



## Statement of Additional Information

Dated: March 30, 2020

### Smead Value Fund

Investor Class Shares (SMVLX)  
Class A Shares (SVFAX)  
Class C Shares (SVFCX)  
Class I1 Shares (SVFFX)  
Class R1 Shares (SVFDX)  
Class R2 Shares (SVFKX)  
Class Y Shares (SVFYX)

This Statement of Additional Information (“SAI”) provides general information about the Smead Value Fund (the “Fund”), a series of Smead Funds Trust (the “Trust”). This SAI describes the Investor Class shares, Class A shares, Class C shares, Class I1 shares, Class R1 shares, Class R2 shares and Class Y shares of the Fund. The Class I2 shares, Class R3 shares and Class R4 shares are described in a separate statement of additional information. This SAI is not a prospectus and should be read in conjunction with the Fund’s current prospectus relating to the Investor Class, Class A, Class C, Class I1, Class R1, Class R2 and Class Y shares dated March 30, 2020 (the “Prospectus”), as supplemented and amended from time to time, which is incorporated herein by reference. The Fund previously operated as a series of Trust for Professional Managers (“Predecessor Fund”). The Fund’s audited financial statements for the fiscal year ended November 30, 2019 are incorporated herein by reference from the Fund’s 2019 Annual Report to Shareholders. To obtain a copy of the Prospectus or the Fund’s 2019 Annual Report to Shareholders free of charge, please visit <https://smeadcap.com/smead-value-fund/>, or call the Fund at 877-807-4122 or write to the addresses listed below:

#### **Regular Mail**

Smead Funds  
c/o UMB Fund Services, Inc.  
P.O. Box 2175  
Milwaukee, Wisconsin 53201-2175

#### **Overnight or Express Mail**

Smead Funds  
c/o UMB Fund Services, Inc.  
235 West Galena Street  
Milwaukee, Wisconsin 53212-3948

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## **The Trust**

The Smead Value Fund (the “Fund”) is a non-diversified series of Smead Funds Trust, a Delaware statutory trust organized on July 17, 2014 (the “Trust”) and is registered with the Securities and Exchange Commission (“SEC”) as an open-end management investment company. The Fund is currently the only series of the Trust. Pursuant to a reorganization that took place on November 21, 2014 (the “Reorganization”), the Fund is the successor to the Smead Value Fund, a series of Trust for Professional Managers (the “Predecessor Fund”). The Predecessor Fund and the Fund have the same investment objective and strategies and substantially the same investment policies. As a result of the Reorganization, the Fund assumed the performance and accounting history of the Predecessor Fund prior to the date of the Reorganization.

The Trust is authorized to issue an unlimited number of interests (or shares). Interests in the Fund are represented by shares of beneficial interest each with a par value of \$0.001. Each share of the Trust has equal voting rights and liquidation rights, and shares are voted in the aggregate and not by the series or class of shares except in matters where a separate vote is required by the Investment Company Act of 1940, as amended (the “1940 Act”), or when the matters affect only the interests of a particular series or class of shares. When matters are submitted to shareholders for a vote, each shareholder is entitled to one vote for each full share owned and fractional votes for fractional shares owned. Shares of each series or class generally vote together, except when required under federal securities laws to vote separately on matters that only affect a particular class. The Trust does not normally hold annual meetings of shareholders. The Trust’s Board of Trustees (the “Board” or the “Board of Trustees”) shall promptly call and give notice of a meeting of shareholders for the purpose of voting upon removal of any trustee when requested to do so in writing by shareholders holding 10% or more of the Trust’s outstanding shares.

With respect to the Fund, the Trust may offer more than one class of shares. The Trust has adopted a multiple class plan pursuant to Rule 18f-3 under the 1940 Act, detailing the attributes of each class of the Fund, and has reserved the right to create and issue additional series or classes. Currently, the Fund has ten classes of shares: Investor Class shares, Class A shares, Class C shares, Class I1 shares, Class I2 shares, Class R1 shares, Class R2 shares, Class R3 shares, Class R4 shares and Class Y shares. Investor Class shares, Class A shares, Class C shares, Class I1 shares, Class I2 shares, Class R1 shares, Class R2 shares, Class R3 shares, Class R4 shares, and Class Y shares. This SAI describes the Investor Class shares, Class A shares, Class C shares, Class I1 shares, Class R1 shares, Class R2 shares and Class Y shares. The Class I2 shares, Class R3 shares and Class R4 shares are described in a separate statement of additional information.

Each share of the Fund represents an equal proportionate interest in the assets and liabilities belonging to the Fund and is entitled to such distributions out of the income belonging to the Fund as are declared by the Board of Trustees. The Board of Trustees has the authority from time to time to divide or combine the shares of any series into a greater or lesser number of shares of that series so long as the proportionate beneficial interests in the assets belonging to that series and the rights of shares of any other series are in no way affected. Additionally, in case of any liquidation of a series, the holders of shares of the series being liquidated are entitled to receive a distribution out of the assets, net of the liabilities, belonging to that series. Expenses attributable to any series or class are borne by that series or class. Any general expenses of the Trust not readily identifiable as belonging to a particular series or class are allocated by, or under the direction of, the Board of Trustees on the basis of relative net assets, the number of shareholders or another equitable method. No shareholder is liable to further calls or to assessment by the Trust without his or her express consent.

The assets of the Fund received for the issuance or sale of its shares, and all income, earnings, profits and proceeds thereof, subject only to the rights of creditors, shall constitute the underlying assets of the Fund.

In the event of the dissolution or liquidation of the Fund, the holders of shares of the Fund are entitled to share pro rata in the net assets of the Fund available for distribution to shareholders.

Smead Capital Management, Inc. (the “Adviser”) is the investment adviser to the Fund.

## **Investment Policies, Strategies and Associated Risks**

### ***Investment Objective***

The investment objective of the Fund is long-term capital appreciation. There is no assurance that the Fund will achieve its investment objective.

### ***Investment Strategies and Related Risks***

The following discussion supplements the description of the Fund’s investment objective and principal investment strategies set forth in the Prospectus. Except for the fundamental investment restrictions listed below (see “Fundamental Investment Limitations”), the Fund’s investment strategies and policies are not fundamental and may be changed by sole action of the Board of Trustees, without shareholder approval. While the Fund is permitted to hold securities and engage in various strategies as described hereafter, it is not obligated to do so. The Fund’s investment objective and strategies may be changed without the approval of the Fund’s shareholders upon 60 days’ written notice to shareholders.

Whenever an investment policy or investment restriction states a maximum percentage of the Fund’s assets that may be invested in any security, or other asset, or sets forth a policy regarding quality standards, such standard or percentage limitation will be determined immediately after and as a result of the Fund’s acquisition or sale of such security or other asset. Accordingly, except with respect to borrowing and illiquid securities, any subsequent change in values, net assets or other circumstances will not be considered when determining whether an investment complies with the Fund’s investment policies and investment restrictions set forth herein or in the Prospectus. In addition, if a bankruptcy or other extraordinary event occurs concerning a particular investment by the Fund, the Fund may receive stock, real estate or other investments that the Fund would not, or could not, buy. If this happens, the Fund will sell such investments as soon as practicable while trying to maximize the return to its shareholders.

### ***Diversification***

The Fund is classified as “non-diversified.” A non-diversified fund is a fund that is not limited by the 1940 Act with regard to the percentage of its assets that may be invested in the securities of a single issuer. The securities of a particular issuer may dominate the Fund’s investment portfolio. This may adversely affect the Fund’s performance or subject the Fund’s shares to greater price volatility than that experienced by more diversified investment companies. Please see “Federal Income Tax Matters” for further information on tax diversification for the Fund.

### ***Recent Market Events***

U.S. and international markets have experienced significant periods of volatility in recent years due to a number of economic, political and global macro factors including the impact of the coronavirus as a global pandemic and related public health issues, growth concerns in the U.S. and overseas, uncertainties regarding interest rates, trade tensions and the threat of tariffs imposed by the U.S. and other countries. In particular, the spread of the novel coronavirus worldwide has resulted in disruptions to supply chains and customer activity, stress on the global healthcare system, quarantines, cancellations, market declines, the closing of borders, restrictions on travel and widespread concern and uncertainty. Health crises and related political, social and economic disruptions caused by the spread of the recent coronavirus outbreak may also exacerbate other pre-existing political, social and economic risks in certain countries. It is not possible to know the extent of these impacts, and they may be short term or may last for an extended period of time. These developments as well as other events, such as the upcoming U.S. presidential

election, could result in further market volatility and negatively affect financial asset prices, the liquidity of certain securities and the normal operations of securities exchanges and other markets, despite government efforts to address market disruptions. In addition, the Fund may face challenges with respect to its day-to-day operations if key personnel of the Adviser or other service providers are unavailable due to quarantines and restrictions on travel related to the recent coronavirus outbreak. As a result, the risk environment remains elevated. The Adviser will monitor developments and seek to manage the Fund in a manner consistent with achieving the Fund's investment objective, but there can be no assurance that it will be successful in doing so.

