid than the market for investment grade securities. Less liquidity in the secondary trading market could adversely affect the price at which a Fund could sell a high yield security or instrument, and could adversely affect the net asset value of the shares. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the values and liquidity of high yield securities and instruments, especially in a thinly-traded market. When secondary markets for high yield securities and instruments are less liquid than the market for investment grade securities, it may be more difficult to value the securities or instruments because such valuation may require more research, and elements of judgment may play a greater role in the valuation because there is less reliable, objective data available. During periods of thin trading in these markets, the spread between bid and asked prices is likely to increase significantly and a Fund may have greater difficulty selling its portfolio securities. A Fund will be more dependent on the Manager's and the Sub-Adviser's research and analysis when investing in high yield securities and instruments. Barings seeks to minimize the risks of investing through in-depth credit analysis and attention to current developments in interest rates and market conditions.

A general description of the ratings of securities by certain credit rating agencies is set forth in Appendix A to this SAI. The ratings of credit rating agencies represent their opinions as to the quality of the securities they rate. It should be emphasized, however, that ratings are general and are not absolute standards of quality. Consequently, debt obligations with the same maturity, coupon and rating may have different yields while obligations with the same maturity and coupon with different ratings may have the same yield. For these reasons, the use of credit ratings as the sole method of evaluating high yield securities and instruments can involve certain risks. For example, credit ratings evaluate the safety of principal and interest payments, not the market value risk of high yield securities and instruments. Also, credit rating agencies may fail to change credit ratings in a timely fashion to reflect events since the security or instrument was last rated. Barings does not rely solely on credit ratings when selecting securities and instruments for a Fund, and develops its own independent analysis of issuer credit quality.

A Fund's credit quality policies apply only at the time a security or instrument is purchased, and a Fund is not required to dispose of a security or instrument in the event that a credit rating agency, the Manager or the Sub-Adviser downgrades its assessment of the credit characteristics of a particular issue. In determining whether to retain or sell such a security or instrument, Barings may consider such factors as Barings' assessment of the credit quality of the issuer of such security or instrument, the price at which such security could be sold and the rating, if any, assigned to such security or instrument by other rating agencies. However, analysis of creditworthiness may be more complex for issuers of high yield securities and instruments than for issuers of higher quality debt securities.

Investments in Equity Securities

A Fund may hold or have exposure to equity securities of issuers of any size (in terms of market capitalization or otherwise) and in any industry or sector. Because a Fund may have exposure to equity securities, historical trends would indicate that the Fund's portfolio and investment returns will be subject at times, and over time, to higher levels of volatility and market and issuer-specific risk than if it invested exclusively in debt securities, although under certain market conditions debt securities may have comparable or greater price volatility. An adverse event, such as an unfavorable earnings report, may depress the value of a particular equity security held by a Fund. Also, the price of an equity security, particularly a common stock, is sensitive to general movements in the stock market. A decline in the stock market may depress the price of equity securities held by a Fund. The value of a company's preferred stock may fall as a result of factors relating directly to that company's products or services. A preferred stock's value may also fall because of factors affecting not just the company, but companies in the same industry or in a number of different industries, such as increases in production costs. The value of preferred stocks may also be affected by changes in financial markets that are relatively unrelated to the company or its industry, such as changes in interest rates or currency exchange rates.

LIBOR Replacement

Many financial instruments use or may use a floating rate based on LIBOR, which is the offered rate for short-term Eurodollar deposits between major international banks. On July 27, 2017, the head of the United Kingdom's Financial Conduct Authority announced a desire to phase out the use of LIBOR by the end of 2021. There remains uncertainty regarding the future utilization of LIBOR and the nature of any replacement rate. As such, the potential effect of a transition away from LIBOR on a Fund or the financial instruments in which a Fund invests cannot yet be determined. The transition process might lead to increased volatility and illiquidity in markets that currently rely on LIBOR to determine interest rates. 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. Such investments may include bank loans, derivatives, floating rate securities, and other assets or liabilities tied to LIBOR. Since the usefulness of LIBOR as a benchmark could deteriorate during the transition period, these effects could occur prior to the end of 2021.

Actions by regulators have resulted in the establishment of alternative reference rates to LIBOR in most major currencies. The U.S. Federal Reserve, based on the recommendations of the New York Federal Reserve's Alternative Reference Rate Committee (composed of major derivative market participants and their regulators), has begun publishing a Secured Overnight Funding Rate (SOFR), which 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 rates. Questions around liquidity impacted by these rates, and how to appropriately adjust these rates at the time of transition, remain a concern for the Funds.

The effect of any changes to, or discontinuation of, LIBOR on the Funds will vary depending, among other things, on (1) existing fallback or termination provisions in individual contracts and (2) whether, how, and when industry participants develop and adopt new reference rates and fallbacks for both legacy and new products and instruments. Accordingly, it is difficult to predict the full impact of the transition away from LIBOR on the Funds until new reference rates and fallbacks for both legacy and new products, instruments and contracts are commercially accepted.

Loan Participations and Assignments

A Fund may purchase participations in commercial loans. Such indebtedness may be secured or unsecured. Loan participations typically represent direct participations in a loan to a corporate borrower, and generally are offered by banks or other financial institutions or lending syndicates. A Fund may participate in such syndications, or can buy part of a loan, becoming a part lender. When purchasing loan participations, a Fund assumes the credit risk associated with the corporate borrower and assumes the credit risk associated with an interposed bank or other financial intermediary. The participation interests in which a Fund invests may not be rated by any nationally recognized rating service.

A loan is often administered by an agent bank acting as agent for all holders. The agent bank administers the terms of the loan, as specified in the loan agreement. In addition, the agent bank is normally responsible for the collection of principal and interest payments from the corporate borrower and the apportionment of these payments to the credit of all institutions which are parties to the loan agreement. Unless, under the terms of the loan or other indebtedness, a Fund has direct recourse against the corporate borrower, the Fund may have to rely on the agent bank or other financial intermediary to apply appropriate credit remedies against a corporate borrower.

A financial institution's employment as agent bank might be terminated in the event that it fails to observe a requisite standard of care or becomes insolvent. A successor agent bank would generally be appointed to replace the terminated agent bank, and assets held by the agent bank under the loan agreement should remain available to holders of such indebtedness. However, if assets held by the agent bank for the benefit of a Fund were determined to be subject to the claims of the agent bank's general creditors, the Fund might incur certain costs and delays in realizing payment on a loan or loan participation and could suffer a loss of principal and/or interest. In situations involving other interposed financial institutions (*e.g.,* an insurance company or government agency) similar risks may arise.

Purchasers of loans and other forms of direct indebtedness depend primarily upon the creditworthiness of the corporate borrower for payment of principal and interest. If a Fund does not receive scheduled interest or principal payments on such indebtedness, the Fund's market price, net asset value and yield could be adversely affected. Loans that are fully secured offer a Fund more protection than an unsecured loan in the event of non-payment of scheduled interest or principal. However, there is no assurance that the liquidation of collateral from a secured loan would satisfy the corporate borrower's obligation, or that the collateral can be liquidated.

A Fund may invest in loan participations with credit quality comparable to that of issuers of its securities investments. Indebtedness of companies whose creditworthiness is poor involves substantially greater risks, and may be highly speculative. Some companies may never pay off their indebtedness, or may pay only a small fraction of the amount owed. Consequently, when investing in indebtedness of companies with poor credit, a Fund bears a substantial risk of losing the entire amount invested.

Each Fund limits the amount of its total assets that it invests in any one issuer or in issuers within the same industry or group of industries (see "Investment Restrictions" below). For purposes of these limits, each Fund generally treats the corporate borrower as the "issuer" of indebtedness held by the Fund. In the case of loan participations where a bank or other lending institution serves as a financial intermediary between a Fund and the corporate borrower, if the participation does not shift to the Fund the direct debtor-creditor relationship with the corporate borrower, SEC interpretations may require the Fund to treat both the lending bank or other lending institution and the corporate borrower as "issuers" for the purposes of determining whether the Fund has invested more than 5% of its total assets in a single issuer. Treating a financial intermediary as an issuer of indebtedness may restrict a Fund's ability to invest in indebtedness related to a single financial intermediary, or a group of intermediaries engaged in the same industry, even if the underlying borrowers represent many different companies and industries.

Loans and other types of direct indebtedness may not be readily marketable and may be subject to restrictions on resale. In some cases, negotiations involved in disposing of indebtedness may require weeks to complete. Consequently, some indebtedness may be difficult or impossible to dispose of readily at what the Manager or the Sub-Adviser believes to be a fair price. In addition, valuation of illiquid indebtedness involves a greater degree of judgment in determining a Fund's net asset value than if that value were based on available market quotations. At the same time, many loan interests are traded among certain financial institutions and accordingly may be deemed liquid. As the market for different types of indebtedness continues to develop, the liquidity of these instruments is expected to continue to improve. Investments in loan participations, whether purchased at origination or as a member of the loan syndicate or in the secondary market, are considered to be debt obligations for purposes of a Fund's investment restriction relating to the lending of funds or assets.

Investments in loans through a direct assignment of the financial institution's interests with respect to the loan may involve additional risks to a Fund. For example, if a loan is foreclosed, a Fund could become part owner of any collateral, and would bear the costs and liabilities associated with owning and disposing of the collateral. In addition, it is conceivable that, under emerging legal theories of lender liability, a Fund could be held liable as co-lender. It is unclear whether loans and other forms of direct indebtedness offer securities law protections against fraud and misrepresentation. In the absence of definitive regulatory guidance, each Fund relies on Barings' research in an attempt to avoid situations where fraud or misrepresentations could adversely affect the Fund.

Mortgage- and Asset-Backed Securities. Mortgage-backed securities represent a participation in, or are secured by, mortgage loans. Asset-backed securities are structured like mortgage-backed securities, but instead of mortgage loans or interests in mortgage loans, the underlying assets may include such items as motor vehicle installment sales or installment loan contracts, leases of various types of real and personal property, receivables from credit card agreements, home equity loans, and student loans. Asset-backed securities may also include collateralized debt obligations as described below.

A Fund may invest in mortgage-backed securities issued or guaranteed by (i) U.S. Government agencies or instrumentalities such as GNMA (also known as Ginnie Mae), the Federal National Mortgage Association ("FNMA") (also known as Fannie Mae), and the Federal Home Loan Mortgage Corporation ("FHLMC") (also known as Freddie Mac) or (ii) other issuers, including private companies. Under the Federal Housing Finance Agency's "Single Security Initiative," Fannie Mae and Freddie Mac have entered into a joint initiative to develop a common securitization platform for the issuance of Uniform Mortgage-Backed Securities ("UMBS"), which would generally align the characteristics of Fannie Mae and Freddie Mac mortgage-backed securities. In June 2019 Fannie Mae and Freddie Mac started to issue UMBS in place of their current offerings of TBA-eligible mortgage-backed securities. The effect of the issuance of UMBS on the market for mortgage-backed securities is uncertain. Privately issued mortgage-backed securities may include securities backed by commercial mortgages, which are mortgages on commercial, rather than residential, real estate. Privately issued mortgage-backed securities are not traded on an exchange and there may be a limited market for the securities, especially when there is a perceived weakness in the mortgage and real estate market sectors. Without an active trading market, mortgage-backed securities held in a Fund's portfolio may be particularly difficult to value because of the complexities involved in assessing the value of the underlying mortgage loans. There is no assurance that the U.S. Government would provide financial support to its agencies and instrumentalities if not required to do so. In addition, certain governmental entities have been subject to regulatory scrutiny regarding their accounting policies and practices and other concerns that may result in legislation, changes in regulatory oversight and/or other consequences that could adversely affect the credit quality, availability, or investment character of securities issued by these entities.

Mortgage-backed securities have yield and maturity characteristics corresponding to the underlying assets. Unlike traditional debt securities, which may pay a fixed rate of interest until maturity, when the entire principal amount comes due, payments on certain mortgage-backed securities include both interest and a partial repayment of principal. Besides the scheduled repayment of principal, repayments of principal may result from the voluntary prepayment, refinancing, or foreclosure of the underlying mortgage loans. If property owners make unscheduled prepayments of their mortgage loans, these prepayments will result in early payment of the applicable mortgage-related securities. In that event a Fund may be unable to invest the proceeds from the early payment of the mortgage-related securities in an investment that provides as high a yield as the mortgage-related securities. Consequently, early payment associated with mortgage-related securities may cause these securities to experience significantly greater price and yield volatility than that experienced by traditional fixed income securities. The occurrence of mortgage prepayments is affected by factors including the level of interest rates, general economic conditions, the location and age of the mortgages, and other social and demographic conditions. During periods of falling interest rates, the rate of mortgage prepayments tends to increase, thereby tending to decrease the life of mortgage-related securities. During periods of rising interest rates, the rate of mortgage prepayments usually decreases, thereby tending to increase the life of mortgage-related securities. If the life of a mortgage-related security is inaccurately predicted, a Fund may not be able to realize the rate of return the Manager or the Sub-Adviser expected.

Mortgage-backed and asset-backed securities are less effective than other types of securities as a means of "locking in" attractive long-term interest rates. One reason is the need to reinvest prepayments of principal; another is the possibility of significant unscheduled prepayments resulting from declines in interest rates. These prepayments would have to be reinvested at lower rates. As a result, these securities may have less potential for capital appreciation during periods of declining interest rates than other securities of comparable maturities, although they may have a similar or greater risk of decline in market value during periods of rising interest rates. Prepayments may also significantly shorten the effective maturities of these securities, especially during periods of declining interest rates. Conversely, during periods of rising interest rates, a reduction in prepayments may increase the effective maturities of these securities, subjecting them to a greater risk of decline in market value in response to rising interest rates than traditional debt securities, and, therefore, potentially increasing the volatility of the Funds. The terms of certain asset-backed securities may require early prepayment in response to certain credit events potentially affecting the values of the asset-backed securities.

At times, some mortgage-backed and asset-backed securities will have higher than market interest rates and therefore will be purchased at a premium above their par value. Prepayments may cause losses on securities purchased at a premium.

Non-Diversification

Each of Emerging Markets Debt Blended Total Return Fund, Emerging Markets Local Currency Debt Fund and Global Emerging Markets Equity Fund is a "non-diversified" investment company, which means that each Fund may invest a greater percentage of its assets in the securities of fewer issuers than may investment companies that are "diversified." See "Description of Principal Risks — Non-Diversification

Risk” in each Fund's Prospectus. To avoid concentrating its investments in a particular industry, each Fund does not invest 25% or more of its total assets in any single industry.

Other Investment Companies

Each Fund may invest in securities of other open- or closed-end investment companies, including exchange-traded funds (“ETFs”), to the extent that such investments are consistent with the Fund’s investment objectives and policies. Each Fund may invest in other investment companies either during periods when it has large amounts of uninvested cash, during periods when there is a shortage of attractive equity securities available in the market, or when the Manager or the Sub-Adviser believes share prices of other investment companies offer attractive values. Each Fund may invest in investment companies that are advised by the Manager or the Sub-Adviser or their affiliates. As a stockholder in an investment company, a Fund will bear its ratable share of that investment company’s expenses, and would remain subject to payment of the Fund’s management fees and other expenses with respect to assets so invested. Shareholders therefore would be subject to duplicative expenses to the extent a Fund invests in other investment companies. The Manager or the Sub-Adviser takes expenses into account when evaluating the investment merits of an investment in an investment company relative to available investments in loans, high-yield bonds and other securities. In addition, the securities of other investment companies may be leveraged and may therefore be subject to the same leverage risks described herein. As described in the section entitled “Borrowing and Leverage” below, the net asset value of leveraged shares will be more volatile and the yield to shareholders will tend to fluctuate more than the yield generated by unleveraged shares.

The Trust considers the series of MassMutual Premier Funds, MML Series Investment Fund and MML Series Investment Fund II for which Barings serves as sub-adviser and MML Investment Advisers, LLC serves as manager to be part of the “same group of investment companies” under Section 12(d)(1)(G) of the Investment Company Act of 1940, as amended, for the purchase of other investment companies.

Preferred Stocks

A Fund may invest in preferred stocks. Preferred stock represents an equity interest in a company that generally entitles the holder to receive, in preference to the holders of other stocks such as common stocks, dividends and a fixed share of the proceeds resulting from a liquidation of the company. Some preferred stocks also entitle their holders to receive additional liquidation proceeds on the same basis as holders of a company’s common stock, and thus also represent an ownership interest in that company. As described below, a Fund may invest in preferred stocks that pay fixed or adjustable rates of return. The value of a company’s preferred stock may fall as a result of factors relating directly to that company’s products or services. A preferred stock’s value may also fall because of factors affecting not just the company, but companies in the same industry or in a number of different industries, such as increases in production costs. The value of preferred stock may also be affected by changes in financial markets that are relatively unrelated to the company or its industry, such as changes in interest rates or currency exchange rates. In addition, a company’s preferred stock generally pays dividends only after the company makes required payments to holders of its bonds and other debt. For this reason, the value of the preferred stock will usually react more strongly than bonds and other debt to actual or perceived changes in the company’s financial condition or prospects. Preferred stocks of smaller companies may be more vulnerable to adverse developments than those of larger companies.

Fixed Rate Preferred Stocks. Some fixed rate preferred stocks in which a Fund may invest, known as perpetual preferred stocks, offer a fixed return with no maturity date. Because they never mature, perpetual preferred stocks act like long-term bonds, can be more volatile than other types of preferred stocks that have a maturity date and may have heightened sensitivity to changes in interest rates. Each Fund may also invest in sinking fund preferred stocks. These preferred stocks also offer a fixed return, but have a maturity date and are retired or redeemed on a predetermined schedule. The shorter duration of sinking fund preferred stocks makes them perform somewhat like intermediate-term bonds and they typically have lower yields than perpetual preferred stocks.

Adjustable Rate and Auction Preferred Stocks. Typically, the dividend rate on an adjustable rate preferred stock is determined prospectively each quarter by applying an adjustment formula established at the time of issuance of the stock. Although adjustment formulas vary among issues, they typically involve a fixed premium or discount relative to rates on specified debt securities issued by the U.S. Treasury. Typically, an adjustment formula will provide for a fixed premium or discount adjustment relative to the highest base yield of three specified U.S. Treasury securities: the 90-day Treasury bill, the 10-year Treasury note and the 20-year Treasury bond. The premium or discount adjustment to be added to or subtracted from this highest U.S. Treasury base rate yield is fixed at the time of issue and cannot be changed without the approval of the holders of the stock. The dividend rate on other preferred stocks in which a Fund may invest, commonly known as auction preferred stocks, is adjusted at intervals that may be more frequent than quarterly, such as every 49 days, based on bids submitted by holders and prospective purchasers of such stocks and may be subject to stated maximum and minimum dividend rates. The issues of most adjustable rate and auction preferred stocks currently outstanding are perpetual, but are redeemable after a specified date at the option of the issuer. Certain issues supported by the credit of a high-rated financial institution provide for mandatory redemption prior to expiration of the credit arrangement. No redemption can occur if full cumulative dividends are not paid. Although the dividend rates on adjustable and auction preferred stocks are generally adjusted or reset frequently, the market values of these preferred stocks may still fluctuate in response to changes in interest rates. Market values of adjustable preferred stocks also may substantially fluctuate if interest rates increase or decrease once the maximum or minimum dividend rate for a particular stock is approached.

Repurchase Agreements

For the purposes of maintaining liquidity and achieving income, a Fund may enter into repurchase agreements. A repurchase agreement is a contract under which a Fund would acquire a security for a relatively short period (usually not more than one week) subject to the obligation of the seller to repurchase and the Fund to resell such security at a fixed time and price (representing the Fund's cost plus interest). In the case of repurchase agreements with broker-dealers, the value of the underlying securities (or collateral) will be at least equal at all times to the total amount of the repurchase obligation, including the interest factor. A Fund bears a risk of loss in the event that the other party to a repurchase agreement defaults on its obligations and the Fund is delayed or prevented from exercising its rights to dispose of the collateral securities. This risk includes the risk of procedural costs or delays in addition to a loss on the securities if their value should fall below their repurchase price. Barings monitors the creditworthiness of the counterparties.

Settlement Risk

Settlement and clearance procedures in certain foreign markets differ significantly from those in the United States. Foreign settlement procedures and trade regulations also may involve certain risks (such as delays in payment for or delivery of securities) not typically generated by the settlement of U.S. investments. Communications between the United States and emerging market countries may be unreliable, increasing the risk of delayed settlements or losses of security certificates in markets that still rely on physical settlement. Settlements in certain foreign countries at times have not kept pace with the number of securities transactions; these problems may make it difficult for a Fund to carry out transactions. If a Fund cannot settle or is delayed in settling a purchase of securities, it may miss attractive investment opportunities and certain of its assets may be uninvested with no return earned thereon for some period. If a Fund cannot settle or is delayed in settling a sale of securities, it may lose money if the value of the security then declines or, if it has contracted to sell the security to another party, the Fund could be liable to that party for any losses incurred.

Structure of First Lien Loans

A first lien loan is typically originated, negotiated and structured by a U.S. or foreign commercial bank, insurance company, finance company or other financial institution (the "Agent") for a group of loan investors ("Loan Investors"). The Agent typically administers and enforces the first lien loan on behalf of the other Loan Investors in the syndicate. In addition, an institution, typically but not always the Agent, holds any collateral on behalf of the Loan Investors.

First lien loans primarily include senior floating rate loans to corporations and secondarily institutionally traded senior floating rate debt obligations issued by an asset-backed pool, and interests therein. Loan interests primarily take the form of assignments purchased in the primary or secondary market. Loan interests may also take the form of participation interests in a first lien loan. Such loan interests may be acquired from U.S. or foreign commercial banks, insurance companies, finance companies or other financial institutions who have made loans or are Loan Investors or from other investors in loan interests.

A borrower must comply with various restrictive covenants contained in a loan agreement or note purchase agreement between the borrower and the holders of the first lien loan (the "Loan Agreement"). A Fund typically purchases "Assignments" from the Agent or other Loan Investors. The purchaser of an Assignment typically succeeds to all the rights and obligations under the Loan Agreement of the assigning Loan Investor and becomes a Loan Investor under the Loan Agreement with the same rights and obligations as the assigning Loan Investor. Assignments may, however, be arranged through private negotiations between potential assignees and potential assignors, and the rights and obligations acquired by the purchaser of an Assignment may differ from, and be more limited than, those held by the assigning Loan Investor.

A Fund also may invest in "Participations." Participations by a Fund in a Loan Investor's portion of a first lien loan typically will result in the Fund having a contractual relationship only with such Loan Investor, not with the borrower. As a result, a Fund may have the right to receive payments of principal, interest and any fees to which it is entitled only from the Loan Investor selling the Participation and only upon receipt by such Loan Investor of such payments from the borrower. In connection with purchasing Participations, a Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights with respect to any funds acquired by other Loan Investors through set-off against the borrower and a Fund may not directly benefit from the collateral supporting the first lien loan in which it has purchased the Participation. As a result, a Fund may assume the credit risk of both the borrower and the Loan Investor selling the Participation. In the event of the insolvency of the Loan Investor selling a Participation, a Fund may be treated as a general creditor of such Loan Investor. The selling Loan Investors and other persons interpositioned between such Loan Investors and a Fund with respect to such Participations will likely conduct their principal business activities in the banking, finance and financial services industries. Persons engaged in such industries may be more susceptible to, among other things, fluctuations in interest rates, changes in the Federal Open Market Committee's monetary policy, governmental regulations concerning such industries and concerning capital raising activities generally and fluctuations in the financial markets generally.

Loan Collateral. In order to borrow money pursuant to a first lien loan or second lien loan, a borrower will frequently, for the term of the loan, pledge collateral, including but not limited to, (i) working capital assets, such as accounts receivable and inventory; (ii) tangible fixed assets, such as real property, buildings and equipment; (iii) intangible assets, such as trademarks and patent rights (but excluding goodwill); and (iv) security interests in shares of stock of subsidiaries or affiliates. In the case of first lien loans made to non-public companies, the company's shareholders or owners may provide collateral in the form of secured guarantees and/or security interests in assets that they own. In many instances, a first lien loan or second lien loan may be secured only by stock in the borrower or its subsidiaries. Collateral may consist of assets that may not be readily liquidated, and there is no assurance that the liquidation of such assets would satisfy fully a borrower's obligations under a first lien loan or second lien loan.

Certain Fees Paid to a Fund. In the process of buying, selling and holding first lien loans or second lien loans, a Fund may receive and/or pay certain fees. These fees are in addition to interest payments received and may include facility fees, commitment fees, amendment fees, commissions and prepayment penalty fees. When a Fund buys a first lien loan it may receive a facility fee and when it sells a first lien loan it may pay a facility fee. On an ongoing basis, a Fund may receive a commitment fee based on the undrawn portion of the underlying line of credit portion of a first lien loan. In certain circumstances, a Fund may receive a prepayment penalty fee upon the prepayment of a first lien loan by a borrower. Other fees received by a Fund may include covenant waiver fees and covenant modification fees.

Borrower Covenants. A borrower must comply with various restrictive covenants contained in a loan agreement or note purchase agreement between the borrower and the holders of the Loan Agreement. Such covenants, in addition to requiring the scheduled payment of interest and principal, may include restrictions on dividend payments and other distributions to stockholders, provisions requiring the borrower to maintain specific minimum financial ratios, and limits on total debt. In addition, the Loan Agreement may contain a covenant requiring the borrower to prepay the loan with any free cash flow. Free cash flow is generally defined as net cash flow after scheduled debt service payments and permitted capital expenditures, and includes the proceeds from asset dispositions or sales of securities. A breach of a covenant that is not waived by the Agent, or by the Loan Investors directly, as the case may be, is normally an event of acceleration; *i.e.*, the Agent, or the Loan Investors directly, as the case may be, has the right to call the outstanding loan. The typical practice of an Agent or a Loan Investor in relying exclusively or primarily on reports from the borrower to monitor the borrower's compliance with covenants may involve a risk of fraud by the borrower. In the case of a loan in the form of Participation, the agreement between the buyer and seller may limit the rights of the holder to vote on certain changes that may be made to the Loan Agreement, such as waiving a breach of a covenant. However, the holder of the Participation will, in almost all cases, have the right to vote on certain fundamental issues such as changes in principal amount, payment dates and interest rate.

Administration of Loans. In a typical first lien loan or second lien loan, the Agent administers the terms of the Loan Agreement. In such cases, the Agent is normally responsible for the collection of principal and interest payments from the borrower and the apportionment of these payments to the credit of all institutions that are parties to the Loan Agreement. A Fund will generally rely upon the Agent or an intermediate participant to receive and forward to the Fund its portion of the principal and interest payments on the first lien loan. Furthermore, unless under the terms of a Participation Agreement a Fund has direct recourse against the borrower, the Fund will rely on the Agent and the other Loan Investors to use appropriate credit remedies against the borrower. The Agent is typically responsible for monitoring compliance with covenants contained in the Loan Agreement based upon reports prepared by the borrower. The seller of the loan usually does, but is often not obligated to, notify holders of loans of any failures of compliance. The Agent may monitor the value of the collateral and, if the value of the collateral declines, may accelerate the loan, may give the borrower an opportunity to provide additional collateral or may seek other protection for the benefit of the participants in the loan. The Agent is compensated by the borrower for providing these services under a Loan Agreement, and such compensation may include special fees paid upon structuring and funding the loan and other fees paid on a continuing basis. With respect to loans for which the Agent does not perform such administrative and enforcement functions, a Fund will perform such tasks on its own behalf, although a collateral bank will typically hold any collateral on behalf of the Fund and the other Loan Investors pursuant to the applicable Loan Agreement.

A financial institution's appointment as Agent may usually be terminated in the event that it fails to observe the requisite standard of care or becomes insolvent, enters Federal Deposit Insurance Corporation ("FDIC") receivership, or, if not FDIC insured, enters into bankruptcy proceedings. A successor Agent would generally be appointed to replace the terminated Agent, and assets held by the Agent under the Loan Agreement should remain available to holders of first lien loans. However, if assets held by the Agent for the benefit of a Fund were determined to be subject to the claims of the Agent's general creditors, the Fund might incur certain costs and delays in realizing payment on a first lien loan, or suffer a loss of principal and/or interest. In situations involving intermediate participants, similar risks may arise.

Prepayments. The degree to which borrowers prepay loans, whether as a contractual requirement or at their election, may be affected by general business conditions, the financial condition of the borrower and competitive conditions among Loan Investors, among other factors. As such, prepayments cannot be predicted with accuracy.

Upon a prepayment, either in part or in full, the actual outstanding debt on which a Fund derives interest income will be reduced. However, a Fund may receive both a prepayment penalty fee from the prepaying borrower and a facility fee upon the purchase of a new loan with the proceeds from the prepayment of the former. Prepayments generally will not materially affect a Fund's performance because the Fund typically is able to reinvest prepayments in other loans that have similar yields and because receipt of such fees may mitigate any adverse impact on the Fund's yield.

Other Information Regarding Loans. From time to time Barings and its affiliates may borrow money from various banks in connection with their business activities. Such banks may also sell interests in loans to or acquire them from a Fund or may be intermediate participants with respect to loans in which a Fund owns interests. Such banks may also act as Agents for loans held by a Fund.