### ***Equity Securities***

An equity security (such as a stock, partnership interest or other beneficial interest in an issuer) represents a proportionate share of the ownership of a company. Its value is based on the success of the company's business, any income paid to stockholders, the value of its assets and general market conditions. Common stocks and preferred stocks are examples of equity securities. Preferred stocks are equity securities that often pay dividends at a specific rate and have a preference over common stocks in dividend payments and liquidation of assets. Some preferred stocks may be convertible into common stock. Convertible securities are securities (such as debt securities or preferred stock) that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula.

### ***Equity Securities of Large Cap Companies***

The risks of investing in companies in general include business failure and reliance on erroneous reports. Larger, more established companies may be unable to respond quickly to new competitive challenges such as changes in consumer tastes or innovative smaller competitors. Also, large-cap companies are sometimes unable to attain the high growth rates of successful, smaller companies, especially during extended periods of economic expansion.

### ***Temporary Strategies; Cash or Similar Investments***

For temporary defensive purposes, the Adviser may from time to time invest up to 100% of the Fund's total assets in high-quality, short-term debt securities and money market instruments. These short-term debt securities and money market instruments include shares of other mutual funds, commercial paper, certificates of deposit, bankers' acceptances, U.S. Government securities and repurchase agreements in order to meet redemption requests or as a defensive measure in response to adverse market, economic, political or other conditions. Taking a temporary defensive position may be inconsistent with the Fund's principal investment strategies or may result in the Fund not achieving its investment objective.

For longer periods of time, the Fund may hold a substantial cash position. If the market advances during periods when the Fund is holding a large cash position, the Fund may not participate to the extent it would have if the Fund had been more fully invested, and this may result in the Fund not achieving its investment objective during that period. To the extent that the Fund uses a money market fund for its cash position, there will be some duplication of expenses because the Fund would bear its pro rata portion of such money market fund's advisory fees and operational expenses.

The Fund may invest in any of the following securities and instruments:

***Money Market Funds.*** The Fund may invest in money market funds in connection with its management of daily cash positions or as a temporary defensive measure. Generally, money market funds seek to earn income consistent with the preservation of capital and maintenance of liquidity. They primarily invest in high quality money market obligations, including securities issued or guaranteed by the U.S. Government or its agencies and instrumentalities, bank obligations and high-grade corporate instruments. These investments generally mature within 397 days from the date of purchase. An investment in a money

market fund is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any government agency. The Fund's investments in money market funds may be used for cash management purposes and to maintain liquidity in order to satisfy redemption requests or pay unanticipated expenses. In addition to the advisory and operational fees the Fund bears directly in connection with its own operation, the Fund also bears its pro rata portion of the advisory and operational expenses of each other money market fund.

Your cost of investing in the Fund will generally be higher than the cost of investing directly in the underlying money market fund shares. You will indirectly bear fees and expenses charged by the underlying money market funds in addition to the Fund's direct fees and expenses. Furthermore, the use of this strategy could affect the timing, amount and character of distributions to you and, therefore, may increase the amount of taxes payable by you.

*Bank Certificates of Deposit, Bankers' Acceptances and Time Deposits.* The Fund may acquire certificates of deposit, bankers' acceptances and time deposits. Certificates of deposit are negotiable certificates issued against monies deposited in a commercial bank for a definite period of time and earning 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. Certificates of deposit and bankers' acceptances acquired by the Fund will be dollar-denominated obligations of domestic or foreign banks or financial institutions which at the time of purchase have capital, surplus and undivided profits in excess of \$100 million (including assets of both domestic and foreign branches), based on latest published reports, or less than \$100 million if the principal amount of such bank obligations are fully insured by the U.S. Government.

Domestic banks and foreign banks are subject to different governmental regulations with respect to the amount and types of loans that may be made and interest rates that may be charged. In addition, the profitability of the banking industry depends largely upon the availability and cost of funds for the purpose of financing lending operations under prevailing money market conditions. General economic conditions as well as exposure to credit losses arising from possible financial difficulties of borrowers play an important part in the operations of the banking industry.

As a result of federal and state laws and regulations, domestic banks are, among other things, required to maintain specified levels of reserves, limited in the amount which they can loan to a single borrower and subject to other regulations designed to promote financial soundness. However, such laws and regulations do not necessarily apply to foreign bank obligations that the Fund may acquire.

In addition to purchasing certificates of deposit and bankers' acceptances, to the extent permitted under its investment objective and policies stated above and in the Prospectus, the Fund may make interest-bearing time or other interest-bearing deposits in commercial or savings banks. Time deposits are non-negotiable deposits maintained at a banking institution for a specified period of time at a specified interest rate.

*Savings Association Obligations.* The Fund may invest in certificates of deposit (interest-bearing time deposits) issued by savings banks or savings and loan associations that have capital, surplus and undivided profits in excess of \$100 million, based on latest published reports, or less than \$100 million if the principal amount of such obligations is fully insured by the U.S. Government.

*Commercial Paper, Short-Term Notes and Other Corporate Obligations.* The Fund may invest a portion of its assets in commercial paper and short-term notes. Commercial paper consists of unsecured promissory notes issued by corporations. Issues of commercial paper and short-term notes will normally

have maturities of less than nine months and fixed rates of return, although such instruments may have maturities of up to one year.

Commercial paper and short-term notes will consist of issues rated at the time of purchase “A-2” or higher by Standard & Poor’s Ratings Group (“S&P”), “Prime-1” or “Prime-2” by Moody’s Investors Service (“Moody’s”), or similarly rated by another nationally recognized statistical rating organization or, if unrated, will be determined by the Adviser to be of comparable quality.

Corporate obligations include bonds and notes issued by corporations to finance longer-term credit needs than supported by commercial paper. While such obligations generally have maturities of ten years or more, the Fund may purchase corporate obligations that have remaining maturities of one year or less from the date of purchase and that are rated “A” or higher by S&P or “A” or higher by Moody’s.

Repurchase Agreements. The Fund may enter into repurchase agreements. Under a repurchase agreement, the Fund agrees to purchase securities from financial institutions or broker-dealers deemed creditworthy by the Adviser, subject to the seller’s agreement to repurchase the securities at an agreed-upon time and price. The resale price under a repurchase agreement is generally equal to the price paid by the Fund, plus interest negotiated on the basis of then-current short-term rates (which may be more or less than the rate on the underlying securities). Repurchase agreements are typically entered into for periods of one week or less.

The Adviser will review and continuously monitor the creditworthiness of each approved seller, and will require each of the Fund’s repurchase agreements to be fully collateralized at all times with high-quality, liquid assets maintained by a designated third-party in a segregated account. Repurchase agreements could involve certain risks in the event of bankruptcy or other default by the seller. If a seller under a repurchase agreement were to default on the agreement and be unable to repurchase the security subject to the repurchase agreement, the Fund would look to the collateral underlying the seller’s repurchase agreement, including the securities subject to the repurchase agreement, for satisfaction of the seller’s obligation to the Fund. The Fund might incur a loss if the value of the collateral declines and may incur disposition costs in liquidating certain collateral. In addition, if bankruptcy proceedings are commenced with respect to the seller, obtaining rights to sell the collateral may be delayed or limited and a loss may be incurred, except with respect to repurchase agreements secured by U.S. government securities.

Securities subject to repurchase agreements will be held, as applicable, by the Fund’s custodian in the Federal Reserve/Treasury book-entry system or by another authorized securities depository. Repurchase agreements are considered to be loans by the Fund under the 1940 Act.

Repurchase agreements shall be deemed to have a maturity equal to the period remaining until the date on which the repurchase of the underlying securities is scheduled to occur, or, where the agreement is subject to demand, the notice period applicable to a demand for the repurchase of the securities. The staff of the SEC currently takes the position that repurchase agreements maturing in more than seven days are illiquid securities.

Options. The Fund may purchase and sell put and call options, but will primarily write covered call options, purchase put options on securities held by the Fund, or otherwise engage in options transactions that do not leverage the Fund. Such options may relate to particular securities and may or may not be listed on a national securities exchange and issued by the Options Clearing Corporation. Options trading is a highly specialized activity that entails greater than ordinary investment risk. Options on particular securities may be more volatile than the underlying securities, and therefore, on a percentage basis, an investment in options may be subject to greater fluctuation than an investment in the underlying securities themselves.



A call option for a particular security gives the purchaser of the option the right to buy, and the writer of the option the obligation to sell, the underlying security at the stated exercise price at any time prior to the expiration of the option, regardless of the market price of the security. The premium paid to the writer is in consideration for undertaking the obligations under the option contract. A put option for a particular security gives the purchaser the right to sell, and the writer of the option the obligation to buy, the underlying security at the stated exercise price at any time prior to the expiration date of the option, regardless of the market price of the security. The writer of an option that wishes to terminate its obligation may effect a “closing purchase transaction.” This is accomplished by buying an option of the same series as the option previously written. The effect of the purchase is that the writer’s position will be canceled by the clearing corporation. However, a writer may not effect a closing purchase transaction after being notified of the exercise of an option. Likewise, an investor who is the holder of an option may liquidate its position by effecting a “closing sale transaction.” The cost of such a closing purchase transaction plus transaction costs may be greater than the premium received upon the original option, in which event the Fund will have incurred a loss in the transaction. There is no guarantee in any instance that either a closing purchase transaction or a closing sale transaction can be effected.

Effecting a closing sale transaction in the case of a written call option will permit the Fund to write another call option on the underlying security with either a different exercise price or expiration date or both. Also, effecting a closing sale transaction will permit the cash or proceeds from the concurrent sale of any securities subject to the option to be used for other Fund investments. If the Fund desires to sell a particular security from its portfolio on which it has written a call option, it will effect a closing sale transaction prior to or concurrent with the sale of the security.

The Fund may write options in connection with buy-and-write transactions; that is, the Fund may purchase a security and then write a call option against that security. The Fund will determine the exercise price of the call based upon the expected price movement of the underlying security. The exercise price of a call option may be below (“in-the-money”), equal to (“at-the-money”) or above (“out-of-the-money”) the current value of the underlying security at the time the option is written. Buy-and-write transactions using in-the-money call options may be used when it is expected that the price of the underlying security will remain flat or decline moderately during the option period. Buy-and-write transactions using out-of-the-money call options may be used when it is expected that the premiums received from writing the call option plus the appreciation in the market price of the underlying security up to the exercise price will be greater than the appreciation in the price of the underlying security alone. If the call options are exercised in such transactions, the maximum gain to the Fund will be the premium received by it for writing the option, adjusted upwards or downwards by the difference between the Fund’s purchase price of the security and the exercise price. If the options are not exercised and the price of the underlying security declines, the amount of such decline will be offset in part, or entirely, by the premium received.

In the case of writing a call option on a security, the option is “covered” if the Fund owns the security underlying the call or has an absolute and immediate right to acquire that security without additional cash consideration, such as conversion or exchange of other securities held by it, or, if additional cash consideration is required, the Fund has designated or “segregated” on its records cash or liquid assets equal in value to such amount. A call option is covered if the Fund holds a call on the same security or index as the call written where the exercise price of the call held is (1) equal to or less than the exercise price of the call written, or (2) greater than the exercise price of the call written provided the Fund designates on its records cash or liquid assets equal to the difference. The Fund will limit its investment in uncovered put or call options purchased or written, measured by the exercise price in the case of a put or market value in the case of a call, by the Fund to 33 1/3% of the Fund’s total assets. The Fund will write put options only if they are covered by (1) designating on its records cash or liquid assets in an

amount not less than the exercise price of the option at all times during the option period or (2) selling short the underlying security at a price at least equal to the strike price or purchasing a put option with a strike price at least equal to the strike price of the put option sold.

The writing of covered put options is similar in terms of risk/return characteristics to buy-and-write transactions. If the market price of the underlying security rises or otherwise is above the exercise price, the put option will expire worthless and the Fund's gain will be limited to the premium received. If the market price of the underlying security declines or otherwise is below the exercise price, the Fund may elect to close the position or take delivery of the security at the exercise price and the Fund's return will be the premium received from the put option minus the amount by which the market price of the security is below the exercise price.

The Fund may purchase put options to hedge against a decline in the value of their portfolios. By using put options in this way, the Fund will reduce any profit it might otherwise have realized in the underlying security by the amount of the premium paid for the put option and by transaction costs. The Fund may purchase call options to hedge against an increase in the price of securities that they anticipate purchasing in the future. The premium paid for the call option plus any transaction costs will reduce the benefit, if any, realized by the Fund upon exercise of the option, and, unless the price of the underlying security rises sufficiently, the option may expire worthless to the Fund.

When the Fund purchases an option, the premium paid by it is recorded as an asset of the Fund. When the Fund writes an option, an amount equal to the net premium (the premium less the commission) received by the Fund is included in the liability section of the Fund's statement of assets and liabilities as a deferred credit. The amount of this asset or deferred credit will be subsequently marked to market to reflect the current value of the option purchased or written. The current value of the traded option is the last sale price or, in the absence of a sale, the average of the closing bid and asked prices. If an option purchased by the Fund expires unexercised the Fund realizes a loss equal to the premium paid. If the Fund enters into a closing sale transaction on an option purchased by it, the Fund will realize a gain if the premium received by the Fund on the closing transaction is more than the premium paid to purchase the option, or a loss if it is less. If an option written by the Fund expires on the stipulated expiration date or if the Fund enters into a closing purchase transaction, it will realize a gain (or loss if the cost of a closing purchase transaction exceeds the net premium received when the option is sold) and the deferred credit related to such option will be eliminated. If an option written by the Fund is exercised, the proceeds of the sale will be increased by the net premium originally received and the Fund will realize a gain or loss.

There are several risks associated with transactions in options on securities and indices. 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. An option writer that is unable to effect a closing purchase transaction will not be able to sell the underlying security (in the case of a covered call option) or liquidate the segregated account (in the case of a secured put option) until the option expires or the optioned security is delivered upon exercise with the result that the writer in such circumstances will be subject to the risk of market decline or appreciation in the security during such period.

There is no assurance that the Fund will be able to close an unlisted option position. Furthermore, unlisted options are not subject to the protections afforded purchasers of listed options by the Options Clearing Corporation, which performs the obligations of its members who fail to do so in connection with the purchase or sale of options.

In addition, a liquid secondary market for particular options, whether traded over-the-counter or on a national securities exchange (an "Exchange"), may be absent for reasons which include the following:

there may be insufficient trading interest in certain options; restrictions may be imposed by an Exchange on opening transactions or closing transactions or both; trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of options or underlying securities; unusual or unforeseen circumstances may interrupt normal operations on an Exchange; the facilities of an Exchange or the Options Clearing Corporation may not at all times be adequate to handle current trading volume; or one or more Exchanges could, for economic or other reasons, decide or be compelled at some future date to discontinue the trading of options (or a particular class or series of options), in which event the secondary market on that Exchange (or in that class or series of options) would cease to exist, although outstanding options that had been issued by the Options Clearing Corporation as a result of trades on that Exchange would continue to be exercisable in accordance with their terms.

Short Sales. The Fund may engage in short sales. Short sales are transactions in which the Fund sells a security it does not own in anticipation of a decline in the market value of that security. To complete a short sale transaction, the Fund must borrow the security to make delivery to the buyer. The Fund then is obligated to replace the security borrowed by purchasing it at the market price at the time of replacement. The price at such time may be more or less than the price at which the security was sold by the Fund. Until the security is replaced, the Fund is required to pay to the lender amounts equal to any interest or dividends which accrue during the period of the loan. To borrow the security, the Fund also may be required to pay a premium, which would increase the cost of the security sold. There will also be other costs associated with short sales.

The Fund will incur a loss as a result of the short sale if the price of the security increases between the date of the short sale and the date on which the Fund replaces the borrowed security. The Fund will realize a gain if the security declines in price between those dates. This result is the opposite of what one would expect from a cash purchase of a long position in a security. The amount of any gain will be decreased, and the amount of any loss increased, by the amount of any premium or amounts in lieu of interest or dividends the Fund may be required to pay in connection with a short sale, and will be also decreased by any transaction or other costs.