A Fund may acquire interests in loans that are designed to provide temporary or "bridge" financing to a borrower pending the sale of identified assets or the arrangement of longer-term loans or the issuance and sale of debt obligations. A Fund may also invest in loans of borrowers that have obtained bridge loans from other parties. A borrower's use of bridge loans involves a risk that the borrower may be unable to locate permanent financing to replace the bridge loan, which may impair the borrower's perceived creditworthiness.

A Fund is subject to the risk that collateral securing a loan will decline in value or have no value. Such a decline, whether as a result of bankruptcy proceedings or otherwise, could cause the loan to be undercollateralized or unsecured. In most credit agreements, there is no formal requirement to pledge additional collateral. In addition, a Fund may invest in loans guaranteed by, or secured by assets of, shareholders or owners, even if the loans are not otherwise collateralized by assets of the borrower; provided, however, that such guarantees are fully secured. There may be temporary periods when the principal asset held by a borrower is the stock of a related company, which may not legally be pledged to secure a loan. On occasions when such stock cannot be pledged, the loan will be temporarily unsecured until the stock can be pledged or is exchanged for or replaced by other assets, which will be pledged as security for the loan. However, the borrower's ability to dispose of such securities, other than in connection with such pledge or replacement, will be strictly limited for the protection of the holders of loans and, indirectly, the loans themselves.

If a borrower becomes involved in bankruptcy proceedings, a court may invalidate a Fund's security interest in the loan collateral or subordinate a Fund's rights under the secured loan to the interests of the borrower's unsecured creditors or cause interest previously paid to be refunded to the borrower. If a court required interest to be refunded, it could negatively affect a Fund's performance. Such action by a court could be based, for example, on a "fraudulent conveyance" claim to the effect that the borrower did not receive fair consideration for granting the security interest in the loan collateral to a Fund. For secured loans made in connection with a highly leveraged transaction, consideration for granting a security interest may be deemed inadequate if the proceeds of the secured loan were not received or retained by the borrower, but were instead paid to other persons (such as shareholders of the borrower) in an amount that left the borrower insolvent or without sufficient working capital. There are also other events, such as the failure to perfect a security interest due to faulty documentation or faulty official filings, which could lead to the invalidation of a Fund's security interest in loan collateral. If a Fund's security interest in loan collateral is invalidated or the secured loan is subordinated to other debt of a borrower in bankruptcy or other proceedings, a Fund would have substantially lower recovery, and perhaps no recovery on the full amount of the principal and interest due on the secured loan.

A Fund may acquire warrants and other equity securities as part of a unit combining a loan and equity securities of a borrower or its affiliates. The acquisition of such equity securities will only be incidental to a Fund's purchase of a loan. A Fund may also acquire equity securities or debt securities (including non-U.S. dollar denominated debt securities) issued in exchange for a loan, issued in connection with the debt restructuring or reorganization of a borrower, if such acquisition, in the judgment of Barings, may enhance the value of a loan or if such acquisition would otherwise be consistent with a Fund's investment policies including its policy of generally only investing in U.S.-dollar denominated securities.

Structured Products and Other Hybrid Instruments

A Fund may invest in structured products, which are privately negotiated debt obligations where the principal and/or interest is determined by reference to the performance of a benchmark asset, market or interest rate, such as selected securities, an index of securities or specified interest rates, or the differential performance of two assets or markets, such as indexes reflecting bonds. Depending on the terms of the note, a Fund may forgo all or part of the interest and principal that would be payable on a comparable conventional note. The rate of return on structured products may be determined by applying a multiplier to the performance or differential performance of the referenced indexes or other assets. Application of a multiplier involves leverage which will serve to magnify the potential for gain and the risk of loss. A Fund may use structured products to add leverage to the portfolio and for investment as well as risk management purposes, such as to reduce the interest rate sensitivity of the Fund's portfolio (and thereby decrease the Fund's exposure to interest rate risk). Like other sophisticated strategies, a Fund's use of structured products may not work as intended; for example, by reducing the duration of a Fund's portfolio, structured products may limit the Fund's return when having a longer duration would be beneficial (for instance, when interest rates decline).

A Fund may invest in other types of hybrid instruments which combine the characteristics of securities, futures, and options. For example, the principal amount or interest rate of a hybrid could be tied (positively or negatively) to the price of some commodity, currency or securities index or another interest rate (each a "benchmark"). The interest rate or (unlike most debt obligations) the principal amount payable at maturity of a hybrid security may be increased or decreased, depending on changes in the value of the benchmark. Hybrids can be used as an efficient means of pursuing a variety of investment goals, including duration management and increased total return. Hybrids may not bear interest or pay dividends. The value of a hybrid or its interest rate may be a multiple of a benchmark and, as a result, may be leveraged and move (up or down) more steeply and rapidly than the benchmark. These benchmarks may be sensitive to economic and political events that cannot be readily foreseen by the purchaser of a hybrid. Under certain conditions, the redemption value of a hybrid could be zero. Thus, an investment in a hybrid may entail significant market risks that are not associated with a similar investment in a traditional, U.S. dollar-denominated bond that has a fixed principal amount and pays a fixed rate or floating rate of interest. The purchase of hybrids also exposes a Fund to the credit risk of the issuer of the hybrids. These risks may cause significant fluctuations in the net asset value of a Fund.

Certain issuers of structured products such as hybrid instruments may be deemed to be investment companies as defined in the 1940 Act. As a result, a Fund's investments in these products may be subject to limits applicable to investments in investment companies and may be subject to restrictions contained in the 1940 Act.

Terrorism, War, Natural Disasters and Epidemics

Terrorism, war and related geopolitical events (and their aftermath) have led, and in the future may lead, to increased short-term market volatility and may have adverse long-term effects on U.S. and world economies and markets generally. Likewise, natural and environmental disasters, such as, for example, earthquakes, fires, floods, hurricanes, tsunamis and weather-related phenomena generally, as well as widespread epidemics, can be highly disruptive to economies and markets, adversely affecting individual companies, sectors, industries, markets, currencies, interest and inflation rates, credit ratings, investor sentiment, and other factors affecting the value of the Funds' investments.

The outbreak of the novel coronavirus (COVID-19) beginning February 2020 resulted in travel restrictions and disruptions, closed borders, enhanced health screenings at ports of entry and elsewhere, disruption of and delays in healthcare service preparation and delivery, quarantines, event cancellations and restrictions, service cancellations or reductions, disruptions to business operations, supply chains and customer activity, lower consumer demand for goods and services, as well as general concern and uncertainty that has negatively affected the economic environment. The impact of this outbreak and any other epidemic or pandemic that may arise in the future could adversely affect the economies of many nations or the entire global economy, the financial performance of individual issuers, borrowers and sectors and the health of capital markets and other markets generally in potentially significant and unforeseen ways. This crisis or other public health crises may also exacerbate other pre-existing political, social and economic risks in certain countries or globally. The duration of the COVID-19 outbreak and its effects cannot be determined with certainty. The foregoing could lead to a significant economic downturn or recession, increased market volatility, a greater number of market closures, higher default rates and adverse effects on the values and liquidity of securities or other assets. Such impacts, which may vary across asset classes, may adversely affect the performance of the Fund's investments, the Fund and your investment in the Fund.

Total Return Swaps

A Fund may enter into total return swaps to add leverage to its portfolio and to transfer risk. Total return swaps are contracts in which one party agrees to make payments of the total return from the underlying assets, which may include securities, baskets of securities, or securities indices during the specified period, in return for payments equal to a fixed or floating rate of interest or the total return from other underlying assets.

U.S. Government Securities

U.S. Government securities are obligations of, or guaranteed by, the U.S. Government, its agencies or instrumentalities. The U.S. Government does not guarantee the net asset value of a Fund's shares. Some U.S. Government securities, such as Treasury bills, notes and bonds, and securities guaranteed by the GNMA, are supported by the full faith and credit of the U.S.; others, such as those of the Federal Home Loan Banks, are supported by the right of the issuer to borrow from the U.S. Treasury; others, such as those of FNMA, are supported by the discretionary authority of the U.S. Government to purchase the agency's obligations; and still others, such as those of the Student Loan Marketing Association, are supported only by the credit of the instrumentality. U.S. Government securities include securities that have no coupons, or have been stripped of their unmatured interest coupons, individual interest coupons from such securities that trade separately, and evidences of receipt of such securities. Such securities may pay no cash income, and are purchased at a deep discount from their value at maturity. See "— Zero-Coupon Bonds, Step-Ups and Payment-In-Kind Securities" below. Custodial receipts issued in connection with so-called trademark zero-coupon securities, such as Certificate of Accrual on Treasury Securities ("CATs") and Treasury Income Growth Receipts ("TIGRs"), are not issued by the U.S. Treasury, and are therefore not U.S. Government securities, although the underlying bond represented by such receipt is a debt obligation of the U.S. Treasury. Other zero-coupon Treasury securities (*e.g.*, Separate Trading of Registered Interest and Principal of Securities ("STRIPs") and Coupons Under Book-Entry Safekeeping ("CUBEs")) are direct obligations of the U.S. Government.

Variable and Floating Rate Securities

A Fund may invest in variable and floating rate securities, which provide for periodic adjustments in the interest rate paid on the obligations. The terms of variable rate securities generally provide that interest rates are adjusted periodically based upon an interest rate adjustment index. The adjustment intervals may be regular, and range from daily up to annually, or may be event based, such as based on a change in the Prime Rate. See "LIBOR Replacement" above.

The interest rate on a floating rate security is variable and is tied to another interest rate, such as a bond index or U.S. Treasury bill rate. The interest rate on a floating rate security resets periodically, typically every 30, 60 or 90 days. While, because of the interest rate reset feature, floating rate securities provide a Fund with a certain degree of protection against rising interest rates, the value of the Fund's floating rate securities may decline as interest rates rise because the Fund will continue to earn interest at the previously-established rate until the interest rate for each security resets.

A Fund may also engage in credit spread trades. A credit spread trade is an investment position relating to a difference in the prices or interest rates of two bonds or other securities, where the value of the investment position is determined by movements in the difference between the prices or interest rates, as the case may be, of the respective securities or currencies.

Warrants and Rights

Warrants and rights are types of securities that give a holder a right to purchase shares of common stock. Warrants usually are issued together with a bond or preferred stock and entitle a holder to purchase a specified amount of common stock at a specified price typically for a period of years. Rights usually have a specified purchase price that is lower than the current market price and entitle a holder to purchase a specified amount of common stock typically for a period of only weeks. Warrants may be used to enhance the marketability of a bond or preferred stock. Warrants and rights may be subject to the risk that the securities could lose value. There also is the risk that the potential exercise price may exceed the market price of the warrants or rights, such as when there is no movement in the market price or the market price of such securities declines.

When-Issued, Delayed Delivery and Forward Commitment Transactions

A Fund may purchase or sell securities on a when-issued, delayed delivery, or forward commitment basis. When such purchases are outstanding, a Fund will segregate until the settlement date assets determined to be liquid by the Manager or the Sub-Adviser in accordance with procedures established by the Board, in an amount sufficient to meet the purchase price. Typically, no income accrues on securities a Fund has committed to purchase prior to the time delivery of the securities is made, although a Fund may earn income on securities it has segregated.

When purchasing a security on a when-issued, delayed delivery, or forward commitment basis, a Fund assumes the rights and risks of ownership of the security, including the risk of price and yield fluctuations, and takes such fluctuations into account when determining its net asset value. Because a Fund is not required to pay for the security until the delivery date, these risks are in addition to the risks associated with the Fund's other investments.

When a Fund has sold a security on a when-issued, delayed delivery, or forward commitment basis, the Fund does not participate in future gains or losses with respect to the security. If the other party to a transaction fails to deliver or pay for the securities, a Fund could miss a favorable price or yield opportunity or could suffer a loss. A Fund may dispose of or renegotiate a transaction after it is entered into, and may sell when-issued, delayed delivery or forward commitment securities before they are delivered, which may result in a capital gain or loss. There is no percentage limitation on the extent to which a Fund may purchase or sell securities on a when-issued, delayed delivery, or forward commitment basis.

Zero-Coupon Bonds, Step-Ups and Payment-In-Kind Securities

A Fund may invest in zero-coupon bonds, step-ups and payment in-kind securities. Zero-coupon securities are debt obligations that do not entitle the holder to any periodic payments of interest either for the entire life of the obligation or for an initial period after the issuance of the obligations. Like zero-coupon bonds, "step-up" bonds pay no interest initially but eventually begin to pay a coupon rate prior to maturity, which rate may increase at stated intervals during the life of the security. Payment-in-kind securities (PIKs) pay dividends or interest in the form of additional securities of the issuer, rather than in cash. Each of these instruments is typically issued and traded at a deep discount from its face amount. The amount of the discount varies depending on such factors as the time remaining until maturity of the securities, prevailing interest rates, the liquidity of the security and the perceived credit quality of the issuer. To the extent those instruments do not amortize principal, at maturity, repayment may also be dependent on the ability of the borrower to refinance the face amount of the debt. The market prices of zero-coupon bonds, step-ups and PIKs generally are more volatile than the market prices of debt instruments that pay interest currently and in cash and are likely to respond to changes in interest rates to a greater degree than do other types of securities having similar maturities and credit quality. In order to maintain its eligibility for treatment as a "regulated investment company" under the Code and to avoid an entity-level tax, a Fund must distribute each year all of its net investment income, including the original issue discount accrued on zero-coupon bonds, step-ups and PIKs. Because a Fund will not, on a current basis, receive cash payments from the issuer of these securities in respect of any accrued original issue discount, in some years the Fund may have to distribute cash obtained from selling other portfolio holdings of the Fund. In some circumstances, such sales might be necessary in order to satisfy cash distribution requirements even though investment considerations might otherwise make it undesirable for a Fund to sell securities at such time. Under certain market conditions, investments in zero-coupon bonds, step-ups and PIKs may be illiquid, making it difficult for the Fund to dispose of them or determine their current value.

DESCRIPTION OF NON-PRINCIPAL INVESTMENT STRATEGIES AND RISKS

Debtor-In-Possession Financing

A Fund may invest in debtor-in-possession or super senior financings (commonly called "DIP financings"). DIP financings are arranged when an entity seeks the protections of the bankruptcy court under chapter 11 of the U.S. Bankruptcy Code. These financings allow the entity to continue its business operations while reorganizing under chapter 11. Such financings are senior liens on unencumbered security (*i.e.*, security not subject to other creditors claims). There is a risk that the entity will not emerge from chapter 11 and be forced to liquidate its assets under chapter 7 of the U.S. Bankruptcy Code. In such event, a Fund's only recourse will be against the property securing the DIP financing.

Event-Linked Bonds

A Fund may invest in event-linked bonds. Event-linked bonds, which are sometimes referred to as "catastrophe bonds," are debt obligations for which the return of principal and payment of interest is contingent on the non-occurrence of a specific trigger event, such as a hurricane or an earthquake. They may be issued by government agencies, insurance companies, reinsurers, special purpose corporations or other on-shore or off-shore entities. If a trigger event causes losses exceeding a specific amount in the geographic region and time period specified in a bond, a Fund may lose a portion or all of its principal invested in the bond. If no trigger event occurs, a Fund will recover its principal plus interest. For some event-linked bonds, the trigger event or losses may be based on company-wide losses, index-portfolio losses, industry indexes or readings of scientific instruments rather than specified actual losses. Often event-linked bonds provide for extensions of maturity that are mandatory, or optional at the discretion of the issuer, in order to process and audit loss claims in those cases when a trigger event has, or possibly has, occurred. In addition to the specified trigger events, event-linked bonds may also expose a Fund to certain unanticipated risks including but not limited to issuer (credit) default, adverse regulatory or jurisdictional interpretations and adverse tax consequences.

Event-linked bonds are a relatively new type of financial instrument. As such, there is no significant trading history of these securities, and there can be no assurance that a liquid market in these instruments will develop. Lack of a liquid market may impose the risk of higher transaction costs and the possibility that a Fund may be forced to liquidate positions when it would not be advantageous to do so. Event-linked bonds are typically rated.

Illiquid Securities

Each Fund may invest up to 15% of its net assets in illiquid securities (*i.e.*, securities that cannot be disposed of in current market conditions in seven calendar days or less without the disposition significantly changing the market value of the security. Illiquid securities may include privately placed securities, which are sold directly to a small number of investors, usually institutions. Unlike public offerings, such securities are not registered under the federal securities laws. Although certain of these privately-placed securities may be readily sold, others may be illiquid, and their sale may involve substantial delays and additional costs.

Inflation-Indexed Bonds

A Fund may invest in inflation-indexed bonds, which are debt obligations whose value is periodically adjusted according to the rate of inflation. Two structures are common. The U.S. Treasury and some other issuers utilize a structure that accrues inflation into the principal value of the bond. Most other issuers pay out the Consumer Price Index accruals as part of a semiannual coupon.

Inflation-indexed securities issued by the U.S. Treasury have maturities of approximately five, ten or thirty years, although it is possible that securities with other maturities will be issued in the future. The U.S. Treasury securities pay interest on a semi-annual basis equal to a fixed percentage of the inflation-adjusted principal amount. For example, if a Fund purchased an inflation-indexed bond with a par value of $1,000 and a 3% real rate of return coupon (payable 1.5% semi-annually), and the rate of inflation over the first six months was 1%, the mid-year par value of the bond would be $1,010 and the first semi-annual interest payment would be $15.15 ($1,010 times 1.5%). If inflation during the second half of the year resulted in the whole year's inflation equaling 3%, the end-of-year par value of the bond would be $1,030 and the second semi-annual interest payment would be $15.45 ($1,030 times 1.5%).

If the periodic adjustment rate measuring inflation falls, the principal value of inflation-indexed bonds will be adjusted downward, and consequently the interest payable on these securities (calculated with respect to a smaller principal amount) will be reduced. Repayment of the original bond principal upon maturity (as adjusted for inflation) is guaranteed in the case of U.S. Treasury inflation-indexed bonds, even during a period of deflation. However, the current market value of the bonds is not guaranteed and will fluctuate. A Fund may also invest in other inflation-related bonds which may or may not provide a similar guarantee. If a guarantee of principal is not provided, the adjusted principal value of the bond repaid at maturity may be less than the original principal amount.

The value of inflation-indexed bonds is expected to change in response to changes in real interest rates. Real interest rates in turn are tied to the relationship between nominal interest rates and the rate of inflation. Therefore, if the rate of inflation rises at a faster rate than nominal interest rates, real interest rates might decline, leading to an increase in value of inflation-indexed bonds. In contrast, if nominal interest rates increase at a faster rate than inflation, real interest rates might rise, leading to a decrease in value of inflation-indexed bonds.

While these securities are expected to be protected from long-term inflationary trends, short-term increases in inflation may lead to a decline in value. If interest rates rise due to reasons other than inflation (for example, due to changes in currency exchange rates), investors in these securities may not be protected to the extent that the increase is not reflected in the bond's inflation measure.

The periodic adjustment of U.S. inflation-indexed bonds is tied to the Consumer Price Index for Urban Consumers ("CPI-U"), which is calculated monthly by the U.S. Bureau of Labor Statistics. The CPI-U is a measurement of changes in the cost of living, made up of components such as housing, food, transportation and energy. Inflation-indexed bonds issued by a foreign government are generally adjusted to reflect a comparable inflation index calculated by that government. There can be no assurance that the CPI-U or any foreign inflation index will accurately measure the real rate of inflation in the prices of goods and services. Moreover, there can be no assurance that the rate of inflation in a foreign country will be correlated to the rate of inflation in the U.S.

Any increase in the principal amount of an inflation-indexed bond will be considered taxable ordinary income to a Fund, even though investors in such bond do not receive their principal until maturity, which income will be required to be distributed each year in order for the Fund to maintain its eligibility for treatment as a "regulated investment company" under the Code and to avoid an entity-level tax. In some years, a Fund may have to sell portfolio holdings, even though investment considerations might otherwise make it undesirable for the Fund to sell securities at such time, in order to satisfy cash distribution requirements.

Initial Public Offerings

A Fund may purchase securities in initial public offerings ("IPOs"). These securities are subject to many of the same risks of investing in companies with smaller market capitalizations. Securities issued in IPOs have no trading history, and information about the companies may be available for very limited periods. In addition, the prices of securities sold in IPOs may be highly volatile. At any particular time or from time to time a Fund may not be able to invest in securities issued in IPOs, or invest to the extent desired because, for example, only a small portion (if any) of the securities being offered in an IPO may be made available to the Fund. In addition, under certain market conditions a relatively small number of companies may issue securities in IPOs. Similarly, as the number of accounts to which IPO securities are allocated increases, the number of securities issued to any one account (including a Fund) may decrease. The investment performance of a Fund during periods when it is unable to invest significantly or at all in IPOs may be lower than during periods when the Fund is able to do so. In addition, if a Fund increases in size, the impact of IPOs on the Fund's performance will generally decrease.

Mortgage Dollar Rolls

A mortgage dollar roll is similar to a reverse repurchase agreement in certain respects. In a "dollar roll" transaction, a Fund sells a mortgage-related security, such as a security issued by GNMA, to a dealer and simultaneously agrees to repurchase a similar security (but not the same security) in the future at a pre-determined price. A "dollar roll" can be viewed, like a reverse repurchase agreement, as a collateralized borrowing in which a Fund pledges a mortgage-related security to a dealer to obtain cash. However, unlike reverse repurchase agreements, the dealer with which a Fund enters into a dollar roll transaction is not obligated to return the same securities as those originally sold by the Fund, but only securities which are "substantially identical." To be considered "substantially identical," the securities returned to a Fund generally must: (1) be collateralized by the same types of underlying mortgages; (2) be issued by the same agency and be part of the same program; (3) have a similar original stated maturity; (4) have identical net coupon rates; (5) have similar market yields (and therefore price); and (6) satisfy "good delivery" requirements, meaning that the aggregate principal amounts of the securities delivered and received back must be within 2.5% of the initial amount delivered.

As with reverse repurchase agreements, positions in dollar roll agreements will be covered by segregated liquid assets at least equal to the amount of any forward purchase commitment.

Participation on Creditors' Committees

A Fund may from time to time participate on committees formed by creditors to negotiate with the management of financially troubled issuers of securities held by the Fund. Such participation may subject a Fund to expenses such as legal fees and may make the Fund an "insider" of the issuer for purposes of the federal securities laws, and therefore may restrict a particular Fund's ability to trade in or acquire additional positions in a particular security when it might otherwise desire to do so. Participation by a Fund on such committees also may expose the Fund to potential liabilities under the federal bankruptcy laws or other laws governing the rights of creditors and debtors. A Fund would participate on such committees only when the Manager or the Sub-Adviser believes that such participation is necessary or desirable to enforce the Fund's rights as a creditor or to protect the value of securities held by the Fund.

Portfolio Trading and Turnover Rate

Portfolio trading may be undertaken to accomplish the investment objectives of a Fund in relation to actual and anticipated movements in interest rates. In addition, a security may be sold and another of comparable quality purchased at approximately the same time to take advantage of what the Manager or the Sub-Adviser believes to be a temporary price disparity between the two securities. Temporary price disparities between two comparable securities may result from supply and demand imbalances where, for example, a temporary oversupply of certain bonds may cause a temporarily low price for such bonds, as compared with other bonds of like quality and characteristics. Each Fund may also engage in short-term trading consistent with its investment objectives. Securities may be sold in anticipation of a market decline (a rise in interest rates) or purchased in anticipation of a market rise (a decline in interest rates) and later sold, or to recognize a gain.

Real Estate Investment Trusts ("REITs")

REITs are pooled investment vehicles which invest primarily in income-producing real estate or real estate related loans or interests. REITs are generally classified as equity REITs, mortgage REITs or a combination of equity and mortgage REITs. Equity REITs invest the majority of their assets directly in real property and derive income primarily from the collection of rents. Equity REITs can also realize capital gains by selling properties that have appreciated in value. Mortgage REITs invest the majority of their assets in real estate mortgages and derive income from the collection of interest payments. REITs are not taxed on income distributed to shareholders provided they comply with the applicable requirements of the Code. A Fund will indirectly bear its proportionate share of any management and other expenses paid by REITs in which it invests in addition to the expenses paid by the Fund. Debt securities issued by REITs are, for the most part, general and unsecured obligations and are subject to risks associated with REITs.

Investing in REITs involves certain unique risks in addition to those risks associated with investing in the real estate industry in general. An equity REIT may be affected by changes in the value of the underlying properties owned by the REIT. A mortgage REIT may be affected by changes in interest rates and the ability of the issuers of its portfolio mortgages to repay their obligations. REITs are dependent upon the skills of their managers and are not diversified. REITs are generally dependent upon maintaining cash flows to repay borrowings and to make distributions to shareholders and are subject to the risk of default by lessees or borrowers. REITs whose underlying assets are concentrated in properties used by a particular industry, such as health care, are also subject to risks associated with such industry. Investments in REITs may result in the duplication and layering of fees for shareholders of a Fund.

REITs (especially mortgage REITs) are also subject to interest rate risks. When interest rates decline, the value of a REIT's investment in fixed rate obligations can be expected to rise. Conversely, when interest rates rise, the value of a REIT's investment in fixed rate obligations can be expected to decline. If the REIT invests in adjustable rate mortgage loans the interest rates on which are reset periodically, yields on a REIT's investments in such loans will gradually align themselves to reflect changes in market interest rates. This causes the value of such investments to fluctuate less dramatically in response to interest rate fluctuations than would investments in fixed rate obligations.

REITs may have limited financial resources, may trade less frequently and in a more limited volume and may be subject to more abrupt or erratic price movements than larger company securities. Historically REITs have been more volatile in price than larger capitalization stocks.

Reverse Repurchase Agreements

A Fund may enter into reverse repurchase agreements and economically similar transactions in order to add leverage to the portfolio or for hedging or cash management purposes. A reverse repurchase agreement involves the sale of a portfolio-eligible security by a Fund, coupled with its agreement to repurchase the instrument at a specified time and price. Under a reverse repurchase agreement, a Fund continues to receive any principal and interest payments on the underlying security during the term of the agreement. Reverse repurchase agreements involve leverage risk, including the risk that the market value of the assets that a Fund is obligated to repurchase under the agreement may decline below the repurchase price and the risk that the securities purchased with the proceeds of the reverse repurchase agreement may decline in value. Each Fund will segregate assets determined to be liquid by the Manager or the Sub-Adviser in accordance with procedures established by the Board, equal (on a daily mark-to-market basis) to its obligations under reverse repurchase agreements. Each Fund's investments in reverse repurchase agreements will represent less than 10% of the Fund's total assets (including the proceeds of such reverse repurchase agreements).

A Fund also may effect simultaneous purchase and sale transactions that are known as "sale-buybacks." A sale-buyback is similar to a reverse repurchase agreement, except that in a sale-buyback, the counterparty who purchases the security is entitled to receive any principal or interest payments made on the underlying security pending settlement of a Fund's repurchase of the underlying security.

Rule 144A Securities

A Fund may invest in securities that have not been registered for public sale, but that are eligible for purchase and sale pursuant to Rule 144A under the Securities Act of 1933, as amended ("Rule 144A Securities"). Rule 144A permits certain qualified institutional buyers, such as a Fund, to trade in privately placed securities that have not been registered for sale under that Act.

Securities Lending

Subject to a Fund's "Investment Restrictions" listed below, a Fund may make secured loans of its portfolio securities to brokers, dealers and other financial institutions amounting to no more than one-third of its total assets. The risks in lending portfolio securities, as with other extensions of credit, consist of possible delay in recovery of the securities or possible loss of rights in the collateral should the borrower fail financially. However, such loans will be made only to broker-dealers that are believed by the Manager or the Sub-Adviser to be of relatively high credit standing. Securities loans are made to broker-dealers pursuant to agreements requiring that loans be continuously secured by collateral consisting of U.S. Government securities, cash or cash equivalents (negotiable certificates of deposit, bankers' acceptances or letters of credit) maintained on a daily mark-to-market basis in an amount at least equal at all times to the market value of the securities lent. The borrower pays to a Fund, as the lender, an amount equal to any dividends or interest received on the securities lent. Each Fund may invest cash collateral received or receive a fee from the borrower. In the case of cash collateral, a Fund typically pays a rebate to the lender. Although voting rights or rights to consent with respect to the loaned securities pass to the borrower, a Fund, as the lender, retains the right to call the loans and obtain the return of the securities loaned at any time on reasonable notice, and it will do so in order that the securities may be voted by the Fund if the holders of such securities are asked to vote upon or consent to matters materially affecting the investment. A Fund may also call such loans in order to sell the securities involved. When engaged in securities lending, a Fund's performance will continue to reflect changes in the value of the securities loaned and will also reflect the receipt of either interest, through investment of cash collateral by the Fund in permissible investments, or a fee, if the collateral is U.S. Government securities.

Regulations adopted by global prudential regulators that are now in effect require certain bank-regulated counterparties and certain of their affiliates to include in certain financial contracts, including many securities lending agreements, terms that delay or restrict the rights of counterparties, such as the Funds, to terminate such agreements, foreclose upon collateral, exercise other default rights or restrict transfers of credit support in the event that the counterparty and/or its affiliates are subject to certain types of resolution or insolvency proceedings. It is possible that these new requirements, as well as potential additional government regulation and other developments in the market, could adversely affect the Funds' ability to terminate existing securities lending agreements or to realize amounts to be received under such agreements.