Until the Fund replaces a borrowed security in connection with a short sale, the Fund will (a) designate on its records as collateral cash or liquid assets at such a level that the designated assets plus any amount deposited with the broker as collateral will equal the current value of the security sold short or (b) otherwise cover its short position in accordance with applicable law. The amount designated on the Fund's records will be marked to market daily and at no time will the sum of the amount so designated and the amount deposited with the broker as collateral be less than the market value of the securities at the time they sold short. This may limit the Fund's investment flexibility, as well as its ability to meet redemption requests or other current obligations.

There is no guarantee that the Fund will be able to close out a short position at any particular time or at an acceptable price. During the time that the Fund is short a security, it is subject to the risk that the lender of the security will terminate the loan at a time when the Fund is unable to borrow the same security from another lender. If that occurs, the Fund may be "bought in" at the price required to purchase the security needed to close out the short position, which may be a disadvantageous price.

Short sales also involve other costs. The Fund must normally repay to the lender an amount equal to any dividends or interest that accrues while the loan is outstanding. In addition, to borrow the security, the Fund may be required to pay a premium. The Fund also will incur transaction costs in effecting short sales. The amount of any ultimate gain for the Fund resulting from a short sale will be decreased, and the amount of any ultimate loss will be increased, by the amount of premiums, dividends, interest or expenses the Fund may be required to pay in connection with the short sale.

## **Investment Restrictions**

### **Fundamental Investment Restrictions**

The Trust (on behalf of the Fund) has adopted the following restrictions as fundamental policies, which may not be changed without the favorable vote of the holders of a “majority of the outstanding voting securities” of the Fund, as defined under the 1940 Act. Under the 1940 Act, the vote of the holders of a “majority of the outstanding voting securities” means the vote of the holders of the lesser of (i) 67% of the shares of the Fund represented at a meeting at which the holders of more than 50% of its outstanding shares are represented; or (ii) more than 50% of the outstanding shares of the Fund.

The Fund may not:

1. Issue senior securities, borrow money or pledge its assets, except that (i) the Fund may borrow from banks in amounts not exceeding one-third of its total assets (including the amount borrowed); and (ii) this restriction shall not prohibit the Fund from engaging in options transactions or short sales in accordance with its objectives and strategies;
2. Act as underwriter (except to the extent the Fund may be deemed to be an underwriter in connection with the sale of securities in its investment portfolio);
3. Invest 25% or more of its net assets, calculated at the time of purchase and taken at fair market value, in securities of issuers in any one industry\* (other than U.S. Government securities);
4. Purchase or sell real estate unless acquired as a result of ownership of securities (although the Fund may purchase and sell securities which are secured by real estate and securities of companies that invest or deal in real estate);
5. Purchase or sell commodities, unless acquired as a result of ownership of securities or other instruments and provided that this restriction does not prevent the Fund from engaging in transactions involving currencies and futures contracts and options thereon or investing in securities or other instruments that are secured by commodities; or
6. Make loans of money (except for the lending of its portfolio securities, purchases of debt securities consistent with the investment policies of the Fund and except for repurchase agreements).

\* Investment Restriction 3 is applicable to investments in securities of issuers in any one industry or group of industries.

### **Non-Fundamental Investment Restrictions**

The following lists the non-fundamental investment restrictions applicable to the Fund. These restrictions can be changed by the Board of Trustees, but the change will only be effective after prior written notice is given to shareholders of the Fund.

The Fund may not:

1. With respect to Fundamental Investment Restriction 1 above, purchase portfolio securities while outstanding borrowings exceed 5% of its assets; or

2. Invest 15% or more of the value of its net assets, computed at the time of investment, in illiquid securities. Illiquid securities are those securities the Fund reasonably expects cannot be sold in current market conditions in seven calendar days without significantly changing the market value of the securities. Illiquid securities may include restricted securities not determined by the Board of Trustees to be liquid, non-negotiable time deposits, over-the-counter options, and repurchase agreements providing for settlement in more than seven days after notice.

The Fund's investment objective is non-fundamental as well.

## Management of the Fund

### Board of Trustees

The management and affairs of the Fund are supervised by the Board of Trustees. The Board of Trustees consists of six individuals. The Trustees are fiduciaries for the Fund's shareholders and are governed by the laws of the State of Delaware in this regard. The Board of Trustees establishes policies for the operation of the Fund and appoints the officers who conduct the daily business of the Fund.

### Trustees and Officers

The Trustees and the officers of the Trust are listed below with their age, present positions with the Trust and principal occupations over at least the last five years. The address of each Trustee and officer is c/o Smead Capital Management, Inc., 1001 Fourth Avenue, Suite 4305 Seattle, Washington 98154. The information in the following table is as of November 30, 2018 unless otherwise indicated.

| Name and Age                     | Position(s) Held with the Trust | Term of Office and Length of Time Served | Number of Portfolios in Trust Overseen by Trustee | Principal Occupation(s) During the Past Five Years  | Other Directorships Held by Trustee During the Past Five Years  |
|----------------------------------|---------------------------------|--|---|---|---|
| <i>Independent Trustees</i>      |                                 |  |   |   |   |
| Gregory A. Demopoulos<br>Age: 61 | Trustee                         | Indefinite Term (since September 2014).  | 1   | Chairman and CEO, Omeros Corp. (biopharmaceutical company) (since 1994).  | Director, Onconome, Inc. (2004 to 2017).  |
| Peter M. Musser<br>Age: 63       | Trustee                         | Indefinite Term (since September 2014).  | 1   | Principal, Angeline Properties, LLC (a private investment firm) (since 2014); and Principal and Senior Equity Portfolio Manager with Rainier Investment Management (from 1994 to 2013). | Trustee, Lawrence University (since 2012); Trustee, Berry College (since 2010); and Director, Boys and Girls Clubs of King County (2008 to 2016). |
| Walter F. Walker<br>Age: 65      | Trustee                         | Indefinite Term (since September 2014).  | 1   | Principal, Hana Road Capital LLC (hedge fund) (since 2007).   | Advisory Council, Stone Arch Capital (since 2005); and Independent Director, Atlas Financial Holdings, Inc. (since 2017).                         |

| <b>Name and Age</b>             | <b>Position(s) Held with the Trust</b> | <b>Term of Office and Length of Time Served</b> | <b>Number of Portfolios in Trust Overseen by Trustee</b> | <b>Principal Occupation(s) During the Past Five Years</b>                                 | <b>Other Directorships Held by Trustee During the Past Five Years</b>  |
|---------------------------------|--|---|--|---|--|
| Nancy A. Zevenbergen<br>Age: 60 | Trustee                                | Indefinite Term (since September 2014).         | 1  | Principal and Chief Investment Officer, Zevenbergen Capital Investments LLC (since 1987). | Director, Seattle Pacific Foundation (since 1993); Director, Anduin Foundation (since 2010); Director, University of Washington Foster School of Business (since 2014); and Director, evenstar3 Inc. (since 2005). |

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***Interested Trustees and Officers***

|  |   |  |     |   |   |
|--|---|--|-----|---|---|
| William W. Smead <sup>1</sup><br>Age: 61 | Trustee and Chairman                                  | Indefinite Term (since September 2014).  | 1   | Chief Investment Officer of the Adviser (since 2007); Chief Executive Officer of the Adviser (2007-2019); and President and Chief Executive Officer of the Trust (from September 2014 to January 2016). | None.   |
| Cole W. Smead <sup>1</sup><br>Age: 35    | Trustee   | Indefinite Term (since September 2014).  | 1   | President of the Adviser (since 2020); Managing Director of the Adviser (2007-2019).  | Director and Chairman, Smead Funds S.A. (since 2015). |
|  | President and Chief Executive Officer                 | Elected annually (since January 2016).   |     |   |   |
| Steven J. LeMire<br>Age: 50              | Chief Compliance Officer                              | Elected annually (since September 2014). | N/A | Chief Compliance Officer of the Adviser (since 2014).   | N/A   |
|  | Treasurer, Principal Financial and Accounting Officer | Elected annually (since January 2016).   |     |   |   |
| Matthew K. Brudvik<br>Age: 35            | Secretary   | Elected annually (since November 2017).  | N/A | Director – US Client Service of the Adviser (since 2018); Vice President – Sales of the Adviser (2013-2018).  | N/A   |

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<sup>1</sup> Mr. William Smead and Mr. Cole Smead are each deemed to be an “interested person” of the Fund under the 1940 Act because of his position with Smead Capital Management, Inc. Mr. William Smead and Mr. Cole Smead are father and son, respectively.