Short Sales Against-the-Box

A Fund may engage in short sales for hedging purposes or to enhance total return. Short sales may also be made "against-the-box," which means that a Fund has an offsetting long position in the asset that it is selling short. When a Fund's portfolio managers believe that the price of a particular security held by a Fund may decline, the Fund may make "short sales against-the-box" to hedge any unrealized gain on such security. Selling short against-the-box involves selling a security that a Fund owns for delivery at a specified date in the future. A Fund may also be required to pay a premium for short sales, which would partially offset any gain.

Short-Term Investments / Temporary Defensive Strategies

When adverse market or economic conditions occur, a Fund may temporarily invest all or a portion of its total assets in defensive investments. Such investments may include fixed-income securities, high quality money market instruments, cash and cash equivalents. The Manager or the Sub-Adviser may make these investments or increase its investment in these securities when it is unable to find enough attractive long-term investments, to reduce exposure to a Fund's primary investments when the Manager or the Sub-Adviser believes it is advisable to do so, or to meet anticipated levels of redemption. Investments in short-term debt securities can be sold easily and have limited risk of loss but earn only limited returns. Temporary defensive investments may limit a Fund's ability to meet its investment objective.

PORTFOLIO TURNOVER

A change in the securities held by a Fund is known as "portfolio turnover." Barings manages each Fund without regard generally to restrictions on portfolio turnover. The use of certain derivative instruments with relatively short maturities may tend to exaggerate the portfolio turnover rate for each Fund. Trading in debt obligations does not generally involve the payment of brokerage commissions, but does involve indirect transaction costs. The use of futures contracts may involve the payment of commissions to futures commission merchants. High portfolio turnover (*e.g.*, greater than 100%) involves correspondingly greater expenses to a Fund, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities. The higher the rate of portfolio turnover of a Fund, the higher these transaction costs borne by the Fund generally will be. Transactions in a Fund's portfolio securities may result in realization of taxable capital gains (including short-term capital gains which are generally taxed to shareholders when distributed to them at ordinary income tax rates). The trading costs and tax effects associated with portfolio turnover may adversely affect a Fund's performance.

The portfolio turnover rate of a Fund is calculated by dividing (a) the lesser of purchases or sales of portfolio securities for the particular fiscal year by (b) the monthly average of the value of the portfolio securities owned by the Fund during the particular fiscal year. In calculating the rate of portfolio turnover, there is excluded from both (a) and (b) all securities, including options, whose maturities or expiration dates at the time of acquisition were one year or less.

INVESTMENT RESTRICTIONS

The investment restrictions below have been adopted by the Board. Fundamental policies of a Fund may be changed only with the approval of a "vote of a majority of the outstanding voting securities" of the Fund. A "vote of a majority of the outstanding voting securities" of a Fund means the lesser of (i) 67% or more of the shares at a meeting if the holders of more than 50% of the outstanding shares are present or represented by proxy or (ii) more than 50% of the outstanding shares. The Funds continuously monitor their borrowings and illiquid securities holdings. Except for the limitation on investment in illiquid securities and borrowings, the percentage limitations contained in the policies below or elsewhere in each Fund's Prospectus or this SAI apply at the time of purchase of the securities, and will not be considered violated unless an excess or deficiency, as applicable, exists immediately after and as a result of, a purchase of securities. If the value of the Fund's holdings of illiquid securities at any time exceeds 15% of its net assets, the Board will consider what actions, if any, are appropriate to maintain adequate liquidity including the orderly sale of illiquid securities.

Fundamental Investment Restrictions

Except as described below, each Fund, as a fundamental policy, may not, without the approval of the holders of a majority of the outstanding shares voting together as a single class:

(1) Concentrate its investments in a particular industry or, for Global Floating Rate Fund and Global Credit Income Opportunities Fund, group of industries. A Fund would be deemed to "concentrate" in a particular industry if it invested 25% or more of its total assets in that industry. A Fund's industry concentration policy does not preclude it from focusing investments in issuers in a group of related industrial sectors (such as different types of utilities).

(2) Purchase or sell real estate, although it may purchase securities secured by real estate or interests therein, or securities issued by companies which invest in real estate, or interests therein.

(3) Purchase physical commodities, except that a Fund may purchase and sell commodity contracts or any type of commodity-related derivative instrument (including, without limitation, all types of commodity-related swaps, futures contracts, forward contracts, and options contracts). Note: The Fund may purchase, sell, or enter into derivatives and derivatives transactions of any kind consistent with its investment policies described in its Prospectus or elsewhere in this SAI from time to time, including, without limitation, swaps, options, futures contracts, options on futures contracts, and forward contracts.

(4) Issue senior securities or borrow money, except to the extent permitted under the 1940 Act, and as interpreted, modified, or otherwise permitted by regulatory authority having jurisdiction, from time to time.

(5) Make loans, except to the extent permitted under the 1940 Act and as interpreted, modified, or otherwise permitted by regulatory authority having jurisdiction, from time to time.

(6) Act as an underwriter of securities of other issuers, except to the extent that in connection with the disposition of portfolio securities, it may be deemed to be an underwriter under the federal securities laws.

Non-Fundamental Investment Restrictions

Each Fund is also subject to the following non-fundamental investment restrictions and policies that may be changed by the Board without shareholder approval.

(1) Each Fund may not acquire any illiquid securities if, as a result thereof, more than 15% of the market value of the Fund's net assets would be in investments that are illiquid; and

(2) Each Fund may pledge, mortgage, hypothecate, or otherwise encumber any of its assets to secure borrowings permitted by fundamental investment restriction (4); provided that such amount shall not exceed one-third of its total assets.

Notes to Fundamental and Non-Fundamental Investment Restrictions

The following commentary is intended to help investors better understand the meaning of each Fund's fundamental and non-fundamental policies by briefly describing limitations, if any, imposed by the 1940 Act. References to the 1940 Act below encompass rules, regulations and orders issued by the SEC and, to the extent deemed appropriate by a Fund, interpretations and guidance provided by the SEC staff. These descriptions are intended as brief summaries of such limitations as of the date of this SAI; they are not comprehensive and they are qualified in all cases by reference to the 1940 Act (including any rules, regulations or orders issued by the SEC and any relevant interpretations and guidance provided by the SEC staff). These descriptions are subject to change based on evolving guidance by the appropriate regulatory authority and are not part of a Fund's fundamental and non-fundamental policies.

For purposes of fundamental investment restriction (1), Barings determines industry categories and assigns issuers to them based on a variety of considerations, including relevant third-party categorization systems. Industry categories and issuer assignments may change over time as industry sectors and issuers evolve. Portfolio allocations shown in shareholder reports and other communications may use broader investment sectors or narrower sub-industry categories.

For purposes of fundamental investment restriction (4) and non-fundamental investment restriction (2), the 1940 Act currently permits an open-end investment company to borrow money from a bank so long as immediately after any such borrowing the ratio that the value of the total assets of the investment company (including the amount of such borrowing), less the amount of all liabilities and indebtedness (other than any borrowings) of the investment company, bears to the amount of all borrowings is at least 300%.

Under the 1940 Act, a Fund may not issue senior securities or borrow in excess of $33^{1}/3\%$ of the Fund's total assets (including the proceeds of any such borrowing). Under the 1940 Act, a "senior security" does not include any loan made for temporary purposes only and in an amount not exceeding 5% of the value of the total assets of the issuer at the time the loan is made. A loan is presumed to be for temporary purposes if it is repaid within sixty days and is not extended or renewed.

To the extent a Fund segregates against its commitment under a reverse repurchase agreement or derivative instrument liquid assets equal in value to the amount of the Fund's commitment, such instrument will not be considered a "senior security" for purposes of the asset coverage requirements otherwise applicable to borrowings by the Fund.

For purposes of fundamental investment restriction (5), the 1940 Act currently prohibits a Fund from lending money or property to any person, directly or indirectly, if such person controls or is under common control with the Fund, except for a loan from the Fund to a company that owns all of the outstanding securities of the Fund, except directors' qualifying shares.

To the extent that a Fund counts derivatives towards compliance with its 80% policy, such instruments will be valued based on their market value or fair value (determined in accordance with the Fund's valuation procedures) or, when the adviser determines that the notional value of such instruments is a more appropriate measure of the Fund's exposure to economic characteristics of investments that are consistent with the Fund's 80% policy, at such notional value.

MANAGEMENT

The business of the Funds is managed under the direction of the Funds' Board (the trustees on the Board are herein referred to as the "Trustees"). Subject to the provisions of the Funds' Agreement and Declaration of Trust (the "Declaration"), its Bylaws and Massachusetts law, the Trustees have all powers necessary and convenient to carry out this responsibility, including the election and removal of the Funds' officers.

The Trustees and officers of the Funds, their ages, the position they hold with the Funds, their term of office and length of time served, a description of their principal occupations during the past five years, the number of portfolios in the fund complex (as defined in SEC regulations) that the Trustee oversees and any other directorships held by the Trustee are listed in the two tables immediately following. Except as shown, each Trustee's and officer's principal occupation and business experience for the last five years have been with the employer(s) indicated, although in some cases the Trustee may have held different positions with such employer(s).

Interested Trustee

Currently, one Trustee is treated as an "interested person" (as defined in Section 2(a)(19) of the 1940 Act) of the Funds.

Name, Address and Age	Position(s) Held with Trust	Term of Office[1] and Length of Time Served [2]	Principal Occupation(s) During the Past 5 Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During Past 5 Years
Thomas M. Finke Age: 56 300 S. Tryon St. Suite 2500 Charlotte, NC 28202	Trustee	Indefinite; Trustee since July 2013	Chairman and Chief Executive Officer (since 2008), Member of the Board of Managers (since 2006), President (2007–2008), Managing Director (2002–2008), Barings; and Chief Investment Officer and Executive Vice President (2008–2011),	9	Trustee (since 2012), Barings Global Short Duration High Yield Fund (closed-end investment company advised by Barings); Director (since 2018), Barings BDC, Inc. (a business development company advised by Barings); Chairman (2012-2015), Director (since 2008), Barings (U.K.) Limited

Name, Address and Age	Position(s) Held with Trust	Term of Office[1] and Length of Time Served [2]	Principal Occupation(s) During the Past 5 Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During Past 5 Years
			Massachusetts Mutual Life Insurance Company.		(investment advisory firm); Director (since 2008), Barings Guernsey Limited (holding company); Vice Chairman and Manager (since 2011), MM Asset Management Holding LLC (holding company); Director (since 2004), Jefferies Finance LLC (finance company); Manager (since 2005), Loan Strategies Management, LLC (general partner of an investment fund); Manager (since 2005), Jefferies Finance CP Funding LLC (investment company); Chairman and Director (2012-2015), Barings Global Advisers Limited (investment advisory firm); Manager (2011-2016), Wood Creek Capital Management, LLC (investment advisory firm); Chairman and Manager (2007-2016), Barings Real Estate Advisers LLC (real estate advisory firm); and Manager (2007-2015), Credit Strategies Management LLC (general partner of an investment fund).

1. Each Trustee serves until his or her respective successor has been duly elected and qualified or until his or her earlier death, resignation, retirement or removal.
2. Indicates the earliest year in which the Trustee became a board member for a Fund in the Trust.

Independent Trustees

Name, Address and Age	Position(s) Held with Trust	Term of Office[1] and Length of Time Served [2]	Principal Occupation(s) During the Past 5 Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During Past 5 Years
Rodney J. Dillman Age: 68 300 S. Tryon St. Suite 2500 Charlotte, NC 28202	Trustee, Chairman	Indefinite; Trustee since July 2013	Retired (since 2012); Deputy General Counsel (2011-2012), Senior Vice President (2008-2012), Vice President (2000-2008), Massachusetts Mutual Life Insurance Company; Member of the Board of Directors and President (2008-2011), MassMutual International LLC; and General Counsel (2006-2008), Babson Capital Management LLC (currently known as Barings).	8	Trustee (since 2012), Barings Global Short Duration High Yield Fund (closed-end investment company advised by Barings); and Director (2016-2017), Social Reality, Inc. (digital platform technology and management software company for internet advertising).
Dr. Bernard A. Harris, Jr. Age: 64 300 S. Tryon St. Suite 2500	Trustee	Indefinite; Trustee since July 2013	Chief Executive Officer (since 2018), National Math and Science Initiative; Chief Executive	8	Trustee (since 2012), Barings Global Short Duration High Yield Fund (closed-end investment company advised by

Name, Address and Age	Position(s) Held with Trust	Term of Office[1] and Length of Time Served [2]	Principal Occupation(s) During the Past 5 Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During Past 5 Years
Charlotte, NC 28202			Officer and Managing Partner (since 2002), Vesalius Ventures, Inc.; Director and President (since 1998), The Space Agency; President (since 1999), The Harris Foundation; and Clinical Scientist, Flight Surgeon and Astronaut (1986-1996), NASA.		Barings); Director (since 2016), Salient MLP & Energy Infrastructure Fund (mutual fund); Director (since 2009), Monebo Technologies Inc. (medical technology design company); Director (since 2009), The Endowment Fund; Director (since 2008), US Physical Therapy, Inc. (NYSE: USPH); Trustee (2015-2017), Forward Funds (open-end investment company); and Trustee (since 2011), Salient Midstream & MLP Fund (closed-end investment company).
Thomas W. Okel Age: 57 300 S. Tryon St. Suite 2500 Charlotte, NC 28202	Trustee	Indefinite; Trustee since July 2013	Executive Director (2011-2019), Catawba Lands Conservancy; and Global Head of Syndicated Capital Markets (1998-2010), Bank of America Merrill Lynch.	10	Trustee (since 2012), Barings Global Short Duration High Yield Fund (closed-end investment company advised by Barings); Director (since 2018), Barings BDC, Inc. (a business development company advised by Barings); Director (since 2020), Barings Capital Investment Corporation (a business development company advised by Barings); and Trustee (since 2015), Horizon Funds (mutual fund complex).
Cynthia R. Plouché Age: 63 300 S. Tryon St. Suite 2500 Charlotte, NC 28202	Trustee	Indefinite; Trustee since August 2017	Assessor (2014-2018), Moraine Township (property assessment); and Senior Portfolio Manager (2006-2012), Williams Capital Management, LLC (asset management).	8	Trustee (since 2017), Barings Global Short Duration High Yield Fund (closed-end investment company advised by Barings); Trustee (since 2014), Northern Funds (mutual fund complex); and Trustee (2001-2017), AXA Premier VIP Trust (mutual fund complex).
Martin A. Sumichrast[3] Age: 54 300 S. Tryon St. Suite 2500 Charlotte, NC 28202	Trustee	Indefinite; Trustee since July 2013	Chairman and Co-Chief Executive Officer (since 2016), Director (since 2015), cbdMD, Inc., (NYSE: YCBD) (a consumer staples company specializing in CBD); and Managing Director (since 2012), Washington Capital, LLC (family office).	8	Trustee (since 2012), Barings Global Short Duration High Yield Fund (closed-end investment company advised by Barings); and Chairman and Director (2014-2017), Kure Corp. (retail).

1. Each Trustee serves until his or her respective successor has been duly elected and qualified or until his or her earlier death, resignation, retirement or removal.
2. Indicates the earliest year in which the Trustee became a board member for a Fund in the Trust.
3. Mr. Sumichrast is a shareholder and serves on the management team of a special purpose acquisition vehicle. Effective as of the date of this SAI, Mr. Finke purchased less than 1% of the shares of the special purpose acquisition vehicle and was appointed chairman of the vehicle's board of directors. In light of this relationship, it is possible that the SEC might in the future determine Mr. Sumichrast to be an interested person of the Funds.

Officers

Name, Address and Age	Position With Trust	Term of Office[1] / Length of Time Served	Principal Occupation(s) During Past 5 Years
Dan McGee Age: 50 300 S. Tryon St. Suite 2500 Charlotte, NC 28202	President	Since August 2018	Managing Director (since 2013), Barings; and Managing Director (1992-2013), Principal Financial Group.
Carlene Pollock Age: 53 300 S. Tryon St. Suite 2500 Charlotte, NC 28202	Chief Financial Officer	Since January 2016	Assistant Treasurer (2015-2016), Barings Funds Trust; Chief Financial Officer (since 2016), Assistant Treasurer (2015-2016), Barings Global Short Duration High Yield Fund (closed-end investment company advised by Barings); Director (since 2015), Barings; Director (2013-2015), Corrum Capital Management (investment adviser); and Vice President (2008-2013), Bank of New York Mellon (third party administrator).
Elizabeth Murray Age: 43 300 S. Tryon St. Suite 2500 Charlotte, NC 28202	Treasurer	Since October 2020	Treasurer (since October 2020), Barings Global Short Duration High Yield Fund (closed-end investment company advised by Barings); Principal Accounting Officer (since January 2020), Director of External Reporting (2018-2020), Barings BDC, Inc. (a business development company advised by Barings); Principal Accounting Officer (since June 2020), Barings Capital Investment Corporation (a business development company advised by Barings); Principal Accounting Officer (since April 2020), Barings Corporate Investors and Barings Participation Investors (closed-end investment companies advised by Barings); Managing Director (since 2018), Barings; and Vice President of Financial Reporting (2012-2018), Triangle Capital Corporation.
Michael Cowart Age: 37 300 S. Tryon St. Suite 2500 Charlotte, NC 28202	Chief Compliance Officer	Since January 2020	Chief Compliance Officer (since January 2020), Barings Global Short Duration High Yield Fund (closed-end investment company advised by Barings); Chief Compliance Officer (since January 2020), Barings Corporate Investors and Barings Participation Investors (closed-end investment companies advised by Barings); Chief Compliance Officer (since January 2020), Barings BDC, Inc. (business development company advised by Barings); Chief Compliance Officer (since June 2020), Barings Capital Investment Corporation (business development company advised by Barings); Director (since 2018), Barings; Chief Compliance Officer (since November 2019), Barings Securities LLC; and Assistant General Counsel (2016-2018), LPL Financial (independent broker-deal).
Jill Dinerman Age: 44 300 S. Tryon St. Suite 2500 Charlotte, NC 28202	Vice President, Secretary and Chief Legal Officer	Since August 2020	Assistant Secretary (2019-2020), Barings Funds Trust; Vice President, Secretary and Chief Legal Officer (since August 2020), Assistant Secretary (2019-2020), Barings Global Short Duration High Yield Fund (closed-end investment company advised by Barings); Chief Legal Officer (since July 2020), Secretary (July 2020-October 2020), Assistant Secretary (2019-2020), Barings Corporate Investors and Barings Participation Investors (closed-end investment companies advised by Barings); Chief Legal Officer (since August 2020), Assistant Secretary (2019-2020), Barings BDC, Inc. (a business development company advised by Barings); Chief Legal Officer (since June 2020), Barings Capital Investment Corporation (a business development company advised by Barings); and General Counsel (since January 2020), Managing Director (since 2016), Associate General Counsel and Corporate Secretary (2018-2020), Senior Counsel (2016-2018), Counsel and Director (2011-2016), Barings.
Alexandra Pacini Age: 28 300 S. Tryon St. Suite 2500 Charlotte, NC 28202	Assistant Secretary	Since August 2020	Assistant Secretary (since August 2020), Barings Global Short Duration High Yield Fund (closed-end investment company advised by Barings); Assistant Secretary (since October 2020), Barings Corporate Investors and Barings Participation Investors (closed-end investment companies advised by Barings); Assistant Secretary (since August 2020), Barings BDC, Inc. (a business development company advised by Barings); Analyst (since 2017), Barings; and Legal Clerk (2015-2017), Bryan Cave (law firm).

1. Officers will hold their position with the Trust until a successor is duly elected and qualified. Officers are generally elected annually by the Board. With the exception of Ms. Murray, who was appointed on October 27, 2020, the remaining officers were last elected on August 6, 2020.

For interested Trustees and officers, positions held with affiliated persons or principal underwriters of the Funds are listed in the following table:

Name	Positions Held with Affiliated Persons or Principal Underwriters of the Funds
Thomas M. Finke	Chairman, Member of the Board of Managers and Chief Executive Officer of Barings; Director of Barings BDC, Inc.; Trustee of Barings Global Short Duration High Yield Fund; Director of Barings (U.K.) Limited and Barings Guernsey Limited; and Vice Chairman and Member of the Board of Managers of MM Asset Management Holding LLC.
Dan McGee	Managing Director at Barings and Member of Barings' Global Business Development Group.
Carlene Pollock	Director at Barings and Member of Barings' Financial Planning & Analysis and Treasury; and Chief Financial Officer of Barings Global Short Duration High Yield Fund.
Elizabeth Murray	Managing Director at Barings and Member of Barings' Financial Planning & Analysis and Treasury; Treasurer of Barings Global Short Duration High Yield Fund; Principal Accounting Officer of Barings BDC, Inc., Barings Capital Investment Corporation, Barings Corporate Investors and Barings Participation Investors.
Michael Cowart	Director at Barings; Chief Compliance Officer of Barings Global Short Duration High Yield Fund, Barings Corporate Investors, Barings Participation Investors, Barings BDC, Inc., Barings Capital Investment Corporation and Barings Securities LLC.
Jill Dinerman	General Counsel and Managing Director at Barings; Vice President, Secretary and Chief Legal Officer of Barings Global Short Duration High Yield Fund; Chief Legal Officer of Barings Corporate Investors, Barings Participation Investors, Barings BDC, Inc. and Barings Capital Investment Corporation.
Alexandra Pacini	Analyst at Barings; Assistant Secretary of Barings Global Short Duration High Yield Fund, Barings Corporate Investors, Barings Participation Investors and Barings BDC, Inc.

Role of the Board, Leadership Structure and Risk Oversight

The Role of the Board. The role of the Board and of any individual Trustee is one of oversight and not of management of the day-to-day affairs of the Funds and its oversight role does not make the Board a guarantor of the Funds' investments, operations or activities. Like most registered investment companies, the day-to-day management and operation of the Funds is performed by various service providers to the Funds, such as the Manager, the Sub-Adviser, underwriter (as defined below under "Distributor"), administrator, custodian and transfer agent, each of which is discussed in greater detail in the Prospectuses or in this SAI. The Board has appointed senior employees of the Manager as officers of the Funds, with responsibility to monitor and report to the Board on the Funds' operations. The Board receives regular reports from these officers and service providers regarding the Funds' operations. For example, the Chief Financial Officer provides reports as to financial reporting matters and investment personnel report on the performance of the Funds' portfolios. The Board has appointed a Chief Compliance Officer who administers the Funds' compliance program and regularly reports to the Board as to compliance matters. These reports are generally provided as part of formal in-person Board meetings which are typically held quarterly and involve the Board's review of, among other items, recent Fund operations. The Funds' management also provides periodic updates between meetings.

Board Structure and Leadership. The Board consists of six Trustees. Mr. Dillman (Chair), Dr. Harris, Mr. Okel, Ms. Plouché and Mr. Sumichrast are not "interested persons" (as defined in the 1940 Act) of the Funds (the "Independent Trustees"). Mr. Finke is an "interested person" of the Funds because of his affiliation with Barings. As noted above, the Trustees meet periodically throughout the year to oversee the Funds' activities, review contractual arrangements with service providers for the Funds and review each Fund's performance. The Board also has an Audit Committee that is comprised of Dr. Harris (Chair), Ms. Plouché and Messrs. Dillman, Okel, and Sumichrast and a Nominating and Governance Committee that is comprised of Messrs. Sumichrast (Chair), Dillman and Okel and Ms. Plouche.

Mr. Dillman serves as Chairman of the Board. However, because much of the Board's work is done at the Board (rather than the Committee) level, each Trustee participates in the full range of the Board's oversight duties, including oversight of the risk management process. See "Board Oversight of Risk Management" below.

The Board periodically reviews its leadership structure, including the role of the Chairman. The Board also completes an annual self-assessment during which it reviews its leadership and Committee structure and considers whether its structure remains appropriate in light of the Trust's current operations. The Board believes that its leadership structure, including the current percentage of the Board who are Independent Trustees, is appropriate given its specific characteristics. These characteristics include: (i) Barings' role in the operation of the Trust's business; (ii) the extent to which the work of the Board is conducted by all of the Independent Trustees; (iii) the extent to which the Independent Trustees meet, as needed, in the absence of members of management and members of the Board who are "interested persons" of the Funds; and (iv) Mr. Dillman's former role with the Manager, and Mr. Finke's role as Chief Executive Officer of the Manager, which enhance the Board's understanding of the operations of the Manager and of the Funds.

Audit Committee. The Audit Committee provides oversight with respect to the internal and external accounting and auditing procedures of the Funds and, among other things, considers the selection of independent public accountants for the Funds and the scope of the audit, approves all significant services proposed to be performed by those accountants on behalf of the Funds, and considers other services provided by those accountants to the Funds, the Manager, the Sub-Adviser and the possible effect of those services on the independence of those accountants. The Audit Committee met six times during the fiscal year ended June 30, 2020.

Nominating and Governance Committee. The purposes of the Nominating and Governance Committee are, among other things, to identify and nominate individuals to become Independent Trustees of the Board, to monitor and evaluate the structure, membership, size, compensation and procedures of the Board and all Board committees and to make recommendations to the Board on corporate governance matters. The Nominating and Governance Committee will consider nominees for Trustee recommended by shareholders of a Fund provided that such recommendations are submitted by the date disclosed in the Fund's proxy statement, if any, and otherwise comply with applicable securities laws, including Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Nominating and Governance Committee met twice during the fiscal year ended June 30, 2020.

Board Oversight of Risk Management. As described above, the Board's role is one of oversight, rather than active management. This oversight extends to the Trust's risk management processes. These processes are embedded in the responsibilities of officers of, and service providers to, the Trust. For example, the Manager, the Sub-Adviser and other service providers to the Trust are primarily responsible for the management of the Trust's investment risks. The Board has not established a formal risk oversight committee; however, much of the regular work of the Board and its standing committees addresses aspects of risk oversight. For example, the Trustees seek to understand the key risks facing the Trust, including those involving conflicts of interest; how management identifies and monitors these risks on an ongoing basis; how management develops and implements controls to mitigate these risks; and how management tests the effectiveness of those controls.

As described above, the Board receives a wide range of reports on the Trust's activities from the Manager, the Sub-Adviser and other service providers, including reports regarding the Funds' investment portfolios, the compliance of the Funds with applicable laws, and the Funds' financial accounting and reporting. The Board also meets periodically with the Funds' Chief Compliance Officer to receive reports regarding the compliance of the Funds with the federal securities laws and the Funds' internal compliance policies and procedures, and meets with the Funds' Chief Compliance Officer periodically, including at least annually, to review the Chief Compliance Officer's annual report, including the Chief Compliance Officer's risk-based analysis for the Funds. The Board's Audit Committee also meets regularly with the Chief Financial Officer and Funds' independent public accounting firm to discuss, among other things, the internal control structure of the Funds' financial reporting function. The Board also meets periodically with the portfolio managers of each Fund to receive reports regarding the management of the Funds, including its investment risks. The Board held five regular meetings (one of which was held telephonically) during the fiscal year ended June 30, 2020.

Qualifications of Trustees

The following provides an overview of the considerations that led the Board to conclude that each individual serving as a Trustee of the Funds should so serve. Among the factors the Board considered when concluding that an individual should serve on the Board were the following: (i) the individual's business and professional experience and accomplishments; (ii) the individual's ability to work effectively with the other members of the Board; (iii) the individual's prior experience, if any, serving on other boards of directors (including boards of other investment companies); and (iv) how the individual's skills, experiences and attributes would contribute to an appropriate mix of relevant skills and experience on the Board.

The following summarizes each Trustee's professional experience and additional considerations that contributed to the Board's conclusion that each individual should serve on the Board.

Mr. Dillman — Mr. Dillman brings over 15 years of experience in investment management, global business development, global political and economic risk management, international acquisitions, global operations and financial reporting. He currently serves as Trustee of Barings Global Short Duration High Yield Fund, a closed-end investment company advised by Barings. Previously, Mr. Dillman served as President of MassMutual International LLC, an international life insurance, health, annuities and pension company, and General Counsel of Babson Capital Management LLC (currently known as Barings). Prior to joining Babson Capital Management LLC, he was a Partner at Day Pitney LLP, a law firm. He has served as a director to many insurance, public and private companies, including Social Reality, Inc., Yingda Taihe Life Insurance Co., MassMutual Life Insurance Company, MassMutual Mercuries Life Insurance Company, MassMutual Asia Limited, The MassMutual Trust Company and Jefferies Finance LLC. He is the author of *The Lease Manual: A Practical Guide to Negotiating Office, Rental and Industrial Leases*. He holds a Bachelor of Science in Education from Kent State University, a Masters of Arts in Economics from Kent State University Graduate School of Management and a Juris Doctor from Duke University School of Law.

Mr. Finke — Mr. Finke brings over 30 years of executive and board experience in the banking and investment management industries. He currently serves as Chairman and Chief Executive Officer of Barings. Previously, he served as President of Barings, Executive Vice President and Chief Investment Officer of Massachusetts Mutual Life Insurance Company, Co-Founder and President of First Union Institutional Debt Management and Vice President at Bear, Stearns & Co. Mr. Finke currently serves as Director of Barings BDC, Inc., a business development company advised by Barings, Trustee of Barings Global Short Duration High Yield Fund, a closed-end investment company advised by Barings, and Director of Barings (U.K.) Limited. Mr. Finke also serves as a Member of the Board of Directors of the Structured Finance Industry Syndications and Trading Association. He formerly served as Chairman and Director of Barings Global Advisers Limited, Chairman and Manager of Barings Real Estate Advisers LLC, Manager of Wood Creek Capital Management, LLC and as a founding member of the Board of Directors of the Loan Syndicates and Trading Association. He holds a Bachelor of Science from the University of Virginia's McIntire School of Commerce and a Masters in Business Administration from Duke University's Fuqua School of Business.

Dr. Harris — Dr. Harris brings substantial executive, board and operations experience to the Funds. He currently serves as Chief Executive Officer and Director of the National Math and Science Initiative, a non-profit organization focused on increasing student opportunities and achievement and teaching effectiveness in STEM education, President of The Harris Foundation/Institute and Chief Executive Officer and Managing Partner of Vesalius Ventures, Inc., a venture capital firm investing in early and mid-stage healthcare technologies and companies. He previously served as a Clinical Scientist, Flight Surgeon and Astronaut for NASA. Dr. Harris currently serves as director or trustee of several registered investment companies and other public and private organizations, including Barings Global Short Duration High Yield Fund, a closed-end investment company advised by Barings, the Endowment Fund, Salient Midstream & MLP Fund, Salient MF Trust, Forward Funds, Monebo Technologies Inc. and U.S. Physical Therapy, Inc. In addition, he is on the Board of the National Academy of Medicine, the Texas Medical Center, CHI St. Luke's Health – Texas Division, National Math and Science Initiative, and the Harris Institute & Foundation. He earned a Bachelor of Science in Biology from the University of Houston, a Master of Medical Science from the University of Texas Medical Branch at Galveston, a Master of Business Administration (MBA) from the University of Houston and a Doctorate of Medicine from Texas Tech University School of Medicine. He completed a Residency in Internal Medicine at the Mayo Clinic, a National Research Council Fellowship in Endocrinology at the NASA Ames Research Center and trained as a Flight Surgeon at the Aerospace School of Medicine, Brooks Air Force Base. Dr. Harris is the recipient of numerous awards, including honorary doctorates from Stony Brook University (SUNY), Morehouse School of Medicine, New Jersey Institute of Technology (NJIT), Washington & Jefferson College, Worcester Polytechnic Institute, University of Hartford and Indiana Institute of Technology, NASA Space Flight Medal, NASA Award of Merit, a fellow of the American College of Physicians, and was the recipient of the 2000 Horatio Alger Award.

Mr. Okel — Mr. Okel brings over 20 years of experience in the underwriting, structuring, distribution and trading of debt used for corporate acquisitions, leveraged buyouts, recapitalizations and refinancings. He previously served as Executive Director of Catawba Lands Conservancy, a non-profit land trust. Prior to joining Catawba Lands Conservancy, he served as Global Head of Syndicated Capital Markets at Bank of America Merrill Lynch, where he managed capital markets, sales, trading and research for the United States, Europe, Asia and Latin America. He currently serves as trustee or director of several public companies and non-profit organizations, including as Trustee of Barings Global Short Duration High Yield Fund, a closed-end investment company advised by Barings, Director of Barings BDC, Inc. and Barings Capital Investment Corporation, business development companies advised by Barings, and Trustee of the Horizon Funds, a mutual fund complex. He previously served as Trustee of Davidson College and Director of CrossRoads Corporation for Affordable Housing and Community Development, Inc. Mr. Okel holds a Bachelor of Arts in Economics from Davidson College and a Masters of Management, Finance, Accounting and Marketing from the J.L. Kellogg Graduate School of Management at Northwestern University.

Ms. Plouché — Ms. Plouché brings over 32 years of experience in financial services, asset management, the function, governance and oversight of mutual fund boards, and operations of fund advisers and service providers. She currently serves as Trustee of Barings Global Short Duration High Yield fund, a closed-end investment company advised by Barings, and Northern Trust Funds, a mutual fund complex. She previously served as an Assessor for Moraine Township (IL), a Senior Portfolio Manager for Williams Capital Management, LLC, Chief Investment Officer and Managing Director of Blaylock-Abacus Asset Management and a Portfolio Manager for Equitable Capital Management Corporation. She formerly served as a Trustee and member of the Audit Committee of AXA VIP Trust, a mutual fund complex. Ms. Plouché holds a Bachelor of Arts in Psychology and Social Relations from Harvard University and a Masters in Business Administration from the Wharton School at the University of Pennsylvania.

Mr. Sumichrast — Mr. Sumichrast brings over 25 years of experience in investing and providing business advisory services to corporations in the United States, Europe and Asia. He currently serves as Chairman, Chief Executive Officer and Director of CbdMD, Inc., f/k/a as Level Brands, Inc., a NYSE: American traded public company, Managing Partner and Principal of Stone Street Partners, LLC, a Charlotte-based merchant banking operation, and Managing Director of Washington Capital, LLC, a family owned office entity. He previously co-founded and served as Chairman and Chief Executive Officer of Global Capital Partners, Inc., a diversified financial services holding company that had offices in the United States and Europe. He serves as Trustee of Barings Global Short Duration High Yield Fund, a closed-end investment company advised by Barings, and previously served as a Director of Kure Corp., Social Reality, Inc., and Jadeveon Clowney Help-In-Time Foundation. He is co-author of *Opportunities in Finance Careers* and *The Complete Book of Homebuying*. Mr. Sumichrast holds a Bachelor of Science from the University of Maryland.

Share Ownership

For each Trustee, the following table discloses the dollar range of equity securities beneficially owned by the Trustee in the Funds and, on an aggregate basis, in any registered investment companies overseen by the Trustee within the Funds' family of investment companies as of June 30, 2020:

The following dollar ranges apply:

N. None

A. $1 – $10,000

B. $10,001 – $50,000

C. $50,001 – $100,000

D. Over $100,000

	Dollar Range of Equity Securities in the Funds							
Name of Trustee	Global Floating Rate Fund	Global Credit Income Oppor-tunities Fund	U.S. High Yield Fund	Active Short Duration Bond Fund	Diversified Income Fund	Emerging Markets Debt Blended Total Return Fund	Global Emerging Markets Equity Fund	Aggregate Dollar Range of Equity Securities in All Registered Investment Companies Overseen by Trustee in Family of Investment Companies
Rodney J. Dillman	N	N	N	N	N	N	N	B
Bernard A. Harris .	N	N	N	B	N	N	N	B
Thomas W. Okel	N	B	N	N	N	N	N	D
Cynthia R. Plouché.	A	A	N	B	N	N	N	B
Martin A. Sumichrast	N	N	N	N	N	N	N	N
Thomas M. Finke . .	N	B	N	N	N	N	N	D

For Trustees and their immediate family members, no securities were owned beneficially in an investment adviser or principal underwriter of the Funds, or a person (other than a registered investment company) directly or indirectly controlling, controlled by, or under common control with an investment adviser or principal underwriter of the Funds as of June 30, 2020.

To the knowledge of the Funds, the following shareholders held of record or beneficially owned 5% or more of any class of the outstanding shares of Global Floating Rate Fund, Global Credit Income Opportunities Fund, U.S. High Yield Fund, Active Short Duration Bond Fund, Diversified Income Fund, Emerging Markets Debt Blended Total Return Fund, and Global Emerging Markets Equity Fund as of September 30, 2020. Any shareholder that owns more than 25% of the outstanding shares of a Fund may be presumed to "control" (as that term is defined in the 1940 Act) the Fund. Shareholders controlling a Fund could have the ability to vote a majority of the shares of the Fund on any matter requiring approval of shareholders of the Fund. The Trustees and Officers, as a group, owned less than 1% of any Fund's shares as of September 30, 2020.

Share Ownership

Fund Name and Share Class	Name and Address of Owner	Percent of Class
GLOBAL FLOATING RATE FUND		
Class A	Morgan Stanley Wealth Management 1 New York Plaza, 12th Floor New York, NY 10004	86.75%
Class C	Morgan Stanley Wealth Management 1 New York Plaza, 12th Floor New York, NY 10004	45.31%
	Raymond James Financial Services 880 Carillon Parkway St. Petersburg, FL 33716	20.27%
	UBS Financial Services, Inc. 1000 Harbor Boulevard, 8th Floor Weehawken, NJ 07086	17.52%
	Charles Schwab & Co., Inc. 211 Main Street San Francisco, CA 94105	8.96%
	RBC Capital Markets, LLC 60 South 6th Street #ST-P08 Minneapolis, MN 55402	5.32%
Class I	The Shimon Ben Joseph Foundation 343 Sansome Street, Suite 550 San Francisco, CA 94104	78.90%
	US Bank NA P.O. Box 1787 Milwaukee, WI 53201	21.10%
Class Y	National Financial Services 82 Devonshire Street, Mail Zone ZE7F Boston, MA 02109	23.35%
	UBS Financial Services, Inc. 1000 Harbor Boulevard, 8th Floor Weehawken, NJ 07086	20.00%
	Morgan Stanley Wealth Management 1 New York Plaza, 12th Floor New York, NY 10004	19.59%
	Benefit Trust Company 5901 College Boulevard, Suite 100 Overland Park, KS 66211	13.83%
	MG Trust Services, LLC 717 17th Street, Suite 1300 Denver, CO 80202	6.96%
GLOBAL CREDIT INCOME OPPORTUNITIES FUND		
Class A	Charles Schwab & Co., Inc. 211 Main Street San Francisco, CA 94105	76.53%
	Morgan Stanley Wealth Management 1 New York Plaza, 12th Floor New York, NY 10004	7.87%

Fund Name and Share Class	Name and Address of Owner	Percent of Class
	E*Trade Savings Bank P.O. Box 3857 Englewood, CO 80155	5.53%
Class C	Morgan Stanley Wealth Management 1 New York Plaza, 12th Floor New York, NY 10004	38.85%
	Raymond James Financial Services 880 Carillon Parkway St. Petersburg, FL 33716	32.18%
	Wells Fargo Clearing Services, LLC 1 N. Jefferson Avenue St. Louis, MO 63103	10.66%
	Charles Schwab & Co., Inc. 211 Main Street San Francisco, CA 94105	8.75%
	UBS Financial Services, Inc. 1000 Harbor Boulevard, 8th Floor Weehawken, NJ 07086	6.19%
Class I	Barings LLC 300 South Tryon Street, Suite 2500 Charlotte, NC 28202	62.52%
	US Bank NA P.O. Box 1787 Milwaukee, WI 53201	37.41%
Class Y	Morgan Stanley Wealth Management 1 New York Plaza, 12th Floor New York, NY 10004	24.61%
	Barings LLC 300 South Tryon Street, Suite 2500 Charlotte, NC 28202	15.83%
	Pershing LLC 1 Pershing Plaza Jersey City, NJ 07399	11.38%
	Charles Schwab & Co., Inc. 211 Main Street San Francisco, CA 94105	9.72%
	Wells Fargo Bank, N.A. 425 East Hennepin Avenue, 1st Floor Minneapolis, MN 55414	8.33%
	Wells Fargo Clearing Services, LLC 1 North Jefferson Avenue St. Louis, MO 63103	6.01%
	SEI Private Trust Company 1 Freedom Valley Drive Oaks, PA 19456	5.50%
	UBS Financial Services, Inc. 1000 Harbor Boulevard, 8th Floor Weehawken, NJ 07086	5.49%

U.S. HIGH YIELD FUND

Fund Name and Share Class	Name and Address of Owner	Percent of Class
	Charles Schwab & Co., Inc. 211 Main Street San Francisco, CA 94105	48.04%
Class A	National Financial Services 82 Devonshire Street, Mail Zone ZE7F Boston, MA 02109	36.44%
	Pershing LLC 1 Pershing Plaza Jersey City, NJ 07399	8.25%
Class C	Barings LLC 300 South Tryon Street, Suite 2500 Charlotte, NC 28202	100%
Class I	Barings LLC 300 South Tryon Street, Suite 2500 Charlotte, NC 28202	100%
Class Y	Jewish Communal Fund 575 Madison Avenue, Suite 703 New York, NY 10022	51.19%
	Barings LLC 300 South Tryon Street, Suite 2500 Charlotte, NC 28202	32.93%
	Charles Schwab & Co., Inc. 211 Main Street San Francisco, CA 94105	13.10%
ACTIVE SHORT DURATION BOND FUND		
Class A	RBC Capital Markets, LLC 60 South 6th Street, #ST-P08 Minneapolis, MN 55402	34.14%
	National Financial Services 82 Devonshire Street, Mail Zone ZE7F Boston, MA 02109	19.59%
	UBS Financial Services, Inc. 1000 Harbor Boulevard, 8th Floor Weehawken, NJ 07086	16.36%
	Raymond James & Associates 880 Carillon Parkway St. Petersburg, FL 33716	15.39%
	Charles Schwab & Co., Inc. 211 Main Street San Francisco, CA 94105	10.31%
Class C	Morgan Stanley Wealth Management 1 New York Plaza, 12th Floor New York, NY 10004	69.23%
	RBC Capital Markets, LLC 60 South 6th Street, #ST-P08 Minneapolis, MN 55402	12.28%
	Raymond James Financial Services 880 Carillon Parkway St. Petersburg, FL 33716	12.04%

Fund Name and Share Class	Name and Address of Owner	Percent of Class
Class I	Barings LLC 300 South Tryon Street, Suite 2500 Charlotte, NC 28202	100.00%
Class Y	Charles Schwab & Co., Inc. 211 Main Street San Francisco, CA 94105	37.90%
	Morgan Stanley Wealth Management 1 New York Plaza, 12th Floor New York, NY 10004	21.00%
	National Financial Services 82 Devonshire Street, Mail Zone ZE7F Boston, MA 02109	18.68%
	Pershing LLC 1 Pershing Plaza Jersey City, NJ 07399	6.81%
	UBS Financial Services, Inc. 1000 Harbor Boulevard, 8th Floor Weehawken, NJ 07086	5.79%
Class L	Morgan Stanley Wealth Management 1 New York Plaza, 12th Floor New York, NY 10004	100.00%
DIVERSIFIED INCOME FUND		
Class A	Barings LLC 300 South Tryon Street, Suite 2500 Charlotte, NC 28202	54.94%
	BB&T Securities, LLC 901 East Byrd Street, 3rd Floor Richmond, VA 23219	29.98%
	UBS Financial Services, Inc. 1000 Harbor Boulevard, 8th Floor Weehawken, NJ 07086	13.80%
Class C	Barings LLC 300 South Tryon Street, Suite 2500 Charlotte, NC 28202	100%
Class I	Barings LLC 300 South Tryon Street, Suite 2500 Charlotte, NC 28202	100%
Class Y	Charles Schwab & Co., Inc. 211 Main Street San Francisco, CA 94105	57.98%
	Barings LLC 300 South Tryon Street, Suite 2500 Charlotte, NC 28202	36.21%
EMERGING MARKETS DEBT BLENDED TOTAL RETURN FUND		
Class A	Charles Schwab & Co., Inc. 211 Main Street San Francisco, CA 94105	94.11%

Fund Name and Share Class	Name and Address of Owner	Percent of Class
Class C	LPL Financial 4707 Executive Drive San Diego, CA 92121	48.84%
	Raymond James Financial Services 880 Carillon Parkway St. Petersburg, FL 33716	26.20%
	UBS Financial Services, Inc. 1000 Harbor Boulevard, 8th Floor Weehawken, NJ 07086	8.88%
	BB&T Securities, LLC 901 East Byrd Street, 3rd Floor Richmond, VA 23219	6.55%
	Pershing LLC 1 Pershing Plaza Jersey City, NJ 07399	6.20%
Class I	Barings LLC 300 South Tryon Street, Suite 2500 Charlotte, NC 28202	100%
Class Y	UBS Financial Services, Inc. 1000 Harbor Boulevard, 8th Floor Weehawken, NJ 07086	46.24%
	Barings LLC 300 South Tryon Street, Suite 2500 Charlotte, NC 28202	24.51%
	Raymond James Financial Services 880 Carillon Parkway St. Petersburg, FL 33716	15.30%
	MG Trust Services, LLC 717 17th Street, Suite 1300 Denver, CO 80202	6.46%
GLOBAL EMERGING MARKETS EQUITY FUND		
Class A	Barings LLC 300 South Tryon Street, Suite 2500 Charlotte, NC 28202	100%
Class C	Barings LLC 300 South Tryon Street, Suite 2500 Charlotte, NC 28202	100%
Class I	Barings LLC 300 South Tryon Street, Suite 2500 Charlotte, NC 28202	100%
Class Y	Barings LLC 300 South Tryon Street, Suite 2500 Charlotte, NC 28202	100%

Trustees' Compensation

Pursuant to the Investment Management Agreement between the Funds and the Manager, the Manager shall arrange, if acceptable to the Funds, for officers or employees of the Manager to serve, without compensation from the Funds, as trustees, officers or agents of the Funds if duly elected or appointed to such positions and subject to their individual consent and to any limitations imposed by the law.

Each Trustee who is not an officer or employee of the Manager, for his or her service as Trustee of both Barings Global Short Duration High Yield Fund ("BGH") and the Trust, is entitled to compensation payable by BGH and each series of the Trust ("BGH and BFT"). Trustees who are not officers or employees of Barings receive in the aggregate: (i) an annual retainer of $40,000; (ii) an additional annual retainer of $12,000 for the Chairman of the Board; (iii) an additional annual retainer of $8,000 for the Chairman of the Audit Committee; (iv) $8,000 for each in-person Board meeting attended; (v) $4,000 for each telephonic Board meeting attended; and (vi) $2,000 for each in-person or telephonic committee meeting attended. Trustees who are not officers or employees of Barings are also reimbursed for reasonable out-of-pocket expenses incurred in connection with his or her attendance at such meetings. Fifty percent of the cost of such compensation is allocated pro rata to BGH and BFT and fifty percent of the cost of such compensation is allocated pro rata based on the assets of BGH and BFT. The Trustees do not receive pension or retirement benefits.

The Trustees received the amounts set forth in the following table from the Funds and the fund complex (as defined in SEC regulations) for the fiscal year ended June 30, 2020 for services rendered as Trustee.

Name of Trustee	Total Compensation from the Funds for the Fiscal Year Ending June 30, 2020	Total Compensation from the Fund Complex Paid to the Trustees for the Fiscal Year Ended June 30, 2020[1]
Rodney J. Dillman	$88,312	$108,000
Bernard A. Harris	$80,132	$ 98,000
Thomas W. Okel[2]	$73,587	$210,000
Cynthia R. Plouché	$78,494	$ 96,000
Martin A. Sumichrast	$78,494	$ 96,000
Thomas Finke[3]	None	None

1. As of June 30, 2020, there were ten funds in the fund complex.
2. Mr. Okel also serves as director for Barings BDC, Inc. and Barings Capital Investment Corporation, business development companies advised by Barings that have elected to be treated as investment companies, and are therefore in the fund complex.
3. No compensation is paid by the Funds or the fund complex to Trustees who are officers or employees of Barings.

The Funds have no employees. Its officers are officers or employees of the Manager and serve as officers of the Funds without compensation. However, the Funds are responsible for paying the compensation of the Chief Compliance Officer of the Funds, unless the Manager or the Sub-Adviser agrees to do so. At present, the Funds' Chief Compliance Officer is an employee of the Manager who is paid by the Manager.

Anti-Money Laundering Compliance

The Funds and their service providers may be required to comply with various anti-money laundering laws and regulations. Consequently, the Funds and their service providers may request additional information from you to verify your identity. If you are opening the account in the name of a legal entity (e.g., partnership, limited liability company, business trust, corporation, etc.), you may also be required to supply the identity of the beneficial owners. If at any time the Funds believe a shareholder may be involved in suspicious activity or if certain account information matches information on government lists of suspicious persons, the Funds may choose not to establish a new account or may be required to "freeze" a shareholder's account. The Funds and their service providers also may be required to provide a governmental agency with information about transactions that have occurred in a shareholder's account or to transfer monies received to establish a new account, transfer an existing account or transfer the proceeds of an existing account to a governmental agency. In some circumstances, the Funds or their service providers may not be permitted to inform the shareholder that it has taken the actions described above.

Code of Ethics

The Funds, the Manager and the Sub-Adviser have each adopted a code of ethics governing personal trading activities of, as applicable, all Trustees and officers of the Funds, and directors, officers and employees of the Manager and the Sub-Adviser, who, in connection with their regular functions, play a role in the recommendation of any purchase or sale of a security by the Funds or obtain information pertaining to such purchase or sale or who have the power to influence the management or policies of the Funds, the Manager or the Sub-Adviser, as applicable. Such persons are prohibited from effecting certain transactions, allowed to effect certain exempt transactions (including with respect to securities that may be purchased or held by the Funds), and are required to preclear certain security transactions with the applicable compliance officer or his or her designee and to report certain transactions on a regular basis. The Funds, the Manager and the Sub-Adviser have each developed procedures for administration of their respective codes. Text-only versions of the codes of ethics can be viewed online or downloaded from the EDGAR Database on the SEC's internet web site at http://www.sec.gov. In addition, copies of the codes of ethics may be obtained, after mailing the appropriate duplicating fee, by e-mail request at publicinfo@sec.gov.

Proxy Voting Policy

The Funds and their Board have delegated to Barings responsibility for voting any proxies relating to portfolio securities held by the Funds in accordance with the Manager's proxy voting policy and procedures. Copies of the proxy voting policy and procedures to be followed by the Manager on behalf of the Funds, including procedures to be used when a vote presents a conflict of interest, are attached hereto as Appendix B ("Proxy Voting Policy"). Information regarding how the Funds vote proxies related to portfolio securities during the most recent 12-month period will be made available without charge at the Funds' website at http://www.barings.com/funds/mutual-funds or on the website of the SEC at http://www.sec.gov.

Policy on Disclosure of Portfolio Holdings

The Funds have adopted a portfolio holdings disclosure policy which governs the dissemination of the Funds' portfolio holdings.

Public Disclosures

A complete list of portfolio holdings information is generally made available on a monthly basis at http://www.barings.com/funds/mutual-funds no sooner than three business days after the end of the month. A Fund may delay posting its holdings or may not post any holdings, if the Manager believes that would be in the best interest of the Fund and its shareholders. Portfolio holdings of the Funds are disclosed on a quarterly basis on forms required to be filed with the SEC as follows: (i) portfolio holdings as of the end of each fiscal year will be filed as part of the annual report filed on Form N-CSR; (ii) portfolio holdings as of the end of the second fiscal quarter will be filed as part of the semi-annual report filed on Form N-CSRS; and (iii) the Funds' complete holdings are reported on Form N-PORT as of each month end, and filed with the SEC on a quarterly basis, with the filing for every third month made available to the public by the SEC 60 days after the end of the Funds' fiscal quarter. The Trust's Form N-CSRs, N-CSRSs, and Form N-PORTs are available on the SEC's website at http://www.sec.gov.

Other Disclosures

Consistent with policies and procedures approved by the Board, the officers of the Funds may provide the Fund's portfolio holdings information regularly, such as on a monthly or quarterly basis, to (i) third party service providers, rating and ranking agencies, financial intermediaries and affiliated persons of the Funds and (ii) clients of the Manager or its affiliates that invest in the Funds or such clients' consultants. No compensation or other consideration is received by the Funds, the Manager, the Sub-Adviser or any other person for these disclosures. Financial Intermediaries means any financial advisor, broker-dealer or other financial intermediary from which shares of the Funds may be purchased and that has entered into an agreement with the Distributor, the Manager or its affiliates, or ALPS Fund Services, Inc., the Funds' transfer agent (the "Transfer Agent"), with respect to the sale of shares of the Funds (the "Financial Intermediaries").

In addition, the Funds may disclose on an ongoing basis uncertified, non-public portfolio holdings information to certain service providers to the Funds, the Manager, the Sub-Adviser, the Transfer Agent or the Distributor, rating and ranking agencies, such as, but not limited to, Lipper, Morningstar, Bloomberg, pricing services, proxy voting service providers, accountants, attorneys, custodians, securities lending agents, brokers in connection with Fund transactions and providing pricing quotations, transfer agents and entities providing contingent deferred sales charge ("CDSC") financing. The Funds, along with the Manager, acting on behalf of the Funds and consistent with the policies and procedures approved by the Board, currently may provide real-time nonpublic information about the Funds' portfolio securities to the Funds' Custodian, Administrator, and Transfer Agent, the Funds' independent registered public accounting firm, legal counsel, and financial printer. In addition, if a Fund redeems a shareholder in kind, the shareholder generally receives its proportionate share of the Fund's portfolio holdings and, therefore, the shareholder and its agent may receive such information prior to public dissemination.

Disclosure of a Fund's portfolio securities as an exception to the Fund's normal business practice requires a Fund officer (other than the Treasurer) to identify a legitimate business purpose for the disclosure and submit the proposal to the Fund's Treasurer for approval following business and compliance review. Additionally, no compensation or other consideration is received by the Funds, the Manager, the Sub-Adviser or any other person for these disclosures. The Trustees will review annually a list of such entities that received such information, the frequency of such disclosures and the business purpose therefor. These procedures are designed to address conflicts of interest between the Funds' shareholders on the one hand and the Manager, the Sub-Adviser or any affiliated person of the Funds or such entities on the other hand by creating a structured review and approval process that seeks to ensure that disclosure of information about the Funds' portfolio securities is in the best interests of the Funds' shareholders. There can be no assurance, however, that the Funds' policies and procedures with respect to the disclosure of portfolio holdings information will prevent the misuse of such information by individuals or firms in possession of such information.

Holdings are released to all of the persons and entities described above on conditions of confidentiality, which include the duty not to trade on that confidential information. "Conditions of confidentiality" include confidentiality terms included in written agreements, implied by the nature of the relationship (e.g., attorney-client relationship), or required by fiduciary or regulatory principles (e.g., custody services provided by financial institutions). The Fund's Custodian, Administrator and Transfer Agent are subject to written agreements that establish confidentiality obligations with respect to the Funds' portfolio holdings. The Board has concluded that for all persons and entities described above that are not subject to written agreements that establish confidentiality obligations with respect to the Funds' portfolio holdings, the confidentiality obligations otherwise in place for these parties are adequate to safeguard the Funds from unauthorized disclosure of non-public portfolio holdings information.

Finally, each Fund releases information concerning any and all portfolio holdings when required by law. Such releases may include providing information concerning holdings of a specific security to the issuer of such security.

INVESTMENT MANAGER AND SUB-ADVISER

Primary Service Providers

The Trust, on behalf of the Funds, enters into contractual arrangements ("Contracts") with various parties, including, among others, the Manager, the Sub-Adviser, the Funds' transfer agent, the Funds' administrator, the Funds' distributor and the Funds' custodian. They and their affiliates currently provide key services, including investment advisory, administration, distribution, shareholder servicing and transfer agency services, to the Funds, and are paid for providing these services. Some of these service relationships are described below.

The Contracts are solely among the parties thereto. Shareholders are not parties to, or intended to be third-party beneficiaries of, any Contracts. Further, the Prospectuses, this SAI and any Contracts are not intended to give rise to any agreement, duty, special relationship or other obligation between a Fund and any investor, or give rise to any contractual, tort or other rights in any individual shareholder, group of shareholders or other person, including any right to assert a fiduciary or other duty, enforce the Contracts against the parties or to seek any remedy thereunder, either directly or on behalf of each Fund. Nothing in the previous sentence should be read to suggest any waiver of any rights under federal or state securities laws.

Investment Manager

The Manager serves as investment adviser to the Funds pursuant to an investment management agreement (the "Investment Management Agreement") between it and the Funds. The Manager is a wholly-owned subsidiary of MM Asset Management Holding LLC, an indirect wholly-owned subsidiary of Massachusetts Mutual Life Insurance Company ("MassMutual").

The origin of the Manager, an SEC-registered investment adviser since 1940, follows the paths of several early pioneers in investments and financing – Babson Capital Management LLC ("Babson"), Baring Asset Management Limited ("BAML"), Cornerstone Real Estate Advisers LLC ("CREA") and Wood Creek Capital Management, LLC ("Wood Creek"). Babson, through its predecessor, David L. Babson & Company, Inc., was founded in 1940. Babson was acquired by MassMutual in 1995 and on January 1, 2000, the Investment Management Division ("IMD") of MassMutual was consolidated into Babson. On the other side of the Atlantic, BAML traces its roots to 1762 when the Baring brothers founded a merchant and banking firm in London. The firm was one of the first U.K. firms to form an investment department in 1955. Throughout the 1970s and 1980s, the firm continued to expand its asset management business internationally and, in 1989, combined its asset management activities within BAML, headquartered in London. BAML was acquired by MassMutual in 2004. In July 2016, BAML became an indirect, wholly-owned subsidiary of Babson, which changed its name to Barings LLC on September 12, 2016. Adding to the rich history of pioneering investment advice, CREA began advising on real estate debt transactions nearly 30 years ago for MassMutual as part of the IMD. In 1994, CREA was established to provide real estate equity management to MassMutual and eventually third parties. In 2010, CREA combined with Babson's real estate debt group to form a comprehensive real estate adviser. CREA changed its name to Barings Real Estate Advisers LLC on September 12, 2016 and merged with and into the Manager on December 30, 2016. Similarly, Wood Creek was established as an alternative assets investment manager in 2005 as part of a joint venture with the MassMutual Financial Group. Wood Creek became a wholly-owned subsidiary of Barings in 2011. On September 16, 2016, Wood Creek merged with and into the Manager.

The Manager had, together with its subsidiaries, over $346 billion in assets under management as of June 30, 2020, and provides investment management services to registered investment companies, unregistered investment companies, and institutional investors (such as insurance companies, pension plans, endowments and foundations).