## **The Role of the Board of Trustees**

The Board of Trustees provides oversight of the management and operations of the Trust. Like all mutual funds, the day-to-day responsibility for the management and operation of the Trust is the responsibility of various service providers to the Trust and its individual series, such as the Adviser, distributor, custodian and the Trust's administrator, and transfer agent, each of whom are discussed in greater detail in this SAI. The Board approves all significant agreements with the Adviser, distributor, custodian, and the Trust's administrator and transfer agent. The Board has appointed various individuals of the Adviser as officers of the Trust, with responsibility to monitor and report to the Board on the Trust's day-to-day operations. In conducting this oversight, the Board receives regular reports from these officers and service providers regarding the Trust's operations. The Board has appointed a chief compliance officer ("CCO") who reports directly to the Board and who administers the Trust's compliance program and regularly reports to the Board as to compliance matters, including an annual compliance review. Some of these reports are provided as part of formal "Board Meetings," which are generally held four times per year, in person, and such other times as the Board determines is necessary, and involve the Board's review of recent Trust operations. From time to time, one or more members of the Board may also meet with Trust officers in less formal settings, between formal Board Meetings to discuss various topics. In all cases, however, 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 Trust, and its oversight role does not make the Board a guarantor of the Trust's investments, operations or activities.

## **Board Leadership Structure**

The Board has structured itself in a manner that it believes allows it to effectively perform its oversight function. The Board of Trustees is composed of four Independent Trustees and two Interested Trustees. The Board of Trustees has established two standing committees, an Audit Committee and a Nominating and Governance Committee (the "Nominating Committee"), each of which are discussed in greater detail under "Board Committees" below. Each of the Audit Committee and the Nominating Committee are composed entirely of Independent Trustees.

Mr. William W. Smead, the Trust's Chairperson, is an "interested person" of the Trust, as defined by the 1940 Act, by virtue of the fact that he is an interested person of Smead Capital Management, Inc., the Fund's adviser. The Trust has appointed Peter M. Musser as a lead Independent Trustee.

In accordance with the fund governance standards prescribed by the SEC under the 1940 Act, the Independent Trustees on the Nominating Committee select and nominate all candidates for Independent Trustee positions. Each Trustee was appointed to serve on the Board of Trustees because of his or her experience, qualifications, attributes and skills as set forth in the subsection "Trustee Qualifications" below.

The Board intends to review its structure regularly in light of the characteristics and circumstances of the Trust, including: the number of funds that comprise the Trust; the variety of asset classes that those funds reflect; the net assets of the Trust; the committee structure of the Trust; and the independent distribution arrangements of each of the Trust's underlying funds.

The Board has determined that the function and composition of the Audit Committee and the Nominating Committee are appropriate means to address any potential conflicts of interest that may arise from the Chairperson's status as an Interested Trustee. In addition, the inclusion of all Independent Trustees as members of the Audit Committee and the Nominating Committee allows all such Trustees to participate in the full range of the Board's oversight duties, including oversight of risk management processes discussed below. Given the specific characteristics and circumstances of the Trust as described above, the Trust has determined that the Board's leadership structure is appropriate.

## **Board Oversight of Risk Management**

As part of its oversight function, the Board receives and reviews various risk management reports and assessments and discusses these matters with appropriate management and other personnel, including personnel of the Trust's service providers. Because risk management is a broad concept composed of many elements (such as, for example, investment risk, issuer and counterparty risk, compliance risk, operational risks, business continuity risks, etc.), the oversight of different types of risks is handled in different ways. For example, the CCO regularly reports to the Board during Board Meetings and meets in executive session with the Independent Trustees to discuss compliance and operational risks. In addition, the Audit Committee meets with the Treasurer and the Trust's independent public accounting firm to discuss, among other things, the internal control structure of the Trust's financial reporting function. The full Board receives reports from the Adviser as to investment risks as well as other risks that may be discussed during Audit Committee meetings.

## **Trustee Qualifications**

The Board believes that each of the Trustees has the qualifications, experience, attributes and skills appropriate to their service as Trustees of the Trust in light of the Trust's business and structure. The Trustees have substantial business and professional backgrounds that indicate they have the ability to critically review, evaluate and assess information provided to them. Certain of these business and professional experiences are set forth in the table above. The Board annually conducts a "self-assessment" wherein the effectiveness of the Board and the individual Trustees is reviewed.

In addition to the information provided in the table above, below is certain additional information concerning each individual Trustee. The information provided below, and in the table above, is not all-inclusive. Many of the Trustees' qualifications to serve on the Board involve intangible elements, such as intelligence, integrity, work ethic, the ability to work together, the ability to communicate effectively, the ability to exercise judgment, the ability to ask incisive questions, and commitment to shareholder interests. The Board has determined that the Trustees have the appropriate attributes and experience to serve effectively as Trustees of the Trust.

## **Independent Trustees**

**Gregory A. Demopoulos, MD.** Dr. Demopoulos is a founder of Omeros Corporation, a Seattle-based biopharmaceutical company where he has served as Chairman and CEO since 1994. Dr. Demopoulos served on the board of directors for Onconome, Inc., a biopharmaceutical company based in Redmond Washington, from 2004 to 2017. He received his Doctor of Medicine from Stanford University School of Medicine and his Bachelor of Science from Stanford University.

**Peter M. Musser, CFA.** Peter M. Musser, CFA has over four decades of experience in the investment industry, most recently serving as principal and senior equity portfolio manager with Rainier Investment Management, a Seattle-based investment firm. He currently is a principal with Angeline Properties, LLC, a private investment firm. Musser is a 1978 economics graduate of Lawrence University in Wisconsin. He later earned the Chartered Financial Analyst designation, was past President of the CFA Society of Seattle, and is a member of the CFA Institute. He is a member of the Board of Trustees of Lawrence University in Wisconsin and Berry College in Georgia, and was a member of the Board of Directors of the Boys and Girls Clubs of King County from 2008 to 2016.

**Walter F. Walker.** Mr. Walker served as a Vice President in Goldman, Sachs & Co.'s Private Client Services group from 1987 through 1994. In April 1994, Mr. Walker formed Walker Capital, Inc., a San Francisco based money management firm. In September 1994, Mr. Walker became President and General Manager of the Seattle SuperSonics. In 2001, he was part of a group that purchased the Seattle



SuperSonics and the Seattle Storm, and in addition to being an owner, served as Chief Executive Officer and President of the teams until their sale in 2006. In late 2007, he formed Hana Road Capital LLC.

Mr. Walker graduated from the University of Virginia in 1976 as an Academic All-American with a Bachelor of Arts in psychology. In 2001 he was named as one of six recipients as the NCAA Silver Anniversary Scholar-Athlete Awards. He received his Masters of Business Administration from Stanford University Graduate School of Business in 1987. He was conferred as a Chartered Financial Analyst in 1992.

In addition to his investment and management experience, Mr. Walker was drafted in the first round (5th overall) by the Portland Trailblazers in 1976 and in 1977 was a member of the Portland Trailblazers 1977 Championship team. After the 1977 season, Mr. Walker was traded to the Seattle SuperSonics, where he was a member of the SuperSonics 1979 Championship team. In 1982, Mr. Walker was traded to the Houston Rockets. He retired from professional basketball in 1985. In 1993, he was inducted into the Pennsylvania State Sports Hall of Fame and was named the greatest player of the 20th Century from Lancaster County, Pennsylvania.

**Nancy A. Zevenbergen, CFA, CIC.** Ms. Zevenbergen established Zevenbergen Capital Investments (ZCI) in 1987, creating a responsive, research-focused investment firm serving tax-exempt entities and high net worth individuals. Ms. Zevenbergen oversees the firm's investment policy and portfolio management decisions, maintaining a focused research effort for disruptive growth companies. Prior to founding ZCI, Ms. Zevenbergen served for six years as a Portfolio Manager and Research Analyst for Rainier National Bank. She was responsible for supervising trust assets for individuals and organizations with diverse investment goals and varying constraints. She graduated from the University of Washington Foster School of Business in 1981 with a concentration in Finance. She is a Chartered Financial Analyst (CFA) and a member of both the CFA Institute and the CFA Society of Seattle. In addition, Ms. Zevenbergen is a designated Chartered Investment Counselor (CIC). Ms. Zevenbergen serves on the Boards of Seattle Pacific Foundation, the Anduin Foundation, the University of Washington Foster School of Business, and evenstar3 Inc.