The Manager is a Delaware limited liability company and MM Asset Management Holding LLC is the direct owner of 100% of the voting shares of the Manager. MassMutual indirectly owns 100% of the voting shares of MM Asset Management Holding LLC. MassMutual and MM Asset Management Holding LLC are each located at 1295 State Street, Springfield, Massachusetts 01111. The Manager has a principal office located at 300 South Tryon Street, Suite 2500, Charlotte, NC 28202. The Manager has approximately 17 additional offices, including in Boston, MA, Chicago, IL, Hartford, CT, Los Angeles, CA, Newport Beach, CA, New York, NY and Washington D.C. The Sub-Adviser is headquartered in London.

The Manager employs, together with its subsidiaries, over 1,900 associates, including over 600 investment professionals.

Sub-Adviser

BIIL serves as sub-adviser to certain of the Funds responsible for managing such Funds' European investments, pursuant to a sub-advisory agreement between the Manager and BIIL (the "Sub-Advisory Agreement"). From time to time, the Manager may delegate to BIIL responsibility for managing certain Funds' investments in other non-North American countries.

The Manager has entered into a personnel-sharing arrangement with BIIL with respect to investment advice provided to the Diversified Income Fund under a Memorandum of Understanding between the Manager and BIIL. Pursuant to this arrangement, certain employees of BIIL may serve as "associated persons" of the Manager and, in this capacity, subject to the oversight and supervision of the Investment Manager and consistent with the investment objectives, policies and limitations set forth in the Fund's prospectus and SAI, may provide research and related services, and discretionary investment management and trading services (including acting as portfolio managers) to the Fund on behalf of the Manager. This arrangement is based on no-action letters of the staff of the Securities and Exchange Commission (SEC) that permits SEC-registered investment advisers to rely on and use the resources of advisory affiliates or "participating affiliates", subject to the supervision of that SEC-registered investment adviser. BIIL is a "participating affiliate" of the Manager and is itself an SEC-registered investment adviser, and the BIIL employees are "affiliated persons" of the Manager.

BIIL is an investment adviser registered with the SEC in the U.S. and the Financial Conduct Authority in the United Kingdom with its principal office located at 20 Old Bailey, London, United Kingdom EC4M 7BF. BIIL is a wholly-owned subsidiary of Baring Asset Management Limited, which in turn is an indirect, wholly-owned subsidiary of the Manager. As of June 30, 2020, BIIL had approximately $5 billion in assets under management.

Certain Terms of the Investment Management Agreement and Sub-Advisory Agreement

Under the terms of the Investment Management Agreement, subject to such policies as the Trustees of the Funds may determine, the Manager, at its expense, furnishes continuously an investment program for the Funds and makes investment decisions on behalf of the Funds and place all orders for the purchase and sale of portfolio securities subject always to the Funds' investment objectives, policies and restrictions.

The Manager, subject to the supervision of the Board, is responsible for managing the investment activities of the Funds. The Manager also furnishes to the Board periodic reports on the investment performance of the Funds.

Subject to the control of the Trustees, the Manager also manages, supervises and conducts the other affairs and business of the Funds, furnishes office space and equipment, provides bookkeeping and certain clerical services (excluding determination of the net asset value of the Funds, shareholder accounting services and the accounting services for the Funds) and pays all salaries, fees and expenses of officers and Trustees of the Funds affiliated with the Manager or MassMutual, subject to the Chief Compliance Officer exception discussed above. As indicated under "Portfolio Transactions and Brokerage—Brokerage and Research Services," the Funds' portfolio transactions may be placed with broker-dealers which furnish the Manager, without cost, certain research, statistical and quotation services of value to them or their respective affiliates in advising the Funds or their other clients. In so doing, the Funds may incur greater brokerage commissions and other transactions costs than it might otherwise pay.

Pursuant to the Investment Management Agreement between the Manager and the Funds, the Funds have agreed to pay the Manager an annual management fee, payable on a monthly basis, at the annual percentages of average daily net assets as set forth below for the services and facilities the Manager provides.

Global Floating Rate Fund	0.65% of average daily net assets;
Global Credit Income Opportunities Fund	0.75% of average daily net assets;
U.S High Yield Fund	0.55% of average daily net assets;
Active Short Duration Bond Fund	0.35% of average daily net assets;
Diversified Income Fund	0.40% of average daily net assets;
Emerging Markets Debt Blended Total Return Fund	0.75% of average daily net assets;
Global Emerging Markets Equity Fund	0.90% of average daily net assets.

For the periods below, each Fund paid the Manager investment advisory fees as follows:

Fund	Fiscal Year Ended June 30,	Gross Advisory Fees	Fees Waived/ Expenses Reimbursed	Net Advisory Fees[1]
Global Floating Rate Fund	2020	$1,612,681	$ 558,158	$1,054,523
	2019	$1,891,720	$ 640,956	$1,250,764
	2018	$1,352,275	$ 641,261	$ 711,014
Global Credit Income	2020	$1,490,789	$ 284,876	$1,205,913
Opportunities Fund	2019	$1,629,494	$ 366,281	$1,263,213
	2018	$1,346,860	$ 341,946	$1,004,914
U.S. High Yield Fund	2020	$ 269,901	$ 185,014	$ 84,887
	2019	$ 291,977	$ 195,794	$ 96,183
	2018	$ 202,338	$ 197,501	$ 4,837
Diversified Income Fund	2020	$ 170,083	$ 286,420	$ (116,337)
	2019	$ 129,161	$ 250,888	$ (121,727)
	2018	$ 122,954	$ 244,623	$ (121,669)
Active Short Duration Bond Fund	2020	$2,897,842	$1,862,080	$1,035,762
	2019	$1,853,894	$1,172,134	$ 681,760
	2018	$1,412,898	$1,216,496	$ 196,402
Emerging Markets Debt Blended	2020	$ 406,292	$ 266,230	$ 140,062
Total Return Fund	2019	$ 356,504	$ 354,925	$ 1,579
	2018	$ 172,999	$ 276,961	$ (103,962)
Global Emerging Markets Equity	2020	$ 95,181	$ 198,370	$ (103,189)
Fund	2019	$ 72,836	$ 147,685	$ (74,849)
	2018[2]	$ 0	$ 0	$ 0

1. A negative amount indicates advisory fees waived and/or expenses reimbursed in excess of the advisory fees.
2. Global Emerging Markets Equity Fund commenced operations on September 18, 2018.

The Sub-Advisory Agreement provides that the Sub-Adviser will not be subject to any liability in connection with the performance of its services thereunder in the absence of willful misfeasance, bad faith or gross negligence in the performance of its obligations and duties.

Except as otherwise described in the Prospectuses, each Fund pays, in addition to the investment management fee described above, all of its own expenses, including, among others, legal fees, and expenses of counsel to the Fund and to the Independent Trustees; insurance, including trustees and officers insurance and errors and omissions insurance; auditing and accounting expenses, including sub-accounting services provided by certain Financial Intermediaries; taxes and governmental fees; listing fees; dues and expenses incurred in connection with membership in investment company organizations; fees and expenses of the Fund's custodians, administrators, transfer agents, including sub-transfer agent services provided by certain Financial Intermediaries, registrars and other service providers; expenses for portfolio pricing services by a pricing agent, if any; other expenses in connection with the issuance, offering and underwriting of shares or debt instruments issued by the Fund or with the securing of any credit facility or other loans for the Fund; expenses relating to investor and public relations and secondary market services; expenses of registering or qualifying securities of the Fund for public sale; brokerage commissions and other costs of acquiring or disposing of any portfolio holding of the Fund; expenses of preparation and distribution of reports, notices and dividends to shareholders; expenses of the dividend reinvestment plan (except for brokerage expenses paid by participants in such plan); compensation and expenses of trustees; costs of stationery; any litigation expenses; and costs of shareholder, Board and other meetings.

The Manager has contractually agreed to waive and/or reimburse fees and/or expenses (excluding distribution and service (12b-1) fees, interest expenses, taxes, acquired fund fees and expenses, fees incurred in acquiring and disposing of portfolio securities and extraordinary expenses) so that, on an annualized basis, such expenses incurred by each class of shares of each Fund will not exceed the annual rates set forth below (as a percentage of average daily net assets allocated to each such class):

Fund	Class A	Class C	Class Y	Class I	Class L
Global Floating Rate Fund[1] . .	0.75%	0.75%	0.75%	0.75%	N/A
Global Credit Income Opportunities Fund[1]	0.95%	0.95%	0.95%	0.95%	N/A
U.S. High Yield Fund[1]	0.75%	0.75%	0.75%	0.75%	N/A
Active Short Duration Bond Fund[1]. .	0.40%	0.40%	0.40%	0.40%	0.40%
Diversified Income Fund [1].	0.55%	0.55%	0.55%	0.55%	N/A
Emerging Markets Debt Blended Total Return Fund [1].	0.95%	0.95%	0.95%	0.95%	N/A
Global Emerging Markets Equity Fund[1].	1.20%	1.20%	1.20%	1.20%	N/A

1. This agreement will remain in effect at least until November 1, 2021, unless earlier modified or terminated by the Funds' Board of Trustees.

If a Fund incurs fees and/or expenses excluded from waiver and/or reimbursement, or if the Fund's Board specifically approves the exclusion of another expense from the fee reimbursement agreement, the Fund's expenses may be higher than the fees and/or expenses shown in the table (which reflect the waiver and/or reimbursement) in the sections entitled "Fees and Expenses of the Fund" in the Fund's Prospectus. If, within three years following a waiver or reimbursement, the operating expenses of a share class of the Fund that previously received a waiver or reimbursement from the Manager are less than the expense limit for such share class, the share class is required to repay the Manager up to the amount of fees waived or expenses reimbursed for that share class under the agreement.

The Investment Management Agreement was approved by the Trustees of the Funds (including all of the Trustees who are not "interested persons" of the Manager or the Funds). The Investment Management Agreement will continue in force with respect to the Funds for two years from its date, and from year to year thereafter, but only so long as their continuance is approved at least annually by (i) vote, cast in person at a meeting called for that purpose, of a majority of those Trustees who are not "interested persons" of the Manager or the Funds, and (ii) the majority vote of either the full Board or the vote of a majority of the outstanding shares of all classes of the Funds. The Investment Management Agreement automatically terminates on assignment. The Investment Management Agreement may be terminated on not less than 60 days' notice by the Manager to the Funds or by the Funds to the Manager.

The Investment Management Agreement provides that the Manager will not be subject to any liability in connection with the performance of its services thereunder in the absence of willful misfeasance, bad faith or gross negligence in the performance of its obligations and duties. The Investment Management Agreement also provides that the Trust's right to use the "Barings" name is subject to the Manager's ongoing permission to use the name.

Under the terms of the Sub-Advisory Agreement, BIIL manages, subject to the supervision of the Manager and the Board, the investment and reinvestment of a portion of the assets of Global Floating Rate Fund, Global Credit Income Opportunities Fund, Emerging Markets Debt Blended Total Return Fund, and Global Emerging Markets Equity Fund, as may be allocated from time to time to BIIL. As compensation for its services, the Manager (and not the Funds) pays to BIIL sub-advisory fees equal to the below percentages of the advisory fee paid to the Manager by the applicable Fund, net of any fee waivers and/or expense reimbursements:

Fund	**BIIL Sub-Advisory Fees as a Percentage of Net Advisory Fees**
Global Floating Rate Fund	35%
Global Credit Income Opportunities Fund	35%
Emerging Markets Debt Blended Total Return Fund	50%
Global Emerging Markets Equity Fund	70%

The Sub-Advisory Agreement was approved by the Trustees of the Funds (including all of the Independent Trustees). The Sub-Advisory Agreement will continue in force with respect to the Funds, as applicable, for two years from its date, and from year to year thereafter, but only so long as its continuance is approved at least annually by (i) vote, cast in person at a meeting called for that purpose, of a majority of those Trustees who are not "interested persons" of the Manager, the Sub-Adviser or the Funds, and (ii) the majority vote of either the full Board or the vote of a majority of the outstanding shares of all classes of the Funds. The Sub-Advisory Agreement automatically terminates on assignment. The Sub-Advisory Agreement may be terminated on not less than 60 days' notice by the Sub-Adviser to the Manager or by the Funds or the Manager to the Sub-Adviser.

The Sub-Advisory Agreement provides that the Sub-Adviser will not be subject to any liability in connection with the performance of its services thereunder in the absence of willful misfeasance, bad faith or gross negligence in the performance of its obligations and duties.

INFORMATION REGARDING PORTFOLIO MANAGERS

Portfolio Managers

Other Accounts Managed. Barings' portfolio managers are typically responsible for the day-to-day management of multiple Manager and Sub-Adviser advisory accounts, including, among others, closed-end and open-end investment companies, as well as separate accounts for institutional clients (including foundations, endowments, pension funds and trusts).

All information in this section is as of June 30, 2020, unless otherwise noted.

Barings Global Floating Rate Fund

Portfolio Team	Account Category	Number of Accounts Managed	Assets Managed (millions)	Number of Accounts with Performance-Based Advisory Fee	Assets Managed in Accounts with Performance-Based Advisory Fee (millions)
Sean Feeley	Registered Investment Companies	8	$ 1,741	0	N/A
	Other Pooled Investment Vehicles	8	$ 2,735	0	N/A
	Other Accounts	27	$ 4,200	0	N/A
Martin Horne	Registered Investment Companies	1	$ 163	0	N/A
	Other Pooled Investment Vehicles	20	$14,300	0	N/A
	Other Accounts	6	$ 820	0	N/A
Tom McDonnell	Registered Investment Companies	4	$ 396	0	N/A
	Other Pooled Investment Vehicles	10	$10,128	0	N/A
	Other Accounts	16	$ 2,703	0	N/A
David Mihalick	Registered Investment Companies	2	$ 208	0	N/A
	Other Pooled Investment Vehicles	3	$ 3,152	0	N/A
	Other Accounts	18	$ 5,252	0	N/A
Chris Sawyer	Registered Investment Companies	0	NA	0	N/A
	Other Pooled Investment Vehicles	13	$14,747	0	N/A
	Other Accounts	9	$ 2,144	0	N/A

Barings Global Credit Income Opportunities Fund

Portfolio Team	Account Category	Number of Accounts Managed	Assets Managed (millions)	Number of Accounts Managed with Performance-Based Advisory Fee	Assets Managed in Accounts with Performance-Based Advisory Fee Accounts (millions)
Sean Feeley	Registered Investment Companies	8	$ 1,792	0	N/A
	Other Pooled Investment Vehicles	8	$ 2,735	0	N/A
	Other Accounts	27	$ 4,200	0	N/A
Michael Freno	Registered Investment Companies	0	N/A	0	N/A
	Other Pooled Investment Vehicles	5	$ 2	0	N/A
	Other Accounts	0	N/A	0	N/A
Martin Horne	Registered Investment Companies	1	$ 214	0	N/A
	Other Pooled Investment Vehicles	20	$14,300	0	N/A
	Other Accounts	6	$ 820	0	N/A
Tom McDonnell	Registered Investment Companies	4	$ 448	0	N/A
	Other Pooled Investment Vehicles	10	$10,128	0	N/A
	Other Accounts	16	$ 2,703	0	N/A
David Mihalick	Registered Investment Companies	2	$ 260	0	N/A
	Other Pooled Investment Vehicles	3	$ 3,152	0	N/A
	Other Accounts	18	$ 5,252	0	N/A
Scott Roth	Registered Investment Companies	5	$ 1,107	0	N/A
	Other Pooled Investment Vehicles	12	$ 4,261	0	N/A
	Other Accounts	18	$ 4,126	0	N/A

Barings U.S. High Yield Fund

Portfolio Team	Account Category	Number of Accounts Managed	Assets Managed (millions)	Number of Accounts Managed with Performance-Based Advisory Fee	Assets Managed in Accounts with Performance-Based Advisory Fee (millions)
Sean Feeley	Registered Investment Companies	8	$1,910	0	N/A
	Other Pooled Investment Vehicles	8	$2,735	0	N/A
	Other Accounts	27	$4,200	0	N/A
David Mihalick	Registered Investment Companies	2	$ 377	0	N/A
	Other Pooled Investment Vehicles	3	$ 3,52	0	N/A
	Other Accounts	18	$5,252	0	N/A
Scott Roth	Registered Investment Companies	5	$1,224	0	N/A
	Other Pooled Investment Vehicles	12	$4,261	0	N/A
	Other Accounts	18	$4,126	0	N/A

Barings Active Short Duration Bond Fund

Portfolio Team	Account Category	Number of Accounts Managed	Assets Managed (millions)	Number of Accounts Managed with Performance-Based Advisory Fee	Assets Managed in Accounts with Performance-Based Advisory Fee (millions)
Stephen Ehrenberg	Registered Investment Companies	7	$ 3,360	0	N/A
	Other Pooled Investment Vehicles	2	$ 63	0	N/A
	Other Accounts	28	$21,666	0	N/A
David Nagle	Registered Investment Companies	8	$ 3,550	0	N/A
	Other Pooled Investment Vehicles	2	$ 164	0	N/A
	Other Accounts	35	$ 4,165	0	N/A
Doug Trevallion	Registered Investment Companies	7	$ 3,870	0	N/A
	Other Pooled Investment Vehicles	8	$ 560	0	N/A
	Other Accounts	42	$85,204	0	N/A

Barings Diversified Income Fund

Portfolio Team	Account Category	Number of Accounts Managed	Assets Managed (millions)	Number of Accounts Managed with Performance-Based Advisory Fee	Assets Managed in Accounts with Performance-Based Advisory Fee (millions)
Yulia Alekseeva	Registered Investment Companies	2	$ 655	0	N/A
	Other Pooled Investment Vehicles	8	$ 617	0	N/A
	Other Accounts	22	$21,288	0	N/A
Stephen Ehrenberg	Registered Investment Companies	7	$ 4,123	0	N/A
	Other Pooled Investment Vehicles	2	$ 63	0	N/A
	Other Accounts	28	$21,666	0	N/A
Kathleen Kraez	Registered Investment Companies	0	N/A	0	N/A
	Other Pooled Investment Vehicles	4	$ 611	0	N/A
	Other Accounts	18	$ 4,962	0	N/A
Natalia Krol	Registered Investment Companies	1	$ 54	0	N/A
	Other Pooled Investment Vehicles	0	N/A	0	N/A
	Other Accounts	2	$ 1,441	0	N/A
David Nagle	Registered Investment Companies	8	$ 4,313	0	N/A
	Other Pooled Investment Accounts	2	$ 165	0	N/A
	Other Accounts	35	$ 4,165	0	N/A

Barings Emerging Markets Debt Blended Total Return Fund

Portfolio Team	Account Category	Number of Accounts Managed	Assets Managed (millions)	Number of Accounts Managed with Performance-Based Advisory Fee	Assets Managed in Accounts with Performance-Based Advisory Fee (millions)
Ricardo Adrogué	Registered Investment Companies	3	$ 125	0	N/A
	Other Pooled Investment Vehicles	6	$3,364	0	N/A
	Other Accounts	20	$ 612	0	N/A
Cem Karacadag	Registered Investment Companies	1	$ 79	0	N/A
	Other Pooled Investment Vehicles	4	$2,997	0	N/A
	Other Accounts	7	$ 679	0	N/A
Natalia Krol	Registered Investment Companies	1	$ 41	0	N/A
	Other Pooled Investment Vehicles	0	N/A	0	N/A
	Other Accounts	2	$1,441	0	N/A

Barings Global Emerging Markets Equity Fund

Portfolio Team	Account Category	Number of Accounts Managed	Assets Managed (millions)	Number of Accounts Managed with Performance-Based Advisory Fee	Assets Managed in Accounts with Performance-Based Advisory Fee (millions)
Michael Levy	Registered Investment Companies	3	$ 517	0	N/A
	Other Pooled Investment Vehicles	0	N/A	0	N/A
	Other Accounts	2	$ 85	0	N/A
William Palmer	Registered Investment Companies	2	$ 517	0	N/A
	Other Pooled Investment Vehicles	0	N/A	0	N/A
	Other Accounts	2	$ 85	0	N/A

Material Conflicts of Interest. The potential for material conflicts of interest may exist when a portfolio manager has responsibilities for the day-to-day management of multiple accounts. These conflicts are heightened to the extent a portfolio manager, the Manager, the Sub-Adviser and/or their respective affiliates has an investment in one or more of such accounts or an interest in the performance of such accounts. The Manager and the Sub-Adviser have identified (and summarized below) areas where material conflicts of interest are most likely to arise and have adopted policies and procedures that it believes are reasonably designed to address such conflicts.

It is possible that an investment opportunity may be suitable for both a Fund and other accounts managed by the portfolio managers, but may not be available in sufficient quantities for both a Fund and the other accounts to participate fully. Similarly, there may be limited opportunity to sell an investment held by a Fund and another account. A conflict may arise where the portfolio managers may have an incentive to treat an account preferentially as compared to a Fund because the account pays the Manager or the Sub-Adviser a performance-based fee or the portfolio manager, the Manager, the Sub-Adviser or an affiliate has an interest in the account. The Manager and the Sub-Adviser have adopted investment allocation and trade aggregation procedures to address allocation of portfolio transactions and investment opportunities across multiple clients. These policies are designed to achieve fair and equitable treatment of all clients over time, and specifically prohibit allocations based on performance of an account, the amount or structure of the management fee, performance fee or profit sharing allocations, participation or investment by an employee, the Manager, the Sub-Adviser or an affiliate, whether the account is public, private, proprietary or third party.

Potential material conflicts of interest may also arise related to the knowledge and timing of the Funds' trades, investment opportunities and broker selection. The portfolio managers will have information about the size, timing and possible market impact of the Funds' trades. It is theoretically possible that the portfolio managers could use this information for their personal advantage or the advantage of other accounts they manage or the possible detriment of the Funds. For example, a portfolio manager could front run a Fund's trade or short sell a security for an account immediately prior to the Fund's sale of that security. To address these conflicts, the Manager and the Sub-Adviser have adopted policies and procedures governing employees' personal securities transactions, the use of short sales, and trading between the Funds and other accounts managed by the portfolio managers or accounts owned by the Manager, the Sub-Adviser or their respective affiliates.

With respect to securities transactions for the Funds, Barings determines which broker to use to execute each order, consistent with its duty to seek best execution of the transaction. Barings manages certain other accounts, however, where Barings may be limited by the client with respect to the selection of brokers or directed to trade such client's transactions through a particular broker. In these cases, trades for a Fund in a particular security may be placed separately from, rather than aggregated with, such other accounts. Placing separate transaction orders for a security may temporarily affect the market price of the security or otherwise affect the execution of the transaction to the possible detriment of a Fund or the other account(s) involved. The Manager and the Sub-Adviser have policies and procedures that address best execution and directed brokerage.

The portfolio managers may also face other potential conflicts of interest in managing the Funds, and the above is not a complete description of every conflict of interest that could be deemed to exist in managing both the Funds and the other accounts listed above.

Compensation. Compensation packages at Barings are structured such that key professionals have a vested interest in the continuing success of the firm. Portfolio managers' compensation is comprised of base salary, and a discretionary, performance-driven annual bonus. Certain key individuals may also receive a long-term incentive award and/or a performance fee award. As part of the firm's continuing effort to monitor retention, we participate in annual compensation surveys of investment management firms and subsidiaries to ensure that Barings' compensation is competitive with industry standards.

The base salary component is generally positioned at mid-market. Increases are tied to market, individual performance evaluations and budget constraints.

Portfolio Managers may receive a yearly bonus. Factors impacting the potential bonuses include but are not limited to: (i) investment performance of funds/accounts managed by a Portfolio Manager, (ii) financial performance of Barings, (iii) client satisfaction and (iv) teamwork.

Long-term incentives are designed to share the long-term success of the firm and take the form of deferred cash awards, which may include an award that resembles phantom restricted stock; linking the value of the award to a formula including Barings' overall earnings. A voluntary separation of service will result in a forfeiture of unvested long-term incentive awards.

Ownership of Securities. As of June 30, 2020, Yulia Alekseeva, Stephen Ehrenberg, Sean Feeley, Martin Horne, Cem Karacadag, Kathleen Kraez, Natalia Krol, Michael Levy, Tom McDonnell, David Mihalick, Scott Roth and Chris Sawyer did not directly or indirectly own any shares of the Funds. As of that date, Ricardo Adrogué owned between $500,001-$1,000,000 in shares of the Emerging Markets Debt Blended Total Return Fund. William Palmer owned between $10,001-$50,000 in shares of the Global Emerging Markets Equity Fund. Michael Freno owned between $100,001-$500,000 in shares of the Active Short Duration Bond Fund, between $10,001-$50,000 in shares of the Global Floating Rate Fund, and between $10,001-$50,000 in shares of the Global Credit Income Opportunities Fund. David Nagle owned between $1-$10,000 in shares of the Active Short Duration Bond Fund. Doug Trevallion owned between $1-$10,000 in shares of the Active Short Duration Bond Fund.

DISTRIBUTOR

The distribution services of ALPS Distributors, Inc., the Funds' principal underwriter (the "Distributor"), are furnished to the Funds pursuant to a distribution agreement (the "Distribution Agreement"). Under the Distribution Agreement, the Distributor (1) assists in the sale and distribution of the Funds' shares on a continuous basis; and (2) qualifies and maintains its qualification as a broker-dealer in such states where shares of the Funds are registered for sale.

The Distribution Agreement will remain in effect provided that it is approved at least annually by the Board or by a majority of each Fund's outstanding shares, and in either case, by a majority of the Trustees who are not parties to the Distribution Agreement or interested persons of any such party. The Distribution Agreement terminates automatically if it is assigned and may be terminated without penalty by either party on not less than 60 days' written notice.

DISTRIBUTION AND SERVICE FEE PLAN

The Distribution and Service Fee Plan (the "Plan") permits the payment of a monthly service fee to the Distributor at the annual rate of 0.25% of the average daily net assets attributable to Class A Shares of each Fund and Class L shares of Active Short Duration Bond Fund and 1.00% of the average daily net assets attributable to Class C Shares of each Fund except for Active Short Duration Bond Fund which has a monthly service fee to the Distributor at an annual rate of 0.50% of the average daily net assets attributable to its Class C Shares. The Distributor may pay all or a portion of these fees to Financial Intermediaries whose clients own shares of the Funds. The Trustees of the Funds have concluded, in the exercise of their reasonable business judgment and in light of their fiduciary duties, that there is a reasonable likelihood that the Plan will benefit the Funds and their shareholders. For instance, asset growth resulting from the Plan can be expected to benefit each Fund's shareholders through the realization of economies of scale and potentially lower expense levels.

For the fiscal year ended June 30, 2020, Class A shares of each Fund paid distribution and/or shareholder servicing fees as follows:

Fund	
Global Floating Rate Fund	$106,108
Global Credit Income Opportunities Fund	$121,307
U.S. High Yield Fund	$6,319
Active Short Duration Bond Fund	$378,477
Diversified Income Fund	$752
Emerging Markets Debt Blended Total Return Fund	$5,721
Global Emerging Markets Equity Fund	$264

For the fiscal year ended June 30, 2020, Class C shares of each Fund paid distribution and/or shareholder servicing fees as follows:

Fund	
Global Floating Rate Fund	$74,436
Global Credit Income Opportunities Fund	$79,979
U.S. High Yield Fund	$944
Active Short Duration Bond Fund	$12,076
Diversified Income Fund	$1,891
Emerging Markets Debt Blended Total Return Fund	$2,560
Global Emerging Markets Equity Fund	$1,054

The Manager may pay certain Financial Intermediaries whose clients own shares of a Fund monthly distribution fees with respect to a given share class at a rate greater than that set forth above, so long as the total payments paid by the Funds for each share class under a Plan for distribution fees do not exceed the stated percentages. In the event that there are insufficient assets in the Plan to make a contractually required payment to a Financial Intermediary, the Manager has agreed to pay such Financial Intermediary at its own expense out of its own financial resources. See “Shareowner Guide — How to Invest in the Funds — Distribution and Service Fees” in the Funds’ Prospectuses for additional information on “revenue sharing” payments. Any shareholder purchasing shares of a Fund through a Financial Intermediary should check with the Financial Intermediary to determine the distribution fees it is receiving.

PAYMENTS TO FINANCIAL INTERMEDIARIES

Financial Intermediaries may receive various forms of compensation from a Fund in the form of distribution and service (12b-1) plan payments as described above. They may also receive payments or concessions from the Distributor, derived from sales charges paid by the Financial Intermediary’s clients, also as described in this SAI. In addition, the Manager and the Distributor (including their affiliates) may make payments to Financial Intermediaries in connection with the intermediaries’ offering and sales of Fund shares and shares of other funds, or their provision of marketing or promotional support, transaction processing or administrative services. Among the Financial Intermediaries that may receive these payments are brokers or dealers who sell or hold shares of a Fund, banks (including bank trust departments), registered investment advisers, insurance companies, retirement plan or qualified tuition program administrators, third party administrators, recordkeepers or other institutions that have selling, servicing or similar arrangements with the Manager or the Distributor. The payments to Financial Intermediaries vary by the types of product sold, the features of a Fund share class and the role played by the intermediary.