### **Interested Trustees**

**William Wallace Smead.** Mr. William Smead is the founder of Smead Capital Management, Inc., where he oversees all activities of the firm. As Chief Investment Officer, he is the final decision-maker for all investment and portfolio decisions as well as reviewing the implementation of those decisions in the firm's separate accounts and mutual funds. He previously served as Chief Executive Officer of the Adviser from its inception in 2007 to December 2019.

Mr. William Smead began his career in the investment business with Drexel Burnham Lambert in 1980. He left Drexel Burnham Lambert in 1989 as First Vice President/Assistant Manager and joined Oppenheimer & Co. Mr. William Smead left Oppenheimer & Co. and joined Smith Barney in 1990. He was with Smith Barney until September 2001, when he joined Wachovia Securities and became the Managing Director/Portfolio Manager of Smead Investment Group of Wachovia Securities. Mr. William Smead was with Wachovia Securities until the founding of Smead Capital Management, Inc. in July 2007. Mr. William Smead graduated from Whitman College in 1980 with a B.A. in Economics.

**Cole William Smead, CFA.** In January 2020, Mr. Cole Smead was appointed President of Smead Capital Management, Inc. Mr. Cole Smead was previously Managing Director at Smead Capital Management, Inc. and has been with the firm since its inception in 2007. He currently serves as a Director and Chairman of Smead Funds S.A. Before joining Smead Capital Management, Inc., he was a Financial Advisor with Wachovia Securities from 2006 to 2007. He holds the Chartered Financial Analyst

(CFA) designation. Mr. Cole Smead graduated from Whitman College with a B.A. in Economics & History.

### Trustee Ownership of Fund Shares

As of December 31, 2019, the Trustees owned shares of the Fund as set forth in the table below. The following are the ranges: none, \$1-\$10,000, \$10,001-\$50,000, \$50,001-\$100,000 or over \$100,000.

|                             | Dollar Range of Equity Securities in the Fund | Aggregate Dollar Range of Equity Securities in All Registered Investment Companies Overseen by Trustees in Family of Investment Companies <sup>1</sup> |
|-----------------------------|---|--|
| <b>Independent Trustees</b> |   |  |
| Gregory A. Demopulos        | Over \$100,000                                | Over \$100,000   |
| Peter M. Musser             | Over \$100,000                                | Over \$100,000   |
| Walter F. Walker            | \$1-\$10,000                                  | \$1-\$10,000   |
| Nancy A. Zevenbergen        | Over \$100,000                                | Over \$100,000   |
| <b>Interested Trustees</b>  |   |  |
| William W. Smead            | Over \$100,000                                | Over \$100,000   |
| Cole W. Smead               | Over \$100,000                                | Over \$100,000   |

<sup>1</sup> As of the date of this SAI, the Fund is the only registered investment company in the Family of Investment Companies.

Furthermore, as of December 31, 2019, neither the Trustees who are not “interested” persons of the Fund, nor members of their immediate families, owned securities beneficially, or of record, in the Adviser, ALPS Distributors, Inc. (the “Distributor”) or any of its affiliates. Accordingly, during the two most recently completed calendar years, neither the Trustees who are not “interested” persons of the Fund nor members of their immediate families, have a direct or indirect interest, the value of which exceeds \$120,000, in the Adviser, the Distributor or any of their affiliates. In addition, during the two most recently completed calendar years, neither the Independent Trustees nor members of their immediate families have conducted any transactions (or series of transactions) in which the amount involved exceeds \$120,000 and to which the Adviser, the Distributor or any affiliate thereof was a party.

### Board Committees

**Audit Committee.** The Trust has an Audit Committee, which is composed of the Independent Trustees, Messrs. Demopulos, Musser and Walker and Ms. Zevenbergen. The Audit Committee reviews financial statements and other audit-related matters for the Fund. The Audit Committee also holds discussions with management and with the Fund’s independent auditors concerning the scope of the audit and the auditor’s independence. Mr. Walker is designated as the Audit Committee chairman. Mr. Walker and Mr. Musser serve as the Audit Committee’s “audit committee financial experts,” as stated in the Fund’s annual reports. During the fiscal year ended November 30, 2019, the Fund’s Audit Committee met three times.

**Nominating Committee.** The Trust has a Nominating Committee, which is composed of the Independent Trustees, Messrs. Demopulos, Musser and Walker and Ms. Zevenbergen. Ms. Zevenbergen is designated as the Nominating Committee chairperson. The Nominating Committee is responsible for seeking and reviewing candidates for consideration as nominees for the position of trustee and meets at least annually. As part of this process, the Nominating Committee considers criteria for selecting candidates sufficient to identify a diverse group of qualified individuals to serve as trustees. During the fiscal year ended November 30, 2019, the Fund’s Nominating Committee met one time.

The Nominating Committee will consider nominees recommended by shareholders for vacancies on the Board of Trustees. Recommendations for consideration by the Nominating Committee should be sent to the Secretary of the Trust in writing together with the appropriate biographical information concerning each such proposed nominee, and such recommendation must comply with the notice provisions set forth in the Trust's By-Laws. In general, to comply with such procedures, such nominations, together with all required information, must be delivered to and received by the Secretary of the Trust at the principal executive office of the Trust not later than 60 days (nor more than 90 days) prior to the shareholder meeting at which the shareholders vote on any such nominee. Shareholder recommendations for nominations to the Board of Trustees will be accepted on an ongoing basis and such recommendations will be kept on file for two years after receipt for consideration when there is a vacancy on the Board of Trustees. The Nominating Committee's procedures with respect to reviewing shareholder nominations are described below.

Shareholders may submit for the Nominating Committee's consideration, recommendations regarding potential nominees to fill the position of an Independent Trustee on the Board. The shareholder must submit any such recommendation (a "Shareholder Recommendation") in writing to the Trust, to the attention of the Trust's Secretary, at the address of the principal executive offices of the Trust not less than sixty (60) calendar days nor more than ninety (90) calendar days prior to the date of the Board or shareholder meeting at which the nominee candidate would be considered for election. Shareholder Recommendations will be kept on file for two years after receipt of the Shareholder Recommendation. A Shareholder Recommendation considered by the Committee in connection with the Committee's nomination of any candidate(s) for appointment or election as an Independent Trustee need not be considered again by the Committee in connection with any subsequent nomination(s). In order for the Nominating Committee to consider a Shareholder Recommendation, the Shareholder Recommendation must include:

- (i) a statement in writing setting forth:
  - (A) the name, age, date of birth, business address, residence address and nationality of the person recommended by the shareholder (the "candidate"), and the names and addresses of at least three professional references;
  - (B) the number of all shares of the Trust (including the series and class, if applicable) owned of record or beneficially by the candidate, the date such shares were acquired and the investment intent of such acquisition(s), as reported to such shareholder by the candidate;
  - (C) any other information regarding the candidate called for with respect to director nominees by paragraphs (a), (d), (e) and (f) of Item 401 of Regulation S-K or paragraph (b) of Item 22 of Rule 14a-101 (Schedule 14A) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), adopted by the SEC (or the corresponding provisions of any applicable regulation or rule subsequently adopted by the SEC or any successor agency with jurisdiction related to the Trust);
  - (D) any other information regarding the candidate that would be required to be disclosed if the candidate were a nominee in a proxy statement or other filing required to be made in connection with solicitation of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder or any other applicable law or regulation; and
  - (E) whether the recommending shareholder believes that the candidate is or will be an "interested person" of the Trust (as defined in the 1940 Act) and, if not an

“interested person,” information regarding the candidate that will be sufficient, in the discretion of the Board or the Committee, for the Trust to make such determination;

- (ii) the written and signed consent of the candidate to be named as a nominee and to serve as a Trustee if elected;
- (iii) the recommending shareholder’s name as it appears on the Trust’s books;
- (iv) the number of all shares of the Trust (including the series and class, if applicable) owned beneficially and of record by the recommending shareholder;
- (v) a complete description of all arrangements or understandings between the recommending shareholder and the candidate and any other person or persons (including their names) pursuant to which the recommendation is being made by the recommending shareholder including, without limitation, all direct and indirect compensation and other material monetary agreements, arrangements and understandings between the candidate and recommending shareholder during the past three years; and
- (vi) a brief description of the candidate’s relevant background and experience for membership on the Board, such as qualification as an audit committee financial expert.