Types of payments to Financial Intermediaries may include, without limitation, all or portions of the following:

Payments made by a Fund, or by an investor buying or selling shares of a Fund, including:

- an initial front-end sales charge, all or a portion of which is payable by the Distributor to Financial Intermediaries (see the “Shareowner Guide — How to Invest in the Funds” section in the Prospectus);
- ongoing asset-based distribution and/or service fees (described in the section “Distribution and Service Fee Plan” above);
- shareholder servicing expenses that may be paid from Fund assets to reimburse Financial Intermediaries, the Manager or the Distributor for Fund expenses they incur for providing omnibus accounting, recordkeeping, networking, sub-transfer agency or other administrative or shareholder services (including retirement plan and 529 plan administrative services fees).

In addition, the Manager may, at its discretion, make the following types of payments from its own resources, which may include profits the Manager derives from investment advisory fees paid by a Fund. Payments are made based on guidelines established by the Manager, subject to applicable law. These payments are often referred to as “revenue sharing” payments, and may include:

- compensation for marketing support, support provided in offering shares in a Fund through certain trading platforms and programs, and transaction processing or other services;
- other compensation, to the extent the payment is not prohibited by law or by any self-regulatory agency, such as FINRA.

Although a broker or dealer that sells Fund shares may also act as a broker or dealer in connection with the purchase or sale of portfolio securities by a Fund, the Manager does not consider a Financial Intermediary’s sales of shares of a Fund when choosing brokers or dealers to effect portfolio transactions for a Fund.

Revenue sharing payments can pay for distribution-related or asset retention items including, without limitation:

- transactional support, one-time charges for setting up access for a Fund on particular trading systems, and paying the Financial Intermediary’s networking fees;
- program support, such as expenses related to including the Funds in retirement plans, college savings plans, fee-based advisory or wrap fee programs, fund “supermarkets”, bank or trust company products or insurance companies’ variable annuity or variable life insurance products;
- placement on the dealer’s list of offered funds and providing representatives of the Manager or the Distributor with access to a Financial Intermediary’s sales meetings, sales representatives and management representatives; or

- firm support, such as business planning assistance, advertising, or educating a Financial Intermediary's sales personnel about the Funds and shareholder financial planning needs.

These payments may provide an incentive to Financial Intermediaries to actively market or promote the sale of shares of a Fund, or to support the marketing or promotional efforts of the Distributor in offering shares of a Fund. In addition, some types of payments may provide a Financial Intermediary with an incentive to recommend a Fund or a particular share class. Financial Intermediaries may earn profits on these payments, since the amount of the payments may exceed the cost of providing the services. Certain of these payments are subject to limitations under applicable law. Financial Intermediaries may categorize and disclose these arrangements to their clients and to members of the public in a manner different from the disclosures in a Fund's Prospectus and this SAI. You should ask your Financial Intermediary for information about any payments it receives from a Fund, the Manager or the Distributor and any services it provides, as well as the fees and commissions it charges.

THE TRANSFER AGENT

ALPS Fund Services, Inc., located at 1290 Broadway, Suite 1000, Denver, CO 80203, serves as the Funds' transfer and dividend-paying agent pursuant to a Transfer Agency and Services Agreement and performs bookkeeping, data processing and administrative services for the maintenance of Shareholder accounts.

THE CUSTODIAN

State Street Bank and Trust Company (the "Custodian") serves as the Funds' custodian pursuant to a Custodian Agreement. The Custodian has its principal business offices at One Lincoln Street, Boston, MA 02111. The Custodian attends to the collection of principal and income, and payment for and collection of proceeds of securities bought and sold by the Funds.

THE ADMINISTRATOR

General. State Street Bank and Trust Company (the "Administrator") serves as the Funds' administrator pursuant to an Administration Agreement. The Administrator has its principal business offices at One Lincoln Street, Boston, MA 02111. The Administrator and its affiliates also serve as administrator or sub-administrator to other mutual funds.

Administration Agreement with the Funds. The Funds' and the Administrator have entered into the Administration Agreement whereby the Administrator provides, or arranges for the provision of, certain administrative and accounting services for the Funds, including maintaining the books and records of each Fund, and preparing certain reports and other documents required by federal and/or state laws and regulations.

The Administration Agreement provides that the Administrator shall not be liable for any error of judgment or mistake of law or for any loss or damage resulting from the performance or non-performance of its duties under the Administration Agreement unless directly caused by or resulting from the negligence, bad faith or willful misconduct of the Administrator, its officers or employees. The Administrator's liability is limited to an amount agreed upon between the Administrator and the Funds.

The Administrator receives fees from the Funds calculated daily and paid monthly either at an annual rate of 0.03% on amounts up to $1 billion and 0.02% on amounts over $1 billion of the aggregate net asset value of the Trust or, if the Trust's net assets are below certain asset levels for any particular month, a minimum monthly fee. The Administrator or its affiliates do not pay any Fund fees, expenses or costs.

For the periods below, each Fund paid the Administrator as follows:

Fund	Fiscal Year Ended June 30,	Fees
Global Floating Rate Fund	2020	$143,483
	2019	$213,311
	2018	$234,817
Global Credit Income Opportunities Fund. . .	2020	$131,114
	2019	$162,773
	2018	$204,184
U.S. High Yield Fund . . .	2020	$43,807
	2019	$63,809
	2018	$53,631
Active Short Duration Bond Fund.	2020	$421,382
	2019	$323,700
	2018	$449,980
Diversified Income Fund.	2020	$54,934
	2019	$48,759
	2018	$51,292
Emerging Markets Debt Blended Total Return Fund	2020	$57,188
	2019	$64,566
	2018	$40,616
Global Emerging Markets Equity Fund .	2020	$47,183
	2019	$33,628
	2018	$0

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte & Touche LLP ("Deloitte"), 30 Rockefeller Plaza, New York, New York 10112, serves as the independent registered public accounting firm for the Funds.

COUNSEL

Ropes & Gray LLP, Prudential Tower, 800 Boylston Street, Boston, Massachusetts 02199, acts as counsel to the Funds. Morgan, Lewis & Bockius LLP, 1111 Pennsylvania Avenue, NW, Washington D.C. 20004, acts as counsel to the Independent Trustees of the Funds.

PORTFOLIO TRANSACTIONS AND BROKERAGE

Brokerage and Research Services

Purchases and sales of securities on a securities exchange are effected by brokers, and when a Fund purchases or sells securities on a securities exchange it will pay a brokerage commission for this service. In transactions on stock exchanges in the United States, these commissions are negotiated, whereas on many foreign stock exchanges these commissions are fixed. In the over-the-counter markets, securities are generally traded on a "net" basis with dealers acting as principal for their own accounts without a stated commission, although the price of the security usually includes a profit to the dealer. In underwritten offerings, securities are purchased at a fixed price which includes an amount of compensation to the underwriter, generally referred to as the underwriter's concession or discount. On occasion, certain money market instruments may be purchased directly from an issuer, in which case no commissions or discounts are paid.

Barings seeks to place securities transactions or other transactions (including, without limitation, derivative transactions) for the Funds with counterparties in such a manner that the Fund's total costs or proceeds in each transaction are the most favorable under the circumstances ("best execution"). Individuals who are responsible for selecting counterparties to execute specific transactions on behalf of the Funds are expected to use their best judgment in selecting the counterparty best suited to provide best execution. The determinative factor in this analysis and selection is not the lowest possible execution cost but whether a transaction represents the best qualitative execution for the Fund.

Barings' investment and trading teams seek best execution of client transactions by, among other things, encouraging open communication between relevant trading and investment teams, placing all transactions through authorized traders on the relevant trading desks, providing the relevant portfolio managers with direct access to transaction information in order for them to monitor the client accounts and ensure that Barings has complied with its obligation to seek best execution, and soliciting multiple bids or offers, as appropriate. Effective January 1, 2018, Barings no longer uses soft dollars to pay for research from brokers.

Subject to the overriding objective of obtaining the best execution of orders, each Fund may use broker-dealer affiliates of Barings to effect portfolio brokerage transactions under procedures adopted by the Trustees. Pursuant to these procedures, the commission rates and other remuneration paid to the affiliated broker-dealer must be fair and reasonable in comparison to those of other broker-dealers for comparable transactions involving similar securities being purchased or sold during a comparable time period.

This standard would allow the affiliated broker or dealer to receive no more than the remuneration which would be expected to be received by an unaffiliated broker. For the fiscal year ended June 30, 2019, the Funds paid no commissions to affiliated brokers.

Investment Decisions and Portfolio Transactions

Investment decisions for each Fund and for the other investment advisory clients of Barings are made with a view to achieving their respective investment objectives. Investment decisions are the product of many factors in addition to basic suitability for the particular client involved (including a Fund). Some securities considered for investments by a Fund may also be appropriate for other clients served by Barings. Thus, a particular security may be bought or sold for certain clients even though it could have been bought or sold for other clients at the same time. If a purchase or sale of securities consistent with the investment policies of a Fund and one or more of these clients served by Barings is considered at or about the same time, transactions in such securities will be allocated among the Fund and clients in a manner deemed fair and reasonable by Barings. Barings may aggregate orders for a Fund with simultaneous transactions entered into on behalf of its other clients so long as price and transaction expenses are averaged either for that transaction or for the day. Likewise, a particular security may be bought for one or more clients when one or more clients are selling the security. In some instances, one client may sell a particular security to another client. It also sometimes happens that two or more clients simultaneously purchase or sell the same security, in which event each day's transactions in such security are, insofar as possible, averaged as to price and allocated between such clients in a manner which Barings believes is equitable to each and in accordance with the amount being purchased or sold by each. There may be circumstances when purchases or sales of portfolio securities for one or more clients will have an adverse effect on other clients.

DESCRIPTION OF THE FUNDS' SHARES

Each Fund is a series of the Trust, a Massachusetts business trust formed on May 3, 2013. The Trust is authorized to issue an unlimited number of its shares of beneficial interest in separate series and classes of each series. The Trust is not required to hold regular annual shareholder meetings, but may hold special meetings for consideration of proposals requiring shareholder approval, such as changing fundamental policies. The Trust's Board is authorized to classify or reclassify the shares of the Trust into one or more separate series of shares representing a separate, additional investment portfolio or one or more separate classes of new or existing series.

The Trust has adopted a Multiple Class Plan pursuant to Rule 18f-3 under the 1940 Act, which details the attributes of each class. Under the Declaration and the Multiple Class Plan, each Fund is permitted to offer multiple classes of shares. Each Fund currently offers Class A, Class C, Class Y and Class I Shares. Active Short Duration Bond Fund also offers Class L shares. Shares of all series have identical voting rights, except where by law certain matters must be approved by the requisite proportion of the shares of the affected series. Each share of any class when issued has equal dividend, liquidation (see "Redemption of Shares" in the Funds' Prospectuses) and voting rights within the class for which it was issued and each fractional share has those rights in proportion to the percentage that the fractional share represents a whole share. Shares will be voted in the aggregate except where otherwise required by law and except that each class of each series will vote separately on certain matters pertaining to its distribution and shareholder servicing arrangements.

There are no conversion or preemptive rights in connection with any shares of a Fund. All shares are fully paid and nonassessable. At the option of the shareholder, shares will be redeemed at net asset value, subject, however, in limited circumstances to a redemption fee or a CDSC, all as described in the applicable Prospectus.

The shares of each Fund have noncumulative voting rights, which means that the holders of more than 50% of the shares of the Trust can elect 100% of the Trustees if the holders choose to do so, and, in that event, the holders of the remaining shares will not be able to elect any person or persons to the Board. Unless specifically requested by an investor who is a shareholder of record, the Funds will not issue certificates evidencing their shares.

Description of the Trust

Under Massachusetts law, shareholders could, under certain circumstances, be held personally liable for the obligations of a Fund or a class. However, the Declaration contains an express disclaimer of shareholder liability for acts or obligations of a Fund or a class and requires that notice of such disclaimer be given in each agreement, obligation or instrument entered into or executed by the Fund or the Trustees. The Declaration also provides for indemnification out of a Fund's or class's property for all loss and expense of any shareholder held personally liable on account of being or having been a shareholder. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is limited to circumstances in which such disclaimer is inoperative or a Fund or class is unable to meet its obligations, and thus should be considered remote.

The Declaration provides that the obligations of a Fund or a class are not binding upon the Trustees of a Fund individually, but only upon the assets and property of the Fund or class, and that the Trustees will not be liable for errors of judgment or mistakes of fact or law. Nothing in the Declaration, however, protects a Trustee against any liability to which he would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office.

Under the Trust's By-Laws, any claims asserted against or on behalf of the Trust, including claims against Trustees and Officers, must be brought in courts located within the Commonwealth of Massachusetts.

The Trust shall continue without limitation of time. The Trust may be terminated at any time by a vote of at least two-thirds of the shares of each series entitled to vote and voting separately by series, or by action of the Trustees by written notice to shareholders.

Conduct of the Trust's Business

Forum Selection. The Trust's Bylaws provide that the sole and exclusive forums for any shareholder (including a beneficial owner of shares) to bring (i) any action or proceeding brought on behalf of the Trust, (ii) any action asserting a claim for breach of a fiduciary duty owed by any Trustee, officer or employee, if any, of the Trust to the Trust or the Trust's shareholders, (iii) any action asserting a claim against the Trust or any of its Trustees, officers or employees arising pursuant to any provision of the statutory or common law of the Commonwealth of Massachusetts or any federal securities law, in each case as amended from time to time, or the Trust's Declaration of Trust or Bylaws, or (iv) any action asserting a claim governed by the internal affairs doctrine shall be within the federal or state courts in the Commonwealth of Massachusetts.

This forum selection provision may limit a shareholder's ability to bring a claim in a judicial forum that the shareholder finds favorable for disputes with the Trust and/or any of its Trustees, officers, employees or service providers. If a court were to find the forum selection provision contained in the Bylaws to be inapplicable or unenforceable in an action, the Trust may incur additional costs associated with resolving such action in other jurisdictions.

Derivative and Direct Claims of Shareholders. The Trust's Bylaws contain provisions regarding derivative and direct claims of shareholders. As used in the Bylaws, a "direct" shareholder claim refers to (i) a claim based upon alleged violations of a shareholder's individual rights independent of any harm to the Trust, including a shareholder's voting rights under the Bylaws rights to receive a dividend payment as may be declared from time to time; rights to inspect books and records; or other similar rights personal to the shareholder and independent of any harm to the Trust; and (ii) a claim for which a direct shareholder action is expressly provided under the U.S. federal securities laws. Any other claim asserted by a shareholder, including without limitation any claims purporting to be brought on behalf of the Trust or involving any alleged harm to the Trust, is considered a "derivative" claim as used in the Bylaws.

A shareholder may not bring or maintain any court action or other proceeding asserting a derivative claim or any claim asserted on behalf of the Trust or involving any alleged harm to the Trust without first making demand on the Trustees requesting the Trustees to bring or maintain such action, proceeding or claim. The requirement to make such demand shall not be excused under any circumstances, including claims of alleged interest on the part of the Trustees, unless the shareholder makes a specific showing that irreparable nonmonetary injury to the Trust would otherwise result.

A shareholder may not bring or maintain a court action or other proceeding asserting a direct claim against the Trust, the Trustees, or officers predicated upon an express or implied right of action under the Declaration of Trust or U.S. federal securities laws (excepting direct shareholder actions expressly provided by U.S. federal securities laws), unless the shareholder has obtained authorization from the Trustees to bring the action. The requirement of authorization shall not be excused under any circumstances, including claims of alleged interest on the part of the Trustees.

The Trustees shall consider any demand or request for authorization to bring or maintain a court action, proceeding or claim within 90 days of its receipt by the Trust. In their sole discretion, the Trustees may submit the matter to a vote of shareholders of the Trust or of any series or class of shares, as appropriate. Any decision by the Trustees to settle or to authorize (or not to settle or to authorize) such court action, proceeding or claim, or to submit the matter to a vote of shareholders, shall be binding upon the shareholder seeking authorization.

Any person purchasing or otherwise holding any interest in shares of beneficial interest of the Trust will be deemed to have notice of and consented to the foregoing provisions. These provisions may limit a shareholder's ability to bring a claim against the Trustees, officers or other employees of the Trust and/or its service providers.

Trust Matters

The Trust reserves the right to create and issue a number of series shares, in which case the shares of each class of each series would participate equally in the earnings, dividends and assets of the particular series and would vote separately to approve investment advisory agreements or changes in fundamental investment policies, but shares of all series would vote together in the election or selection of Trustees and on any other matters as may be required by applicable law.

Upon liquidation of the Trust or any series, shareholders of the affected series would be entitled to share pro rata in the net assets of their respective series available for distribution to such shareholders.

As described above, the Trust has entered into contractual arrangements with an investment adviser, investment sub-adviser, administrator, transfer agent and custodian who each provide services to the Trust. Shareholders are not parties to, or intended beneficiaries of these contractual arrangements, and these contractual arrangements are not intended to create any shareholder right to enforce them against the service providers or to seek any remedy under them against the service providers, either directly or on behalf of the Trust.

Shareholder Approval

Other than elections of Trustees, which is by plurality, any matter for which shareholder approval is required by the 1940 Act requires the affirmative "vote of a majority of the outstanding voting securities" of the Funds or the Trust at a meeting called for the purpose of considering such approval. For other matters, generally an affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote on such matter (assuming a quorum is present) shall be required for approval of such matter.

Information for Shareholders

All shareholder inquiries regarding administrative procedures, including the purchase and redemption of shares, should be directed to the Transfer Agent. For assistance, call 1-855-439-5459 or visit the Funds' website at http://www.barings.com/funds/mutual-funds.

PROGRAMS FOR REDUCING OR ELIMINATING SALES CHARGES

The following information supplements the discussion of methods for reducing or eliminating sales charges in the Class A, Class L and Class C Shares Prospectuses.

Right of Accumulation (Class A and Class L Shares Only)

Reduced sales charges on Class A and Class L Shares of the Funds can be obtained by combining a current purchase with prior purchases of all classes of any Participating Funds (as defined in the Funds' Prospectuses). The applicable sales charge is based on the combined total of:

(1) the current purchase of Class A or Class L Shares; and

(2) the value at the public offering price at the close of business on the previous day of a Fund's and any classes of Participating Fund's shares held by the shareholder, the shareholder's spouse or the shareholder's minor children.

The Distributor and the shareholder's Financial Intermediary must be promptly notified of each purchase that entitles a shareholder to a reduced sales charge. Such reduced sales charge will be applied upon confirmation of the shareholder's holdings by the Transfer Agent. The Funds may terminate or amend this Right of Accumulation at any time without notice.

Letter of Intent (Class A and Class L Shares Only)

Any person may qualify for reduced sales charges on purchases of Class A or Class L Shares of the Funds made within a 13-month period pursuant to a Letter of Intent ("Letter"). A shareholder may include, as an accumulation credit toward the completion of such Letter, the value of all shares (of any class) of any Participating Funds held by the shareholder on the date of the Letter. The value is determined at the public offering price on the date of the Letter. Purchases made through reinvestment of distributions do not count toward satisfaction of the Letter. Upon request, a Letter may reflect purchases within the previous 90 days.

During the term of a Letter, the Transfer Agent will hold shares in escrow to secure payment of the higher sales charge applicable to Class A or Class L Shares actually purchased if the terms of the Letter are not satisfied. Dividends and capital gains will be paid on all escrowed shares, and these shares will be released (upon satisfaction of any amount owed for sales charges if the terms of the Letter are not satisfied) when the amount indicated has been purchased or at the end of the period covered by the Letter, whichever occurs first. A Letter does not obligate the investor to buy or the Funds to sell the amount specified in the Letter.

If a shareholder exceeds the amount specified in the Letter and reaches an amount that would qualify for a further quantity discount, a retroactive price adjustment will be made at the time of expiration of the Letter. The resulting difference in offering price will purchase additional shares for the shareholder's account at the applicable offering price. As a part of this adjustment, the shareholder's Financial Intermediary shall return to the Distributor the excess commission previously paid to the Financial Intermediary during the 13-month period.

If the amount specified in the Letter is not purchased, the shareholder shall remit to the Distributor an amount equal to the difference between the sales charge paid and the sales charge that should have been paid. If the shareholder fails within 20 days after a written request to pay such a difference in sales charge, the

Transfer Agent will redeem that number of escrowed Class A or Class L Shares to equal such difference. The additional amount of Financial Intermediary discount from the applicable offering price shall be remitted by the Distributor to the shareholder's Financial Intermediary of record.

Additional information about, and the terms of, Letters of Intent are available from your Financial Intermediary, or from the Transfer Agent at 1-855-439-5459.

Reinstatement Privilege (Class A, Class L and C Shares Only)

A shareholder who has redeemed Class A, Class L or Class C Shares of a Fund may, upon request, reinstate within one year a portion or all of the proceeds of such sale in Class A Shares or Class C Shares, respectively, of the Fund or another Participating Fund at the net asset value next determined after receipt by such shareholder's Financial Intermediary or the Transfer Agent receives a reinstatement request and payment. The Distributor will not pay your Financial Intermediary a commission on any reinvested amount. Any CDSC paid at the time of the redemption will be credited to the shareholder upon reinstatement. The period between the redemption and the reinstatement will not be counted in aging the reinstated shares for purposes of calculating any CDSC or conversion date. Shareholders who desire to exercise this privilege should contact their Financial Intermediary or the Transfer Agent. Shareholders may exercise this privilege an unlimited number of times. Exercise of this privilege does not alter the U.S. federal income tax treatment of any capital gains realized on the prior sale of Fund shares, but to the extent any such shares were sold at a loss, some or all of the loss may be disallowed for tax purposes. Please consult your tax advisor.

Privileges of Financial Intermediaries

Class A or Class L Shares of the Funds may be sold at net asset value, without a sales charge, to registered representatives and employees of Financial Intermediaries (including their affiliates) and such persons' families and their beneficial accounts.

Sponsored Arrangements

Class A or Class L Shares of the Funds may be purchased at reduced or no sales charge pursuant to sponsored arrangements, which include programs under which an organization makes recommendations to, or permits group solicitation of, its employees, members or participants in connection with the purchase of shares of the Funds on an individual basis. The amount of the sales charge reduction will reflect the anticipated reduction in sales expense associated with sponsored arrangements. The reduction in sales expense, and therefore the reduction in sales charge, will vary depending on factors such as the size and stability of the organization's group, the term of the organization's existence and certain characteristics of the members of its group. The Funds reserve the right to revise the terms of or to suspend or discontinue sales pursuant to sponsored plans at any time.

Class A or Class L shares may also be purchased at a reduced or zero sales charge by (i) clients of any Financial Intermediary that has entered into an agreement with the Distributor or the Funds pursuant to which a Fund is included as an investment option in programs involving fee-based compensation arrangements; (ii) clients of any Financial Intermediary that has entered into an agreement with the Distributor pursuant to which such Financial Intermediary offers Fund shares through self-directed investment brokerage accounts that do not charge transaction fees to its clients; and (iii) participants in employer-sponsored retirement plans (e.g., 401(k) plans, 457 plans, employer-sponsored 403(b) plans, profit sharing and money purchase pension plans and defined benefit plans).

For purposes of this waiver, employer-sponsored retirement plans do not include SEP IRAs, Simple IRAs, SAR-SEPs or Keogh plans.

Waiver of CDSCs

CDSCs may be waived on redemptions in the following situations with the proper documentation:

(1) Death. CDSCs may be waived on redemptions within one year following the death of (i) the sole shareholder on an individual account, (ii) a joint tenant where the surviving joint tenant is the deceased's spouse or (iii) the beneficiary of a Uniform Gifts to Minors Act ("UGMA"), Uniform Transfers to Minors Act ("UTMA") or other custodial account. If, upon the occurrence of one of

the foregoing, the account is transferred to an account registered in the name of the deceased's estate, the CDSC will be waived on any redemption from the estate account occurring within one year after the death. If Class C or Class L Shares are not redeemed within one year of the death, they will remain subject to the applicable CDSC when redeemed from the transferee's account. If the account is transferred to a new registration and then a redemption is requested, the applicable CDSC will be charged.

(2) Disability. CDSCs may be waived on redemptions occurring within one year after the sole shareholder on an individual account or a joint tenant on a spousal joint tenant account becomes disabled (as defined in Section 72(m)(7) of the Code. To be eligible for such waiver, (i) the disability must arise *after* the purchase of shares, (ii) the disabled shareholder must have been under age 65 at the time of the initial determination of disability, and (iii) a letter must be produced from a physician signed under penalty of perjury stating the nature of the disability. If the account is transferred to a new registration and then a redemption is requested, the applicable CDSC will be charged.

(3) Death of a trustee. CDSCs may be waived on redemptions occurring upon dissolution of a revocable living or grantor trust following the death of the sole trustee where (i) the grantor of the trust is the sole trustee and the sole life beneficiary, (ii) death occurs following the purchase, and (iii) the trust document provides for dissolution of the trust upon the trustee's death. If the account is transferred to a new registration (including that of a successor trustee), the applicable CDSC will be charged upon any subsequent redemption.

(4) Returns of excess contributions. CDSCs may be waived on redemptions required to return excess contributions made to retirement plans or individual retirement accounts, so long as the Financial Intermediary agrees to return all or the agreed-upon portion of the commission received on the shares being redeemed.

(5) Qualified Retirement Plans. CDSCs may be waived on redemptions required to make distributions from qualified retirement plans following normal retirement age (as stated in the document).

The CDSC also may be waived if the Financial Intermediary agrees to return all or an agreed-upon portion of the commission received on the sale of the shares being redeemed.

Waiver of Investment Minimums. In addition to waivers described in the Prospectuses, minimum investment amounts are waived for current and retired officers and employees of Barings, its affiliates and other investment advisers and sub-advisers to the Funds, and for such persons' spouses, parents, siblings and lineal descendants and their beneficial accounts. The minimum initial investment amount is also waived for officers and employees of a Fund's custodian and transfer agent and in connection with the merger (or similar transaction) of an investment company (or series or class thereof) or personal holding company with a Fund (or class thereof).

TAX MATTERS

Taxation of the Funds

The following summary of certain U.S. federal income tax consequences that may be relevant to shareholders reflects provisions of the Code, existing Treasury regulations, rulings published by the Internal Revenue Service ("IRS"), and other applicable authority, as of the date of this SAI. These authorities are subject to change by legislative or administrative action, possibly with retroactive effect. There may be other tax considerations applicable to particular investors, such as insurance companies, financial institutions, tax-advantaged retirement plans, broker-dealers and foreign shareholders (defined below). In addition, income earned through an investment in the Funds may be subject to state, local and foreign taxes. Shareholders should consult their own tax advisers regarding their particular situation and the possible application of U.S. federal, state, local, foreign or other tax laws.

Each Fund has elected to be treated as a "regulated investment company" ("RIC") under Subchapter M of the Code and intends each year to qualify and be eligible to be treated as such. In order to qualify for the special tax treatment accorded RICs and their shareholders, each Fund must, among other things: (i) derive at least 90% of its gross income in each taxable year from dividends, interest, payments with respect to certain securities loans, gains from the sale or other disposition of stock, securities or foreign currencies, or other income (including, but not limited to, gains from options, futures or forward contracts) derived with respect to its business of investing in such stock, securities or currencies and net income derived from interests in "qualified publicly traded partnerships" (as described below); (ii) diversify its holdings so that at the end of each fiscal quarter, (a) at least 50% of the value of its total assets consists of cash and cash items (including receivables), U.S. government securities, securities of other RICs, and other securities limited, with respect to any one issuer, to no more than 5% of the value of the Fund's total assets and 10% of the outstanding voting securities of such issuer, and (b) not more than 25% of the value of the Fund's total assets is invested, including through corporations in which the Fund owns a 20% or more voting stock interest, in the securities (other than those of the U.S. government or other RICs) of any one issuer or of two or more issuers which the Fund controls and which are engaged in the same, similar or related trades or businesses, or in the securities of one or more qualified publicly traded partnerships; and (iii) distribute with respect to each taxable year at least 90% of the sum of its investment company taxable income (as that term is defined in the Code without regard to the deduction for dividends paid—generally, taxable ordinary income and the excess, if any, of net short-term capital gains over net long-term capital losses) and net tax-exempt income for such year.

In general, for purposes of the 90% gross income requirement described in (i) above, income derived from a 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 directly by the RIC. However, 100% of the net income derived from an interest in a qualified publicly traded partnership (generally, a partnership (a) the interests in which are traded on an established securities market or are readily tradable on a secondary market or the substantial equivalent thereof and (b) that derives less than 90% of its income from the qualifying income described in (i) above) will be treated as qualifying income. In general, such entities will be treated as partnerships for U.S. federal income tax purposes because they meet the passive income requirement under Code Section 7704(c)(2). For purposes of (ii) above, the term "outstanding voting securities of such issuer" will include the equity securities of a qualified publicly traded partnership. Also, for purposes of the diversification test in (ii) above, the identification of the issuer (or issuers) of a particular investment will depend on the terms and conditions of that investment. In some cases, identification of the issuer (or issuers) is uncertain under current law, and an adverse determination or future guidance by the IRS with respect to issuer identification for a particular type of investment may adversely affect a Fund's ability to meet the diversification test in (ii) above.

If it qualifies for treatment as a RIC, a Fund will not be subject to federal income tax on income distributed to shareholders in a timely manner in the form of dividends (including Capital Gain Dividends, as defined below). A Fund's intention to qualify for treatment as a RIC may negatively affect the Fund's return to shareholders by limiting its ability to acquire or continue to hold positions that would otherwise be consistent with its investment strategy or by requiring it to engage in transactions it would otherwise not engage in, resulting in additional transaction costs. If a Fund were to fail to meet the income, diversification or distribution test described above, the Fund could in some cases cure such failure, including by paying a Fund-level tax, paying interest, making additional distributions or disposing of certain assets. If a Fund were ineligible to or otherwise did not cure such failure for any year, or if a Fund were otherwise to fail to qualify as a RIC accorded special tax treatment for such year, the Fund would be subject to tax on its taxable income at corporate rates, and all distributions from earnings and profits, including any distributions of net tax-exempt income and net long-term capital gains, would be taxable to shareholders as dividend income. In addition, a Fund could be required to recognize unrealized gains, pay substantial taxes and interest and make substantial distributions before re-qualifying as a RIC that is accorded special tax treatment. Some portions of such distributions may be eligible for the dividends-received deduction in the case of corporate shareholders and to be treated as qualified dividend income in the case of individuals, provided, in both cases, that the shareholder meets certain holding period and other requirements in respect of a Fund's shares. In addition, a Fund could be required to recognize unrealized gains, pay substantial taxes and interest and make substantial distributions before re-qualifying as a RIC that is accorded special tax treatment. Failure to qualify as a RIC would likely materially reduce the investment return to shareholders.

Each Fund intends to distribute substantially all of its investment company taxable income (computed without regard to the dividends-paid deduction) and net capital gain (that is, the excess of net long-term capital gain over net short-term capital loss, in each case determined with reference to any capital loss carryforwards) in a taxable year. If a Fund does retain any investment company taxable income, it will be subject to tax at the Fund level at regular corporate rates on the amount retained. If a Fund retains any net capital gain, it will also be subject to tax at regular corporate rates on the amount retained, but may designate the retained amount as undistributed capital gain in a timely notice to its shareholders who would then (i) 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) 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 such refunds on a properly filed U.S. federal tax return to the extent the credit exceeds such liabilities. If a Fund makes this designation, for U.S. federal income tax purposes, the tax basis of shares owned by a shareholder will be increased by an amount equal to the difference between the amount of undistributed capital gains included in the shareholder's gross income under clause (i) of the preceding sentence and the tax deemed paid by the shareholder under clause (ii) of the preceding sentence. A Fund is not required to, and there can be no assurance that the Fund will, make this designation if it retains all or a portion of its net capital gain in a taxable year.

A nondeductible excise tax at the rate of 4% will be imposed on the excess, if any, of each Fund's "required distribution" over its actual distributions in any calendar year. Generally, the required distribution is 98% of a Fund's ordinary income for the calendar year plus 98.2% of its capital gain net income recognized during the one-year period ending on October 31st (or November 30th or December 31st of that year, if a Fund is eligible to so elect and so elects), plus undistributed amounts from prior years. For these purposes, ordinary gains and losses from the sale, exchange, or other taxable disposition of property taken into account after October 31st (or November 30th of that year, if a Fund makes the election referred to above) are treated as arising on January 1st of the following calendar year; in the case of a Fund with a December 31 year end that is eligible to make and makes the election described above, no such gains or losses will be so treated. For purposes of the excise tax, a Fund will be treated as having distributed any amount for which it is subject to corporate income tax for the taxable year ending within the calendar year. Each Fund intends to make distributions sufficient to avoid imposition of the excise tax, although there can be no assurance that it will be able to do so. Each Fund may determine to pay the excise tax in a year to the extent it is deemed to be in the best interest of the Fund (e.g., if the excise tax is de minimis).

In determining its net capital gain, including in connection with determining the amount available to support a Capital Gain Dividend (as defined below), its taxable income, and its earnings and profits, a RIC generally may elect to treat part or all of any post-October capital loss (defined as any net capital loss attributable to the portion of the taxable year, if any, after October 31, or if there is no such loss, the net long-term capital loss or net short-term capital loss attributable to such portion of the taxable year) or late-year ordinary loss (generally, the sum of its (i) net ordinary loss, if any, from the sale, exchange or other taxable disposition of property, attributable to the portion of the taxable year, if any, after October 31 and (ii) other net ordinary loss, if any, attributable to the portion of the taxable year after December 31) as if incurred in the succeeding taxable year.

Capital losses in excess of capital gains ("net capital losses") are not permitted to be deducted against a Fund's net investment income. Instead, potentially subject to certain limitations, a Fund may carry net capital losses from any taxable year forward to subsequent taxable years to offset capital gains, if any, realized during such subsequent taxable years. Capital loss carryforwards are reduced to the extent they offset current-year net realized capital gains, whether a Fund retains or distributes such gains. A Fund may carry net capital losses forward to one or more subsequent taxable years without expiration; any such carryforward losses will retain their character as short-term or long-term. A Fund must apply such carryforwards first against gains of the same character. A Fund's available capital loss carryforwards, if any, will be set forth in its annual shareholder report for each fiscal year.

Taxation of Fund Distributions

For U.S. federal income tax purposes, distributions of investment income are generally taxable as ordinary income. Taxes on distributions of capital gains are determined by how long a Fund owned the investments that generated them, rather than how long a shareholder has owned his or her shares. In general, a Fund will recognize long-term capital gain or loss on investments it has owned (or is deemed to have owned) for more than one year, and short-term capital gain or loss on investments it has owned (or is deemed to have owned) for one year or less. Distributions of net capital gain (that is, the excess of net long-term capital gain over net short-term capital loss, in each case determined with reference to any capital loss carryforwards) that are properly reported by a Fund as capital gain dividends ("Capital Gain Dividends") will be taxable to shareholders as long-term capital gains includible in net capital gain and taxed to individuals at reduced rates relative to ordinary income. The IRS and the Department of the Treasury have issued proposed regulations that would impose special rules in respect of Capital Gain Dividends received through partnership interests constituting "applicable partnership interests" under Section 1061 of the Code. Distributions of net short-term capital gain (as reduced by any net long-term capital loss for the taxable year) will be taxable to shareholders as ordinary income. Distributions from capital gains are generally made after applying any available capital loss carryovers. Dividends derived from "qualified dividend income" and properly reported as such by a Fund are taxed to individuals shareholders at the rates applicable to net capital gain, provided holding period and other requirements are met at both the shareholder and Fund levels. The Funds do not expect a significant portion of distributions to be derived from qualified dividend income.

Dividends received by corporate shareholders may qualify for the dividends-received deduction to the extent of the amount of qualifying dividends received by a Fund from domestic corporations and to the extent, if any, that a portion of interest paid or accrued on certain high yield discount obligations owned by the Fund is treated as a dividend. The Funds do not expect a significant portion of their distributions to be eligible for the corporate dividends-received deduction.

Any distribution of income that is attributable to (i) income received by a Fund in lieu of dividends with respect to securities on loan pursuant to a securities lending transaction or (ii) dividend income received by a Fund on securities it temporarily purchased from a counterparty pursuant to a repurchase agreement that is treated for U.S. federal income tax purposes as a loan by the Fund, will not constitute qualified dividend income to individual shareholders and will not be eligible for the dividends received deduction for corporate shareholders.

Distributions by a RIC to its shareholders that the RIC properly reports as "section 199A dividends," as defined and subject to certain conditions described below, are treated as qualified REIT dividends in the hands of non-corporate shareholders. Non-corporate shareholders are permitted a federal income tax deduction equal to 20% of qualified REIT dividends received by them, subject to certain limitations. Very generally, a "section 199A dividend" is any dividend or portion thereof that is attributable to certain dividends received by the RIC from REITs, to the extent such dividends are properly reported as such by the RIC in a written notice to its shareholders. A section 199A dividend is treated as a qualified REIT dividend only if the shareholder receiving such dividend holds the dividend-paying RIC shares for at least 46 days of the 91-day period beginning 45 days before the shares become ex-dividend, and is not under an obligation to make related payments with respect to a position in substantially similar or related property. A RIC is permitted to report such part of its dividends as section 199A dividends as are eligible, but is not required to do so.

The Code generally imposes a 3.8% Medicare contribution tax on the net investment income of certain individuals, trusts and estates to the extent their income exceeds certain threshold amounts, and of certain trusts and estates under similar rules. Certain details of the implementation of this tax remain subject to future guidance. For these purposes, "net investment income" generally includes, among other things, (i) dividends, including Capital Gain Dividends, paid by a Fund, and (ii) any net gain recognized on the sale, redemption or exchange of Fund shares. Shareholders are advised to consult their tax advisors regarding the possible implications of this additional tax on their investment in a Fund.

If a Fund makes a distribution in excess of its current and accumulated "earnings and profits" in any taxable year, the excess distribution will be treated as a return of capital to the extent of a shareholder's tax basis in his or her shares, and thereafter as capital gain. A return of capital is not taxable, but it reduces a shareholder's basis in his or her shares, thus reducing any loss or increasing any gain on a subsequent taxable disposition by the shareholder of such shares.

A distribution by a Fund will be treated as paid on December 31 of any calendar year if it is declared by the Fund in October, November or December with a record date in such a month and paid by the Fund during January of the following calendar year. Such distributions will be taxable to shareholders in the calendar year in which the distributions are declared, rather than the calendar year in which the distributions are received.

For U.S. federal income tax purposes, all distributions are generally taxable in the manner described herein, whether a shareholder takes them in cash or reinvests them in additional shares of a Fund.

The determination of the character for U.S. federal income tax purposes of any distribution from a Fund (e.g., ordinary income dividends, Capital Gain Dividends) will be made as of the end of the Fund's taxable year. Each Fund will provide shareholders with detailed federal tax information regarding distributions for each calendar year, early in the following calendar year.

Dividends and distributions on Fund shares are generally subject to federal income tax as described herein to the extent they do not exceed a 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 purchased at a time when a Fund's net asset value reflects unrealized gains or income or gains that are realized but not yet distributed. Such realized income and gains may be required to be distributed even when a Fund's net asset value also reflects unrealized losses.

Sale, Redemption or Exchange of Shares

Shareholders who sell, redeem or exchange their shares will generally recognize gain or loss in an amount equal to the difference between the amount received and the shareholder's adjusted tax basis in the shares sold or redeemed or exchanged. If the shares are held as a capital asset, any gain or loss realized upon a taxable disposition of the shares will be treated as long-term capital gain or loss if the shares have been held for more than 12 months. Otherwise, the gain or loss on the taxable disposition of shares will be treated as short-term capital gain or loss. However, any loss realized upon a taxable disposition of shares held by a shareholder for six months or less will be treated as long-term, rather than short-term, to the extent of Capital Gain Dividends received (or deemed received) by the shareholder with respect to the shares. For purposes of determining whether shares have been held for six months or less, the holding period is suspended for any periods during which the shareholder's risk of loss is diminished as a result of holding one or more other positions in substantially similar or related property, or through certain options or short sales. Any loss realized on a redemption or exchange of shares will be disallowed to the extent those shares are replaced by other substantially identical shares within a period of 61 days beginning 30 days before and ending 30 days after the date of disposition of the shares (including through the reinvestment of distributions in Fund shares). In that event, the basis of the replacement shares will be adjusted to reflect the disallowed loss.

Upon the redemption or exchange of a Fund's shares, the Fund, or, in the case of shares purchased through a financial intermediary, the financial intermediary may be required to provide you and the IRS with cost basis and certain other related tax information about the Fund shares you redeemed or exchanged. See each Fund's Prospectus for more information.

Foreign Taxes

Each Fund may be liable to foreign governments for taxes relating to income on or transactions in foreign securities in the Fund's portfolio. Tax treaties between certain countries and the U.S. may reduce or eliminate such taxes. If at the close of its taxable year, more than 50% of the value of a Fund's total assets consists of securities of foreign corporations (foreign governments are generally treated as foreign corporations for this purpose), a Fund is permitted to elect to allow shareholders who are U.S. citizens, U.S. residents or U.S. corporations to claim a foreign tax credit or deduction (but not both) on their income tax returns for their pro rata portion of qualified taxes paid by the Fund to foreign countries in respect of foreign securities that the Fund held for at least the minimum period specified in the Code. In such a case, shareholders will include in gross income from foreign sources their pro rata shares of such taxes paid by a Fund. A shareholder's ability to claim an offsetting foreign tax credit or deduction in respect of foreign taxes paid by a Fund is subject to certain limitations imposed by the Code, which could result in the shareholder's not receiving a full credit or deduction (if any) for the amount of such taxes. Shareholders who do not itemize deductions on their U.S. federal income tax returns may claim a credit (but not a deduction) for such foreign taxes. Even if a Fund were eligible to make such an election for a given year, it may determine not to do so. Shareholders that are not subject to U.S. federal income tax, and those who invest in a Fund through tax-advantaged accounts (including those who invest through individual retirement accounts or other tax-advantaged retirement plans), generally will receive no benefit from any tax credit or deduction passed through by the Fund.

Foreign Currency Transactions

Any transaction by a Fund in foreign currencies, foreign-currency denominated debt obligations or certain foreign currency options, futures contracts, or forward contracts (or similar instruments) may give rise to ordinary income or loss to the extent such income or loss results from fluctuations in the value of the foreign currency concerned. Such ordinary income treatment may accelerate Fund distributions to shareholders and increase the distributions taxed to shareholders as ordinary income. Any net losses so created cannot be carried forward by a Fund to offset income or gains earned in subsequent taxable years.

Options, Futures and Other Derivative Instruments

In general, any option premiums received by a Fund are not immediately included in the income of the Fund. Instead, the premiums are recognized when the option contract expires, the option is exercised by the holder, or a Fund transfers or otherwise terminates the option (e.g., through a closing transaction). If an option written by a Fund is exercised and the Fund sells or delivers the underlying securities or other assets, the Fund generally will recognize capital gain or loss equal to (i) the sum of the strike price and the option premium received by the Fund minus (ii) the Fund's basis in the underlying securities or other assets. Such gain or loss generally will be short-term or long-term depending upon the holding period of the underlying securities or other assets. If securities or other assets are purchased by a Fund pursuant to the exercise of a put option written by it, the Fund generally will subtract the premium received from its cost basis in the securities or other assets purchased. The gain or loss with respect to any termination of a Fund's obligation under an option other than through the exercise of the option and related sale or delivery of the underlying securities or other assets generally will be short-term gain or loss depending on whether the premium income received by the Fund is greater or less than the amount paid by the Fund (if any) in terminating the transaction. Thus, for example, if an option written by a Fund expires unexercised, the Fund generally will recognize short-term gain equal to the premium received.

Certain covered call writing activities of a Fund may trigger the U.S. federal income tax straddle rules of Section 1092 of the Code, requiring that losses be deferred and holding periods be tolled on offsetting positions in options and stocks deemed to constitute substantially similar or related property. Thus, the straddle rules could cause gains that would otherwise constitute long-term capital gains to be treated as short-term capital gains, and distributions that would otherwise constitute qualified dividend income or qualify for the dividends-received deduction to fail to satisfy the holding period requirements and therefore to be taxed as ordinary income or to fail to qualify for the dividends-received deduction, as the case may be.

The tax treatment of certain contracts (including regulated futures contracts) entered into by a Fund as well as listed non-equity options written or purchased by a Fund on U.S. exchanges (including options on futures contracts, equity indices, and debt securities) will be governed by Section 1256 of the Code ("Section 1256 contracts"). Gains or losses on Section 1256 contracts generally are considered 60% long-term and 40% short-term capital gains or losses ("60/40"), although certain foreign currency gains and losses from such contracts may be treated as ordinary in character. Also, Section 1256 contracts held by a Fund at the end of each taxable year (and, for purposes of the 4% excise tax, on certain other dates as prescribed under the Code) are "marked to market," with the result that unrealized gains or losses are treated as though they were realized and the resulting gain or loss is treated as ordinary or 60/40 gain or loss, as applicable.

In addition to the special rules described above in respect of futures and options transactions, a Fund's transactions in other derivative instruments (e.g., forward contracts and swap agreements), as well as any of its hedging, short sale, securities loan or similar transactions, may be subject to uncertainty with respect to their tax treatment, and to one or more special tax rules (e.g., notional principal contract, straddle, constructive sale, wash sale, and short sale rules). These rules may affect whether gains and losses recognized by a Fund are treated as ordinary or capital or as short-term or long-term, accelerate the recognition of income or gains to the Fund, defer losses to the Fund, and cause adjustments in the holding periods of the Fund's securities. These rules could therefore affect the amount, timing and/or character of distributions to shareholders.

Because the tax treatment and the tax rules applicable to these types of transactions are in some cases uncertain under current law, an adverse determination or future guidance by the IRS with respect to these rules or treatment (which determination or guidance could be retroactive) may affect whether a Fund has made sufficient distributions, and otherwise satisfied the relevant requirements, to maintain its qualification as a RIC and avoid a Fund-level tax.

Certain of a Fund's investments in derivatives and foreign currency-denominated instruments, and any of a Fund's transactions in foreign currencies and hedging activities, are likely to produce a difference between its book income and its taxable income. If such a difference arises, and a Fund's book income is less than its taxable income, the Fund could be required to make distributions exceeding book income to qualify as a RIC that is accorded special tax treatment and to avoid an entity-level tax. In the alternative, if a Fund's book income exceeds its taxable income (including realized capital gains), the distribution (if any) of such excess generally will be treated as (i) a dividend to the extent of the Fund's remaining earnings and profits, (ii) thereafter, as a return of capital to the extent of the recipient's basis in its shares, and (iii) thereafter as gain from the sale or exchange of a capital asset.

Securities Issued or Purchased at a Discount

Some debt obligations with a fixed maturity date of more than one year from the date of issuance (and zero-coupon debt obligations with a fixed maturity date of more than one year from the date of issuance) will be treated as debt obligations that are issued originally at a discount. Generally, the amount of the original issue discount ("OID") is treated as interest income and is included in a Fund's taxable income (and required to be distributed by the Fund) over the term of the debt security, even though payment of that amount is not received until a later time, upon partial or full repayment or disposition of the debt security. In addition, payment-in-kind securities will give rise to income which is required to be distributed and is taxable even though a Fund holding the security receives no interest payment in cash on the security during the year.

Some debt obligations with a fixed maturity date of more than one year from the date of issuance that are acquired by the Fund in the secondary market may be treated as having "market discount." Very generally, market discount is the excess of the stated redemption price of a debt obligation (or in the case of an obligation issued with OID, its "revised issue price") over the purchase price of such obligation. Subject to the discussion below regarding Section 451 of the Code: (i) generally, any gain recognized on the disposition of, and any partial payment of principal on, a debt security having market discount is treated as ordinary income to the extent the gain, or principal payment, does not exceed the "accrued market discount" on such debt security; (ii) alternatively, the Fund may elect to accrue market discount currently, in which case the Fund will be required to include the accrued market discount in the Fund's income (as ordinary income) and thus distribute it over the term of the debt security, even though payment of that amount is not received until a later time, upon partial or full repayment or disposition of the debt security; and (iii) the rate at which the market discount accrues, and thus is included in the Fund's income, will depend upon which of the permitted accrual methods the Fund elects. Notwithstanding the foregoing, effective for taxable years beginning after 2017, Section 451 of the Code generally requires any accrual method taxpayer to take into account items of gross income no later than the time at which such items are taken into account as revenue in the taxpayer's financial statements. The IRS and the Department of the Treasury have issued proposed regulations providing that this rule does not apply to the accrual of market discount. If this rule were to apply to the accrual of market discount, the Fund would be required to include in income any market discount as it takes the same into account on its financial statements. The Fund's current practice is to include in income any market discount as it takes the same into account on its financial statements and therefore no changes to the Fund's financial statements would be expected to result if Section 451 applied to the accrual of market discount.

Some debt obligations with a fixed maturity date of one year or less from the date of issuance may be treated as having OID or, in certain cases, "acquisition discount" (very generally, the excess of the stated redemption price over the purchase price). Each Fund will be required to include the OID or acquisition discount in income (as ordinary income) and thus distribute it over the term of the debt security, even though payment of that amount is not received until a later time, upon partial or full repayment or disposition of the debt security. The rate at which OID or acquisition discount accrues, and thus is included in a Fund's income, will depend upon which of the permitted accrual methods the Fund elects.

Increases in the principal amount of an inflation indexed bond will be treated as OID. Decreases in the principal amount of an inflation indexed bond will reduce the amount of interest from the debt instrument that would otherwise be includible in income by a Fund.

If a Fund holds the foregoing kinds of debt instruments, it may be required to pay out as an income distribution each year an amount which is greater than the total amount of cash interest the Fund actually received. Such distributions may be made from the cash assets of a Fund or, if necessary, by disposition of portfolio securities including at a time when it may not be advantageous to do so. These dispositions may cause a Fund to realize higher amounts of short-term capital gains (generally taxable to shareholders at ordinary income tax rates) and, in the event the Fund realizes net capital gain from such transactions, its shareholders may receive a larger Capital Gain Dividend than they would in the absence of such transactions.

A portion of the OID accrued on certain high yield discount obligations may not be deductible to the issuer and will instead be treated as a dividend paid by the issuer for purposes of the dividends-received deduction. In such cases, if the issuer of the high yield discount obligations is a domestic corporation, dividend payments by the Fund may be eligible for the dividends-received deduction to the extent attributable to the deemed dividend portion of such OID.

Securities Purchased at a Premium

Very generally, where a Fund purchases a bond at a price that exceeds the redemption price at maturity — that is, at a premium — the premium is amortizable over the remaining term of the bond. In the case of a taxable bond, if a Fund makes an election applicable to all such bonds it purchases, which election is irrevocable without consent of the IRS, the Fund reduces the current taxable income from the bond by the amortized premium and reduces its tax basis in the bond by the amount of such offset; upon the disposition or maturity of such bonds, the Fund is generally permitted to deduct any remaining premium allocable to a prior period. In the case of a tax-exempt bond, tax rules require a Fund to reduce its tax basis by the amount of amortized premium.

At-Risk or Defaulted Securities

Investments in debt obligations that are at risk of or in default present special tax issues for a Fund. Tax rules are not entirely clear about issues such as whether or to what extent a Fund should recognize market discount on a debt obligation; when a Fund may cease to accrue interest, OID or market discount; when and to what extent a Fund may take deductions for bad debts or worthless securities; and how a Fund should allocate payments received on obligations in default between principal and income. These and other related issues will be addressed by a 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 avoid becoming subject to U.S. federal income or excise tax.

Passive Foreign Investment Companies

Each Fund may own shares in certain foreign investment entities, referred to as "passive foreign investment companies" ("PFICs"). In order to avoid U.S. federal income tax on distributions received from a PFIC, and an additional charge on a portion of any "excess distribution" from such PFICs or gain from the disposition of such shares, a Fund may elect to mark the gains (and to a limited extent the losses) in such holdings "to the market" as though it had sold (and, solely for purposes of this mark-to-market election, repurchased) its holdings in those PFICs on the last day of the Fund's taxable year. This additional charge cannot be eliminated by making distributions to a Fund's shareholders. Such gains and losses are treated as ordinary income and loss. If the PFIC provides a Fund with certain information, the Fund may alternatively elect to treat the PFIC as a "qualified electing fund" (*i.e.*, make a "QEF election"), in which case the Fund will be required to include its share of the PFIC's income and net capital gains annually, regardless of whether it receives any distribution from the PFIC. The mark-to-market and QEF elections may accelerate the recognition of income (without the receipt of cash) and require a Fund to sell securities it would have otherwise continued to hold (including when it is not advantageous to do so) in order to make distributions to shareholders to avoid any Fund-level tax. Dividends paid by PFICs generally will not qualify for treatment as qualified dividend income. Because it is not always possible to identify a foreign corporation as a PFIC, a Fund may incur the tax and "excess distribution" charges described above in some instances.

Real Estate Investment Trusts

Any investment by a Fund in equity securities of REITs qualifying as such under Subchapter M of the Code may result in the Fund's receipt of cash in excess of the REIT's earnings; if a Fund distributes such amounts, such distributions could constitute a return of capital to shareholders for U.S. federal income tax purposes. Income from REIT securities generally will not be eligible for treatment as qualified dividend income.

REMICs

If a Fund were to invest directly or indirectly in residual interests in real estate mortgage investment conduits ("REMICs") or equity interests in taxable mortgage pools ("TMPs"), it is likely that a portion of a Fund's income (including income allocated to the Fund from a REIT or other pass-through entity) that is attributable to a residual interest in a REMIC or an equity interest in a TMP (referred to in the Code as an "excess inclusion") will be subject to U.S. federal income tax in all events, and that such income will be allocated to shareholders of the RIC in proportion to the dividends received by such shareholders, with the same consequences as if the shareholders held the related interest 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) will constitute unrelated business taxable income ("UBTI") to entities subject to tax on UBTI and (iii) in the case of a non-U.S. shareholder, will not qualify for any reduction in U.S. federal withholding tax. A shareholder will be subject to U.S. federal income tax on such inclusions notwithstanding any exemption from such income tax otherwise available under the Code.

Charitable remainder trusts and other tax-exempt shareholders are urged to consult their tax advisers concerning the consequences of investing in a Fund.

Backup Withholding

Backup withholding is generally required with respect to taxable distributions and redemption proceeds paid to any individual shareholder who fails to properly furnish a correct taxpayer identification number, who has under-reported dividend or interest income, or who fails to certify that he or she is not subject to such withholding. Amounts withheld as a result of backup withholding are remitted to the U.S. Treasury but do not constitute an additional tax imposed on the shareholder; such amounts may be claimed as a credit on the shareholder's U.S. federal income tax return, provided the appropriate information is furnished to the IRS.

Foreign Shareholders

Distributions by a Fund to shareholders that are not "U.S. persons" within the meaning of the Code ("foreign shareholders") properly reported by the Fund as (1) Capital Gain Dividends, (2) short-term capital gain dividends, and (3) interest-related dividends, each as defined and subject to certain conditions described below, generally are not subject to withholding of U.S. federal income tax.

In general, the Code defines (1) "short-term capital gain dividends" as distributions of net short-term capital gains in excess of net long-term capital losses and (2) "interest-related dividends" as distributions from U.S. source interest income of types similar to those not subject to U.S. federal income tax if earned directly by an individual foreign shareholder, in each case to the extent such distributions are properly reported as such by the Fund in a written notice to shareholders.

The exceptions to withholding for Capital Gain Dividends and short-term capital gain dividends do not apply to (A) distributions to an individual foreign shareholder who is present in the United States for a period or periods aggregating 183 days or more during the year of the distribution and (B) distributions attributable to gain that is treated as effectively connected with the conduct by the foreign shareholder of a trade or business within the United States under special rules regarding the disposition of U.S. real property interests as described below. The exception to withholding for interest-related dividends does not apply to distributions to a foreign shareholder (A) that has not provided a satisfactory statement that the beneficial owner is not a U.S. person, (B) to the extent that the dividend is attributable to certain interest on an obligation if the foreign shareholder is the issuer or is a 10% shareholder of the issuer, (C) that is within certain foreign countries that have inadequate information exchange with the United States, or (D) to the extent the dividend is attributable to interest paid by a person that is a related person of the foreign shareholder and the foreign shareholder is a controlled foreign corporation. If a Fund invests in a RIC that pays Capital Gain Dividends, short-term capital gain dividends or interest-related dividends to the Fund, such distributions retain their character as not subject to withholding if properly reported when paid by the Fund to foreign shareholders. A Fund is permitted to report such part of its dividends as interest-related and/or short-term capital gain dividends as are eligible, but is not required to do so.

In the case of shares held through an intermediary, the intermediary may withhold even if a Fund reports all or a portion of a payment as an interest-related or short-term capital gain dividend to shareholders. Foreign shareholders should contact their intermediaries regarding the application of these rules to their accounts.

Distributions by a Fund to foreign shareholders other than Capital Gain Dividends, short-term capital gain dividends, and interest-related dividends (e.g., dividends attributable to foreign-source dividend and interest income or to short-term capital gains or U.S. source interest income to which the exception from withholding described above does not apply) are generally subject to withholding of U.S. federal income tax at a rate of 30% (or lower applicable treaty rate).

Under U.S. federal tax law, a foreign shareholder is not, in general, subject to U.S. federal income tax on gains (and is not allowed a deduction for losses) realized on the sale of shares of a Fund unless (i) such gain is effectively connected with the conduct by the foreign shareholder of a trade or business within the United States, (ii) in the case of a foreign shareholder that is an individual, the shareholder is present in the United States for a period or periods aggregating 183 days or more during the year of the sale and certain other conditions are met, or (iii) the special rules relating to gain attributable to the sale or exchange of "U.S. real property interests" ("USRPIs") apply to the foreign shareholder's sale of shares of a Fund (see below).

Foreign shareholders with respect to whom income from a Fund is effectively connected with a trade or business conducted by the foreign shareholder within the United States will in general be subject to U.S. federal income tax on the income derived from the Fund at the graduated rates applicable to U.S. citizens, residents or domestic corporations, whether such income is received in cash or reinvested in shares of the Fund and, in the case of a foreign corporation, may also be subject to a branch profits tax. If a foreign shareholder is eligible for the benefits of a tax treaty, any effectively connected income or gain will generally be subject to U.S. federal income tax on a net basis only if it is also attributable to a permanent establishment maintained by the shareholder in the United States. More generally, foreign shareholders who are residents in a country with an income tax treaty with the United States may obtain different tax results than those described herein, and are urged to consult their tax advisers.