The Nominating Committee may require the recommending shareholder to furnish such other information as it may reasonably require or deem necessary to verify any information furnished above or to determine the eligibility of the candidate to serve as a Trustee of the Trust or to satisfy applicable law. If the recommending shareholder fails to provide such other information in writing within seven days of receipt of a written request from the Nominating Committee, the recommendation of such candidate as a nominee will be deemed not properly submitted for consideration, and the Nominating Committee will not be required to consider such candidate.

**Trustee Compensation**

Each Trustee who is not affiliated with the Trust or Adviser receives an annual retainer of \$30,000 in the form of shares of the Fund, in four equal quarterly installments of shares equal in value to \$7,500, as well as reimbursement for any reasonable expenses incurred attending the meetings. The Lead Independent Trustee and the Chair of the Audit Committee of the Trust each receive an additional annual retainer of \$5,000 as compensation for his or her services. The “interested persons” who serve as Trustees of the Trust receive no compensation for their services as Trustees. None of the Trust’s officers receive compensation from the Trust.

The table below sets forth the compensation paid to the Trustees during the fiscal year ended November 30, 2019. The Trust does not have a bonus, profit sharing, pension or retirement plan.

| <b>Name of Person/Position</b> | <b>Aggregate Compensation From the Fund</b> | <b>Pension or Retirement Benefits Accrued as Part of Fund Expenses</b> | <b>Estimated Annual Benefits Upon Retirement</b> | <b>Total Compensation from Fund and the Trust Paid to Trustees</b> |
|--------------------------------|---|--|--|--|
| <b>Independent Trustees</b>    |   |  |  |  |
| Gregory A. Demopoulos          | \$30,000                                    | None   | None   | \$30,000   |
| Peter M. Musser                | \$35,000                                    | None   | None   | \$35,000   |

| <b>Name of Person/Position</b> | <b>Aggregate Compensation From the Fund</b> | <b>Pension or Retirement Benefits Accrued as Part of Fund Expenses</b> | <b>Estimated Annual Benefits Upon Retirement</b> | <b>Total Compensation from Fund and the Trust Paid to Trustees</b> |
|--------------------------------|---|--|--|--|
| Walter F. Walker               | \$35,000                                    | None   | None   | \$35,000   |
| Nancy A. Zevenbergen           | \$30,000                                    | None   | None   | \$30,000   |
| <b>Interested Trustees</b>     |   |  |  |  |
| William W. Smead               | None  | None   | None   | None   |
| Cole W. Smead                  | None  | None   | None   | None   |

### **Control Persons and Principal Shareholders**

A principal shareholder is any person who owns of record or beneficially owns 5% or more of the outstanding shares of the Fund. A control person is one who owns beneficially or through controlled companies more than 25% of the voting securities of the Fund or acknowledges the existence of control. Shareholders with a controlling interest could affect the outcome of proxy voting or the direction of management of the Fund.

As of March 1, 2020, all Trustees and officers as a group owned beneficially (as the term is defined in Section 13(d) under the Securities and Exchange Act of 1934) less than 1% of shares of each class of the Fund. As of March 1, 2020, the following shareholders are known by the Fund to own of record or to beneficially own 5% or more of the outstanding shares of the Fund:

| <b>Class</b>          | <b>Name and Address</b>   | <b>Percentage of Ownership</b> | <b>Type of Ownership</b> |
|-----------------------|---|--------------------------------|--------------------------|
| Investor Class Shares | Merrill Lynch Pierce Fenner & Smith Inc.*<br>For the Sole Benefit of Its Customers<br>4800 Deer Lake Drive East<br>Jacksonville, FL 32246 | 5.69%                          | Record                   |
| Investor Class Shares | Charles Schwab & Co., Inc.*<br>Special Custody A/C FBO Customers<br>Attn Mutual Funds<br>211 Main Street<br>San Francisco, CA 94105       | 22.38%                         | Record                   |
| Investor Class Shares | National Financial Services LLC*<br>For the Sole Benefit of its Customers<br>499 Washington Blvd. FL 5<br>Jersey City, NJ 07310           | 49.47%                         | Record                   |
| Class A Shares        | Pershing LLC*<br>1 Pershing Plz.<br>Jersey City, NJ 07399   | 6.33%                          | Record                   |
| Class A Shares        | Merrill Lynch Pierce Fenner & Smith Inc.*<br>For the Sole Benefit of Its Customers<br>4800 Deer Lake Drive East<br>Jacksonville, FL 32246 | 18.94%                         | Record                   |
| Class A Shares        | Charles Schwab & Co., Inc.*<br>Special Custody A/C FBO Customers<br>Attn Mutual Funds<br>211 Main Street<br>San Francisco, CA 94105       | 26.73%                         | Record                   |
| Class I1 Shares       | UBS WM USA*<br>10000 Harbor Blvd.<br>Weehawken, NJ 07086  | 8.25%                          | Record                   |

| <b>Class</b>    | <b>Name and Address</b>   | <b>Percentage of Ownership</b> | <b>Type of Ownership</b> |
|-----------------|---|--------------------------------|--------------------------|
| Class II Shares | National Financial Services LLC*<br>For the Sole Benefit of its Customers<br>499 Washington Blvd. FL 5<br>Jersey City, NJ 07310           | 9.15%                          | Record                   |
| Class II Shares | Charles Schwab & Co., Inc.*<br>Special Custody A/C FBO Customers<br>Attn Mutual Funds<br>211 Main Street<br>San Francisco, CA 94105       | 11.94%                         | Record                   |
| Class I1 Shares | Pershing LLC*<br>1 Pershing Plz.<br>Jersey City, NJ 07399   | 12.52%                         | Record                   |
| Class I1 Shares | Merrill Lynch Pierce Fenner & Smith Inc.*<br>For the Sole Benefit of Its Customers<br>4800 Deer Lake Drive East<br>Jacksonville, FL 32246 | 42.24%                         | Record                   |
| Class R1 Shares | Merrill Lynch Pierce Fenner & Smith Inc.*<br>For the Sole Benefit of Its Customers<br>4800 Deer Lake Drive East<br>Jacksonville, FL 32246 | 100%                           | Record                   |
| Class R2 Shares | Merrill Lynch Pierce Fenner & Smith Inc.*<br>For the Sole Benefit of Its Customers<br>4800 Deer Lake Drive East<br>Jacksonville, FL 32246 | 100%                           | Record                   |
| Class Y Shares  | Saxon & Co.*<br>P.O. Box 94597<br>Cleveland, OH 44101   | 5.04%                          | Record                   |
| Class Y Shares  | Mid Atlantic Trust Company FBO*<br>Smead Capital Management, Inc.<br>4011251 Waterfront Place, Suite 525<br>Pittsburgh, PA 15222          | 6.01%                          | Record                   |
| Class Y Shares  | National Financial Services LLC*<br>499 Washington Blvd. FL 5<br>Jersey City, NJ 07310  | 19.90%                         | Record                   |

\*The Trust believes that this entity, the holder of record of these shares, is not the beneficial owner of such shares.

### **Investment Adviser**

As stated in the Prospectus, investment advisory services are provided to the Fund by the Adviser, Smead Capital Management, Inc., pursuant to an investment advisory agreement (the “Advisory Agreement”). Mr. William W. Smead is considered to be a control person of the Adviser, due to his ownership of more than 25% of the firm.

After an initial two-year period, the Advisory Agreement continues in effect from year to year, only if such continuance is specifically approved at least annually by: (i) the Board of Trustees or the vote of a majority of the outstanding voting securities of the Fund; and (ii) the vote of a majority of the Trustees of the Trust who are not parties to the Advisory Agreement nor interested persons thereof, cast in person at a meeting called for the purpose of voting on such approval. The Advisory Agreement is terminable without penalty by the Trust, on behalf of the Fund, upon 60 days’ written notice to the Adviser, when authorized by either: (i) a majority vote of the outstanding voting securities of the Fund; or (ii) by a vote of a majority of the Board of Trustees, or by the Adviser upon 60 days’ written notice to the Trust. The Advisory Agreement will automatically terminate in the event of its “assignment,” as defined under the

1940 Act. The Advisory Agreement provides that the Adviser shall not be liable for any error of judgment or mistake of law or for any loss arising out of any investment or for any act or omission in the execution of portfolio transactions for the Fund, except for willful misfeasance, bad faith or negligence in the performance of its duties, or by reason of reckless disregard of its obligations and duties thereunder.