Very generally, special tax rules apply if a Fund holds or, but for the operation of certain exceptions would be treated as holding, USRPIs the fair market value of which equals or exceeds 50% of the sum of the fair market values of the Fund's USPRIs, interests in real property located outside the United States, and other assets used or held for use in a trade or business. Such rules could result in U.S. tax withholding from certain distributions to a foreign shareholder. Furthermore, the foreign shareholder may be required to file a U.S. tax return and pay tax on such distributions — and, in certain cases, gain realized on sale of Fund shares — at regular U.S. federal income tax rates. The Funds do not expect to invest in, or to be treated as holding but for the exceptions noted above, a significant percentage of USRPIs, so these special tax rules are not likely to apply.

In order to qualify for any exemptions from withholding described above, a foreign shareholder must comply with applicable certification requirements relating to its non-U.S. status (including, in general, furnishing an IRS Form W-8BEN, W-8BEN-E or substitute form). Foreign shareholders should contact their tax advisers in this regard. Special rules (including withholding and reporting requirements) apply to foreign partnerships and those holding shares through foreign partnerships. Additional considerations may apply to foreign trusts and estates. Investors holding Fund shares through foreign entities should consult their tax advisers about their particular situation.

Shareholder Reporting Obligations With Respect to Foreign Bank and Financial Accounts

Shareholders that are U.S. persons and own, directly or indirectly, more than 50% of a Fund could be required to report annually their "financial interest" in the Fund's "foreign financial accounts," if any, on FinCEN Form 114, Report of Foreign Bank and Financial Accounts ("FBAR"). Shareholders should consult a tax adviser regarding the applicability to them of this reporting requirement.

Other Reporting and Withholding Requirements

Sections 1471-1474 of the Code and the U.S. Treasury and IRS guidance issued thereunder (collectively, "FATCA") generally require each Fund to obtain information sufficient to identify the status of each of its shareholders under FATCA or under an applicable intergovernmental agreement ("IGA") between the

United States and a foreign government. If a shareholder of a Fund fails to provide the requested information or otherwise fails to comply with FATCA or an IGA, the Fund may be required to withhold under FATCA at a rate of 30% with respect to that shareholder on ordinary dividends it pays. The IRS and the Department of Treasury have issued proposed regulations providing that these withholding rules will not apply to the gross proceeds of share redemptions or Capital Gain Dividends the Fund pays. If a payment by a Fund is subject to FATCA withholding, the Fund is required to withhold even if such payment would otherwise be exempt from withholding under the rules applicable to foreign shareholders described above (e.g., short-term capital gain and interest-related dividends).

Each prospective investor is urged to consult its tax adviser regarding the applicability of FATCA and any other reporting requirements with respect to the prospective investor's own situation, including investments through an intermediary.

Other Tax Matters

Under Treasury regulations, if a shareholder recognizes a loss with respect to shares of $2 million or more for an individual shareholder or $10 million or more for a corporate shareholder, the shareholder must file with the IRS a disclosure statement on Form 8886. Direct shareholders of portfolio securities are in many cases excepted from this reporting requirement, but under current guidance, shareholders of a RIC are not excepted. Future guidance may extend the current exception 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 tax advisers to determine the applicability of these regulations in light of their individual circumstances.

Special tax rules apply to investments though defined contribution plans and other tax-qualified plans. Shareholders should consult their tax advisers to determine the suitability of shares of a Fund as an investment through such plans and the precise effect of an investment on their particular tax situation.

The foregoing discussion relates solely to U.S. federal income tax laws. Dividends and distributions also may be subject to state and local taxes. Shareholders are urged to consult their tax advisers regarding specific questions as to U.S. federal, state, local, and, where applicable, foreign taxes. Foreign investors should consult their tax advisers concerning the tax consequences of ownership of shares of a Fund.

The foregoing is a general and abbreviated summary of the applicable provisions of the Code and related regulations currently in effect. For the complete provisions, reference should be made to the pertinent Code sections and regulations. The Code and regulations are subject to change by legislative or administrative actions, possibly with retroactive effect.

FINANCIAL STATEMENTS

The audited financial statements of the Funds and the report of the independent registered public accounting firm, each of which is included in the June 30, 2020 Annual Report to Shareholders of the Funds, are incorporated by reference into this SAI. The Annual Report is available upon request and without charge, and was filed electronically with the SEC on Form N-CSR on September 4, 2020 (Accession Number: 0001193125-20-239719).

APPENDIX A

DESCRIPTION OF SECURITIES RATINGS

Each Fund's investments may range in quality from securities or instruments rated in the lowest category to securities or instruments rated in the highest category (as rated by Moody's, S&P, Fitch, Kroll Bond Rating Agency, DBRS or Morningstar or, if unrated, judged by the Manager or the Sub-Adviser to be of comparable quality). The percentage of a Fund's assets invested in securities or instruments in a particular rating category will vary. The following terms are generally used to describe the credit quality of debt securities or instruments:

High Quality Debt Securities or Instruments are those rated in one of the two highest rating categories (the highest category for commercial paper) or, if unrated, deemed comparable by the Manager or the Sub-Adviser.

Investment Grade Debt Securities or Instruments are those rated in one of the four highest rating categories or, if unrated, deemed comparable by the Manager or the Sub-Adviser.

Below Investment Grade, High Yield Securities or Instruments or ("Junk Bonds") are those rated below investment-grade by at least one credit rating agency (below BBB-/Baa3 or its equivalent by each credit rating agency that rates the security) and comparable securities. They are deemed predominantly speculative with respect to the issuer's ability to repay principal and interest.

Following is a description of Moody's, S&P's, Fitch's, Kroll Bond Rating Agency's, DBRS's, and Morningstar's rating categories applicable to debt securities.

Moody's Investors Service, Inc.

Corporate and Municipal Bond Ratings

Aaa Obligations rated Aaa are judged to be of the highest quality, with minimal 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 considered upper-medium grade and are subject to low credit risk.

Baa Obligations rated Baa are subject to moderate credit risk. They are considered medium grade and as such may possess certain speculative characteristics.

Ba Obligations rated Ba are judged to have speculative elements 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 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 class and are typically in default, with little prospect for recovery of principal or interest.

Moody's applies numerical modifiers, 1, 2, and 3, in each generic rating classified from Aa through Caa in its corporate bond rating system. The modifier 1 indicates that the security ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

Corporate Short-Term Debt Ratings

Moody's short-term debt ratings are opinions of the ability of issuers to honor short-term financial obligations. These obligations have an original maturity not exceeding thirteen months, unless explicitly noted.

Moody's employs the following three designations, all judged to be investment grade, to indicate the relative repayment ability of rated issuers:

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

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

PRIME-3: Issuers (or supporting institutions) rated "Prime-3" have an acceptable ability to repay short-term obligations. Issuers (or supporting institutions) rated "Not Prime" do not fall within any of the Prime rating categories.

NOT PRIME: Issuers (or supporting institutions) rated Not Prime do not fall within any of the Prime rating categories.

Standard & Poor's

Issue Credit Rating Definitions

A Standard & Poor's issue credit rating is a forward-looking opinion of 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 issue credit rating is not a recommendation to purchase, sell, or hold a financial obligation, inasmuch as it does not comment as to market price or suitability for a particular investor.

Issue credit ratings are based on current information furnished by the obligors or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Ratings and credit related opinions may be changed, suspended, or withdrawn at any time.

Issue credit ratings can be either long-term or short-term. Short-term ratings are generally assigned to those obligations considered short-term in the relevant market. In the U.S., for example, that means obligations with an original maturity of no more than 365 days — including commercial paper. Short-term ratings are also used to indicate the creditworthiness of an obligor with respect to put features on long-term obligations. The result is a dual rating, in which the short-term rating addresses the put feature, in addition to the usual long-term rating. Medium-term notes are assigned long-term ratings.

Issue credit ratings are based, in varying degrees, on the following considerations: likelihood of payment — capacity and willingness of the obligor to meet its financial commitment on an obligation in accordance with the terms of the obligation; nature of and provisions of the obligation; protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

Issue ratings are an assessment of default risk, but may incorporate an assessment of relative seniority or ultimate recovery in the event of default. Junior obligations are typically rated lower than senior obligations, to reflect the lower priority in bankruptcy, as noted above. (Such differentiation may apply when an entity has both senior and subordinated obligations, secured and unsecured obligations, or operating company and holding company obligations.)

Long-Term Issue Credit Ratings

Investment Grade

AAA: An obligation rated AAA has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AA: An obligation rated AA differs from the highest rated obligations only in small degree. The obligor's capacity to meet its financial commitment 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 commitment 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 lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

Speculative Grade

Obligations rated BB, B, CCC, CC, and C are regarded as having predominantly speculative characteristics with respect to capacity to pay interest and repay principal. BB indicates the least degree of speculation and C the highest. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major exposures 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 which could lead to the obligor's inadequate capacity to meet its financial commitment 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 commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment 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 commitment 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 commitment on the obligation.

CC: An obligation rated CC is currently highly vulnerable to nonpayment.

C: A 'C' rating is assigned to obligations that are currently highly vulnerable to nonpayment, obligations that have payment arrearages allowed by the terms of the documents, or obligations of an issuer that is the subject of a bankruptcy petition or similar action which have not experienced a payment default. Among others, the 'C' rating may be assigned to subordinated debt, preferred stock or other obligations on which cash payments have been suspended in accordance with the instrument's terms or when preferred stock is the subject of a distressed exchange offer, whereby some or all of the issue is either repurchased for an amount of cash or replaced by other instruments having a total value that is less than par.

D: An obligation rated 'D' is in payment default. The 'D' rating category is used when payments on an obligation, including a regulatory capital instrument, are not made on the date due even if the applicable grace period has not expired, unless Standard & Poor's believes that such payments will be made during such grace period. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of similar action if payments on an obligation are jeopardized. An obligation's rating is lowered to 'D' upon completion of a distressed exchange offer, whereby some or all of the issue is either repurchased for an amount of cash or replaced by other instruments having a total value that is less than par.

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 no rating has been requested, that there is insufficient information on which to base a rating, or that Standard & Poor's does not rate a particular obligation as a matter of policy.

Short-Term Issue Rating Definitions

A Standard & Poor's commercial paper rating is a current assessment of the likelihood of timely payment of debt having an original maturity of no more than 365 days. Ratings are graded into several categories, ranging from A for the highest quality obligations to D for the lowest. These categories are as follows:

A-1: A short-term obligation rated A-1 is rated in the highest category by Standard & Poor's. The obligor's capacity to meet its financial commitment 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 commitment 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 lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

B: A short-term obligation rated B is regarded as having significant speculative characteristics. The obligor currently has the capacity to meet its financial commitment on the obligation; however, it faces major ongoing uncertainties which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

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 commitment on the obligation.

D: A short-term obligation rated D is in payment default. The D rating category is used when payments on an obligation are not made on the date due even if the applicable grace period has not expired, unless Standard & Poor's believes that such payments will be made during such grace period. The D rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized.

Fitch, Inc.

A brief description of the applicable Fitch ratings symbols and meanings (as published by Fitch) follows:

Long-Term Credit Ratings

Investment Grade

AAA: Highest credit quality. "AAA" ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA: Very high credit quality. "AA" ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A: High credit quality. "A" ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

BBB: Good credit quality. "BBB" ratings indicate that expectations of credit risk are currently low. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity. This is the lowest investment-grade category.

Speculative Grade

BB: Speculative. 'BB' ratings indicate 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: Highly speculative. 'B' ratings indicate that material credit risk is present.

CCC: Substantial credit risk. 'CCC' ratings indicate that substantial credit risk is present.

CC: Very high levels of credit risk. 'CC' ratings indicate very high levels of credit risk.

C: Exceptionally high levels of credit risk. 'C' indicates exceptionally high levels of credit risk.

Defaulted obligations typically are not assigned 'D' ratings, but are instead rated in the 'B' to 'C' rating categories, depending upon their recovery prospects and other relevant characteristics. This approach better aligns obligations that have comparable overall expected loss but varying vulnerability to default and loss.

Short-Term Credit Ratings

A short-term rating has a time horizon of less than 12 months for most obligations, or up to three years for U.S. public finance securities, and thus places greater emphasis on the liquidity necessary to meet financial commitments in a timely manner.

F1: Highest short-term credit quality. Indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.

F2: Good short-term credit quality. Good intrinsic capacity for timely payment of financial commitments.

F3: Fair short-term credit quality. The intrinsic capacity for timely payment of financial commitments is adequate.

B: Speculative short-term credit quality. Minimal capacity for timely payment of financial commitments, plus heightened vulnerability to near term adverse changes in financial and economic conditions.

C: High short-term default risk. Default is a real possibility.

D: Default. Indicates the default of a short-term obligation.

"+" or "–" may be appended to a rating to denote relative status within major rating categories. Such suffixes are not added to the "AAA" long-term rating category, to categories below "B," or to short-term ratings other than "F1."

Withdrawn: The rating has been withdrawn and the issue or issuer is no longer rated by Fitch.

Rating Watch: Rating Watches indicate that there is a heightened probability of a rating change and the likely direction of such a change. These are designated as "Positive", indicating a potential upgrade, "Negative", for a potential downgrade, or "Evolving", if ratings may be raised, lowered or affirmed. However, ratings that are not on Rating Watch can be raised or lowered without being placed on Rating Watch first, if circumstances warrant such an action.

Rating Outlooks indicate the direction a rating is likely to move over a one- to two-year period. They reflect financial or other trends that have not yet reached the level that would trigger a rating action, but which may do so if such trends continue. The majority of Outlooks are generally Stable, which is consistent with the historical migration experience of ratings over a one- to two-year period. Positive or Negative rating Outlooks do not imply that a rating change is inevitable and, similarly, ratings with Stable Outlooks can be raised or lowered without a prior revision to the Outlook, if circumstances warrant such an action. Occasionally, where the fundamental trend has strong, conflicting elements of both positive and negative, the Rating Outlook may be described as Evolving.

Kroll Bond Rating Agency ("KBRA")

Long-Term Credit Ratings

Kroll Bond Rating Agency (KBRA) assigns credit ratings to issuers and their obligations using the same rating scale. In either case, KBRA's ratings are intended to reflect both the probability of default and severity of loss in the event of default, with greater emphasis on probability of default at higher rating categories. For obligations, the determination of expected loss severity is, among other things, a function of the seniority of the claim. Generally speaking, issuer-level ratings assume a loss severity consistent with a senior unsecured claim. KBRA appends an (sf) indicator to ratings assigned to structured obligations. These definitions should be used in conjunction with KBRA's rating methodologies.

AAA: Determined to have almost no risk of loss due to credit-related events. Assigned only to the very highest quality obligors and obligations able to survive extremely challenging economic events.

AA: Determined to have minimal risk of loss due to credit-related events. Such obligors and obligations are deemed very high quality.

A: Determined to be of high quality with a small risk of loss due to credit-related events. Issuers and obligations in this category are expected to weather difficult times with low credit losses.

BBB: Determined to be of medium quality with some risk of loss due to credit-related events. Such issuers and obligations may experience credit losses during stressed environments.

BB: Determined to be of low quality with moderate risk of loss due to credit-related events. Such issuers and obligations have fundamental weaknesses that create moderate credit risk.

B: Determined to be of very low quality with high risk of loss due to credit-related events. These issuers and obligations contain many fundamental shortcomings that create significant credit risk.

CCC: Determined to be at substantial risk of loss due to credit-related events, near default, or in default with high recovery expectations.

CC: Determined to be near default or in default with average recovery expectations.

C: Determined to be near default or in default with low recovery expectations.

D: KBRA defines default as occurring if:

1. There is a missed interest payment, principal payment, or preferred dividend payment, as applicable, on a rated obligation which is unlikely to be recovered.

2. The rated entity files for protection from creditors, is placed into receivership, or is closed by regulators such that a missed payment is likely to result.

3. The rated entity seeks and completes a distressed exchange, where existing rated obligations are replaced by new obligations with a diminished economic value.

KBRA may append - or + modifiers to ratings in categories AA through CCC to indicate, respectively, upper and lower risk levels within the broader category.

Short-Term Credit Ratings

Kroll Bond Rating Agency's short-term ratings indicate an ability to meet obligations that typically have maturities of 13 months or less when issued by corporate entities, financial institutions, and in connection with structured finance transactions. When applied to municipal obligations, KBRA's short- term ratings typically indicate an ability to meet obligations of three years or less. Short-term ratings may be assigned to both issuers and to specific obligations. As compared to long-term ratings, greater emphasis is placed on an obligor's liquidity profile and access to funding. KBRA appends an (sf) indicator to ratings assigned to structured finance obligations.

Kl+: Exceptional ability to meet short-term obligations.

Kl: Very strong ability to meet short-term obligations.

K2: Strong ability to meet short-term obligations.

K3: Adequate ability to meet short-term obligations.

B: Questionable ability to meet short-term obligations.

C: Little ability to meet short-term obligations.

D: KBRA defines default as occurring if:

1. There is a missed interest payment, principal payment, or preferred dividend payment, as applicable, on a rated obligation which is unlikely to be recovered.

2. The rated entity files for protection from creditors, is placed into receivership, or is closed by regulators such that a missed payment is likely to result.

3. The rated entity seeks and completes a distressed exchange, where existing rated obligations are replaced by new obligations with a diminished economic value.

DBRS

Long-Term Obligations

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 obligations 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.

AAA: Highest credit quality. The capacity for the payment of financial obligations is exceptionally high and unlikely to be adversely affected by future events.

AA: 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: 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: Adequate credit quality. The capacity for the payment of financial obligations is considered acceptable. May be vulnerable to future events. BB: Speculative, non-investment grade credit quality. The capacity for the payment of financial obligations is uncertain. Vulnerable to future events. B: Highly speculative credit quality. There is a high level of uncertainty as to the capacity to meet financial obligations.

CCC/CC/C: 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: 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".

Commercial Paper and Short-Term Debt Rating Scale

The 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 subcategories "(high)", "(middle)", and "(low)".

R-1 (high): 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): 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): 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): 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): 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): 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: 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: Speculative credit quality. The capacity for the payment of short-term financial obligations as they fall due is uncertain.

R-5: 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: 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”.

Morningstar

Long-Term Credit Ratings

Morningstar utilizes a set of letter ratings ranging from AAA to D to express its opinion on the credit quality of a security based on Morningstar’s policies and procedures. Morningstar also provides finer gradations (notches) of the ratings ranging from AA to CCC by adding a plus or minus sign to indicate relative strength within the rating categories. The definitions for Morningstar’s credit ratings are as follows:

AAA

A rating of AAA is the highest credit rating assigned by Morningstar. A rating of AAA indicates an extremely strong ability to make timely interest payments and ultimate principal payments on or prior to a rated final distribution or maturity date.

AA+, AA, AA-

A rating in the AA category indicates a very strong ability to make timely interest and ultimate principal payments on or prior to a rated final distribution or maturity date.

A+, A, A-

A rating in the A category indicates a strong ability to make timely interest and ultimate principal payments on or prior to a rated final distribution or maturity date, but that ability could be influenced by adverse changes in circumstances or conditions, such as adverse business or economic conditions.

BBB+, BBB, BBB-

A rating in the BBB category indicates the ability to make timely payments of interest and ultimate principal payments on or prior to a rated final distribution or maturity date, but that ability could be impacted by adverse changes in circumstances or conditions, such as adverse business or economic conditions.

BB+, BB, BB-

A rating in the BB category indicates the ability to make timely payments of interest and ultimate payment of principal on or prior to a rated final distribution or maturity date in the absence of various adverse circumstances or conditions such as adverse business or economic conditions. The vulnerability of securities rated BB to the previously mentioned conditions is greater than that of higher rated securities or issuers.

B+, B, B-

A rating in the B category indicates a default has not yet occurred, but the issuer or securities are vulnerable to adverse changes in the business or economic environment. Securities rated in the B category are more vulnerable to nonpayment of timely interest and ultimate payment of principal on or prior to a rated final distribution date than higher rated securities.

CCC+, CCC, CCC-

A rating in the CCC category indicates a material likelihood of default, and for corporate and financial institution obligations, significant dependence on favorable business conditions to avoid default or capital restructuring. For structured finance securities, forecasted or actual losses may have eroded but not yet eliminated available credit support.

CC

A rating of CC on a corporate or financial institution issuer or security indicates a default has not yet occurred but the issuer or security is extremely dependent on favorable business conditions to avoid default or significant capital restructuring. This rating does not apply to structured finance securities.

C

A rating of C on a corporate or financial institution issuer or security indicates a default is expected in the very near term. Corporate and financial institution issuers or securities will be rated C and placed on Under Review Negative during a cure period for payments of interest and principal. This rating does not apply to structured finance securities.

SD

A rating of SD indicates a selective default when an issuer has defaulted on one or more but not all its debt obligations without entering bankruptcy. Selective Default is not applicable to individual issues and therefore is not applicable to structured finance securities.

D

A rating of 'D' indicates that a default has occurred; or, for structured finance securities, (1) actual losses have reduced the principal balance of the security; or (2) actual losses have eliminated available credit support. Additionally, forecasted losses that would reduce the principal balance of the security or eliminate the available credit support, subject to our reasonable judgment, may be indicative of a D rating.

For purposes of the above, the following terms shall have the following meanings:

"Default" shall generally include one or more of the following:

(i) Failure to pay (1) timely interest and/or (2) principal.

(ii) Any bankruptcy, administration, receivership, winding up, liquidation or other termination of the business of the issuer.

(iii) Execution of a distressed debt exchange. A distressed debt exchange is the repayment of a debt instrument for any consideration other than the par value of the debt, in cash, at its contracted maturity date to avoid a payment default or bankruptcy. Execution of a distressed debt exchange for some, but not all, of an obligor's debt obligations would result in a rating of SD.

(iv) Failure to meet non-debt obligations such as trade payables would not be considered a default or selective default.

(v) Under certain circumstances, subject to Morningstar's reasonable judgment, an interest or principal shortfall on a structured finance security may not be deemed a default. Factors that would affect Morningstar's decision include the magnitude of the shortfall, likelihood of recurrence, certainty and timing of a repayment, and the current rating of the security.

"Forecasted losses" generally include one or more of the following:

(i) Projected losses resulting from specially serviced loans, and/or

(ii) Projected losses due to a decline in current appraisal values, and/or

(iii) Projected losses due to anticipated payment defaults on any loans.

"Rated final distribution date" typically is the rated final distribution date or term of similar import used in the related offering documents for the respective transaction or otherwise enumerated in the related Morningstar ratings report for such transaction.

NR (non-rated)

In situations where Morningstar rates certain classes of securities from an issuer or a transaction but does not rate other classes, a NR designation is applied by Morningstar to those securities it does not rate.

Short-Term Credit Ratings

Short-term ratings apply to the issuer's ability to meet all financial obligations coming due in the next 13 months and with an original maturity of 13 months or less.

Short-term ratings, for example, can be assigned to corporate and ABS commercial paper programs and to money market tranches of ABS transactions rated by Morningstar. Morningstar will consider the credit rating of the bank or other financial institution providing credit support for corporate and structured finance commercial paper programs and the type of support provided, if any.

Short-term ratings are linked to long-term issuer ratings because those long-term ratings include an assessment of the issuer's liquidity and access to capital markets. Because of the short time horizon of these obligations, it is not necessary to differentiate relative risk of default as precisely as when assessing credit risk in the long run. Therefore, the short-term rating categories are broader than the long term-categories.

The typical relationship between an issuer's long-term and short-term rating is shown below.

Long-Term Rating	Short-Term Rating	Definition
AAA	M1+	Negligible Risk
AA+, AA, AA-	M1+	Negligible Risk
A+, A	M1	Negligible Risk
A-	M1 or M2	Negligible/Very Low Risk
BBB+, BBB	M2	Very Low Risk
BBB-	M2 or M3	Very Low/Medium Risk
BB+, BB, BB-	M4	Elevated Risk
B+, B, B-	M4	Elevated Risk
CCC+, CCC, CCC-	M4	Elevated Risk
CC, C	M4	Elevated Risk

APPENDIX B

GLOBAL PROXY VOTING POLICY

I. Introduction

As an investment adviser, Barings has a fiduciary duty to vote proxies on behalf of their advisory clients (“Clients”). Rule 206(4)-6 of the Investment Advisers Act of 1940 requires that Barings adopt and implement written policies and procedures that are reasonably designed to ensure that proxies are voted in the best interest of its Clients. The policies and procedures must:

- Describe how Barings addresses material conflicts that may arise between Barings’ interests and those of its Clients;
- Disclose to Clients how they may obtain information regarding how Barings voted with respect to their securities; and
- Describe to Clients Barings’ proxy policies and procedures and, upon request, furnish a copy of the policies and procedures.

II. Key Points

- Barings has engaged a proxy voting service provider (“Service Provider”) responsible for processing and maintaining records of proxy votes.
- Barings receives research and vote recommendations from an independent third party research provider (“Research Provider”).
- It is Barings' policy to vote in accordance with the recommendations of the Research Provider.
- Records must be maintained for a minimum of 7 years.

III. Policy Statement

The purpose of this Global Proxy Voting Policy (“Policy”) is to establish the manner in which Barings will fulfill its proxy voting responsibilities and comply with applicable regulatory requirements. Barings understands that voting proxies is part of its investment advisory responsibilities and believes that as a general principle proxies should be acted upon (voted or abstained) solely in the best interests of its Clients (i.e., in a manner that is most likely to enhance the economic value of the underlying securities held in Client accounts).

No Barings associate (“Associate”), officer, board of managers/directors of Barings or its affiliates (other than those assigned such responsibilities under the Policy) can influence how Barings votes proxies, unless such person has been requested to provide assistance from an authorized investment person or designee (“Proxy Analyst”) or from the relevant Governance Committee and has disclosed any known Material Conflict, as discussed in the Procedures section below.

IV. Requirements

Standard Proxy Procedures

Barings engages a proxy voting service provider (“Service Provider”) responsible for processing and maintaining records of proxy votes. In addition, the Service Provider will retain the services of an independent third party research provider (“Research Provider”) to provide research and recommendations on proxies. Barings’ policy is to generally vote all Client proxies for which it has proxy voting discretion in accordance with the recommendations of the Research Provider or with the Research Provider’s proxy voting guidelines (“Guidelines”) in absence of a recommendation. In circumstances where the Research Provider has not provided a recommendation nor has contemplated an issue within its Guidelines, the proxy will be analyzed on a case-by-case basis.

Barings recognizes that there may be times when it is in the best interests of Clients to vote proxies against the Research Provider’s recommendations or Guidelines. In such events a Proxy Administrator will vote the proxy in accordance with the Proxy Analyst's recommendation so long as (i) no other Proxy Analyst disagrees with such recommendation; and (ii) no known material conflict of interest (“Material Conflict”) is identified. Barings can vote, in whole or part, against the Research Provider’s recommendations or Guidelines as it deems appropriate. Procedures are designed to ensure that votes against the Research Provider’s recommendations or Guidelines are made in the best interests of Clients and are not the result of any Material Conflict. For purposes of this Policy, a Material Conflict is defined as any position, relationship or interest, financial or otherwise, of Barings or Associate that could reasonably be expected to affect the independence or judgment concerning proxy voting. If a Material Conflict is identified by a Proxy Analyst or Proxy Administrator, the proxy will be submitted to the relevant Governance Committee to determine how the proxy is to be voted in order to achieve the Clients' best interests.

Other Considerations

There could be circumstances where Barings is unable or determines not to vote a proxy on behalf of its Clients. The following is a non-inclusive list of examples whereby Barings may decide not to vote proxies on behalf of its Clients:

- The cost of voting a proxy for a foreign security outweighs the expected benefit to the Client, so long as refraining from voting does not materially harm the Client;
- Barings is not given enough time to process the vote (i.e. receives a meeting notice and proxy from the issuer too late to permit voting);
- Barings may hold shares on a company's record date, but sells them prior to the company's meeting date;
- The company has participated in share blocking, which would prohibit Barings' ability to trade or loan shares for a period of time;
- Barings has outstanding sell orders on a particular security and the decision to refrain from voting may be made in order to facilitate such sale; or
- The underlying securities have been lent out pursuant to a security lending program.

Administration of Proxy Voting

New Account Procedures

Investment management agreements generally delegate the authority to Barings to vote proxies in accordance with its Policy. In the event that an investment management agreement is silent on proxy voting, Barings should obtain written instructions from the Client as to their voting preference. However, when the Client does not provide written instructions as to their voting preference, Barings will assume proxy voting responsibilities. In the event that a Client makes a written request regarding proxy voting, Barings will vote that Client's ballot(s) as instructed.

V. Conflict Resolution and Escalation Process

Associates should immediately report any issues they believe are a potential or actual breach of this Policy to their relevant business unit management and to the Chief Compliance Officer or the Compliance Subject Matter Expert identified in this Policy. The Chief Compliance Officer or designee will review the matter and determine whether the issue is an actual breach and whether to grant an exception and/or the appropriate course of action. When making such determination, the Chief Compliance Officer may, as part of his/her review, discuss the matter with relevant business unit management, members of the Global Management Team, governance committees or other parties (i.e. legal counsel, auditor, etc).

The Compliance Department can grant exceptions to any provision of this Policy so long as such exceptions are consistent with the purpose of the Policy and applicable law, are documented and such documentation is retained for the required retention period. Any questions regarding the applicability of this Policy should be directed to the identified Compliance Subject Matter Expert or the Chief Compliance Officer.