In consideration of the services provided by the Adviser pursuant to the Advisory Agreement, the Adviser is entitled to receive from the Fund an investment advisory fee computed daily and paid monthly, based on an annual rate equal to 0.75% of the Fund’s average daily net assets, as specified in the Prospectus. The advisory fee is calculated for each share class based on average daily net assets of each share class. However, the Adviser may voluntarily agree to waive a portion of the fees payable to it on a month-to-month basis, including additional fees above and beyond any contractual agreement the Adviser may have to waive fees and/or reimburse Fund expenses.

For the fiscal years ended November 30, 2019, 2018 and 2017, the table below sets forth the advisory fees accrued under the Advisory Agreement, the amount of the advisory fees and operating expenses waived or reimbursed by the Adviser, and the total advisory fees paid to the Adviser under the Advisory Agreement:

| <b>Fiscal Year Ended</b> | <b>Advisory Fee</b> | <b>Waiver</b> | <b>Advisory Fee after Waiver</b> |
|--------------------------|---------------------|---------------|----------------------------------|
| November 30, 2019        | \$8,854,557         | \$(2,541)     | \$8,852,016                      |
| November 30, 2018        | \$9,286,144         | (\$2,235)     | \$9,283,909                      |
| November 30, 2017        | \$8,712,955         | \$0           | \$8,712,955                      |

**Fund Expenses.** The Fund is responsible for its own operating expenses. The Adviser has agreed to waive its management fees payable to it by the Fund and/or to pay Fund operating expenses to the extent necessary to limit the Fund’s aggregate annual operating expenses (excluding taxes, leverage, interest, brokerage commissions, dividends and interest on short positions, acquired fund fees and expenses and extraordinary expenses such as litigation) to the extent set forth in the “Fees and Expense Table” of the Prospectus. Any such reimbursements made by the Adviser of its management fees or payment of expenses that are the Fund’s obligation are subject to reimbursement by the Fund to the Adviser, if so requested by the Adviser, in subsequent fiscal years if the aggregate amount actually paid by the Fund toward the operating expenses for such fiscal year (taking into account the reimbursement) does not exceed the applicable limitation on Fund expenses at the time such reimbursements were made or the current limitation on Fund expenses. The Adviser is permitted to be reimbursed only for management fee waivers and expense payments made in the previous three fiscal years from the date the expense was incurred. Any such reimbursement is also contingent upon the Board of Trustees’ subsequent review and ratification of the reimbursed amounts. Such reimbursement may not be paid prior to the Fund’s payment of current ordinary operating expenses.

**Portfolio Managers**

As stated in the Prospectus, Mr. William W. Smead is the lead Portfolio Manager and is primarily responsible for the day-to-day management of the Fund’s portfolio. Mr. Tony A. Scherrer is the Director of Research and a Portfolio Manager for the Fund, and Mr. Cole W. Smead is the President of the Adviser and Portfolio Manager for the Fund, and each is jointly responsible for the day-to-day management of the Fund’s portfolio (the “Portfolio Managers”).

The following provides information regarding other accounts managed by the Portfolio Managers as of November 30, 2019:

| <b>Category of Account</b>            | <b>Total Number of Accounts Managed</b> | <b>Total Assets in Accounts Managed (in millions)</b> | <b>Number of Accounts for which Advisory Fee is Based on Performance</b> | <b>Assets in Accounts for which Advisory Fee is Based on Performance (in millions)</b> |
|---------------------------------------|---|---|--|--|
| William W. Smead                      |   |   |  |  |
| Other Registered Investment Companies | 1                                       | \$58.4  | 0  | \$0  |
| Other Pooled Investment Vehicles      | 1                                       | \$94.0  | 0  | \$0  |
| Other Accounts                        | 73                                      | \$773.2   | 0  | \$0  |
| Tony A. Scherrer                      |   |   |  |  |
| Other Registered Investment Companies | 1                                       | \$58.4  | 0  | \$0  |
| Other Pooled Investment Vehicles      | 1                                       | \$94.0  | 0  | \$0  |
| Other Accounts                        | 73                                      | \$773.2   | 0  | \$0  |
| Cole W. Smead                         |   |   |  |  |
| Other Registered Investment Companies | 1                                       | \$58.4  | 0  | \$0  |
| Other Pooled Investment Vehicles      | 1                                       | \$94.0  | 0  | \$0  |
| Other Accounts                        | 73                                      | \$773.2   | 0  | \$0  |

The Portfolio Managers also manage various private accounts, all of which may have investment strategies that are similar to that of the Fund, which could create certain conflicts of interest including the timing of trades and allocation of investment opportunities. All portfolio transactions will be implemented according to the Adviser's trade allocation policies. These policies are designed to ensure that trades are allocated in a manner that fulfills the Adviser's fiduciary duty to each advisory client and is fair and nondiscriminatory. When placing block trades, the Adviser will designate on the trade order memorandum the number of shares of the block trade to be allocated to each specific account prior to placing the order, or the Adviser will make a pro rata allocation of the shares to each account based upon size of the client's account. The Adviser will seek best execution on such trades, and will avoid holding cash and securities involved in an aggregated trade longer than necessary. In the event that the Adviser's Chief Investment Officer determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include:

- when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates;
- allocations may be given to one account when that account has limitations in its investment guidelines that prohibit it from purchasing other securities that are expected to produce similar investment results and can be purchased by other accounts;
- with respect to sale allocations, allocations may be given to accounts relatively lower in cash;



- in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Adviser may exclude the account(s) from the allocation and the transactions may be executed on a pro rata basis among the remaining accounts; or
- in cases where a small portion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

If an aggregated order is executed in a series of transactions over the course of the day, each account will receive the average execution price. The Adviser will use its best efforts to make allocations for the Fund and other accounts on the same day. The Adviser’s Chief Investment Officer will review all allocations of trades and limited investment opportunities to ensure that the Adviser’s policies and procedures were followed and verify that no client account was systematically disadvantaged by the allocation.

The Portfolio Managers’ compensation consists of a cash salary and a percentage of the Adviser’s overall profits based on contributions to the firm, industry experience and level of responsibility associated with their positions within the firm.

As of November 30, 2019, the Portfolio Managers beneficially owned shares of the Fund totaling the following amounts:

| <b>Name of Portfolio Manager</b> | <b>Dollar Range of Equity Securities in the Fund</b> |
|----------------------------------|--|
| Mr. William W. Smead             | Over \$1,000,000                                     |
| Mr. Tony A. Scherrer             | \$500,001-\$1,000,000                                |
| Mr. Cole W. Smead                | \$500,001-\$1,000,000                                |

### **Service Providers**

Pursuant to an administration agreement between the Trust and State Street Bank and Trust Company (the “Administrator”), One Lincoln Street, Boston, MA 02111, the Administrator acts as administrator for the Fund. The Administrator provides certain administrative services to the Fund, including, among other responsibilities: coordinating the negotiation of contracts and fees with, and the monitoring of performance and billing of, the Fund’s independent contractors and agents; preparing for signature by an officer of the Trust all of the documents required to be filed for compliance by the Trust and the Fund with applicable laws and regulations excluding those of the securities laws of various states; arranging for the computation of performance data, including net asset value (“NAV”) and yield; responding to shareholder inquiries; arranging for the maintenance of books and records of the Fund; and providing, at its own expense, office facilities, equipment and personnel necessary to carry out its duties. In this capacity, the Administrator does not have any responsibility or authority for the management of the Fund, the determination of investment policy or for any matter pertaining to the distribution of Fund shares. The Administrator also acts as custodian and fund accountant under separate agreements.

For the fiscal years indicated below, the Administrator received the following in administration fees:

| <b>Administration Fees<br/>Paid During</b>            |   |   |
|---|---|---|
| <b><u>Fiscal Year Ended<br/>November 30, 2019</u></b> | <b><u>Fiscal Year Ended<br/>November 30, 2018</u></b> | <b><u>Fiscal Year Ended<br/>November 30, 2017</u></b> |
| \$231,606   | \$241,677   | \$242,070   |

State Street Bank and Trust Company is also the custodian of the assets of the Fund (the “Custodian”) pursuant to a custody agreement between the Custodian and the Trust, whereby the Custodian charges

fees on a transactional basis plus out-of-pocket expenses. The Custodian's address is One Lincoln Street, Boston, MA 02111. The Custodian does not participate in decisions relating to the purchase and sale of securities by the Fund.

**Transfer Agent**

UMB Fund Services, Inc. (the "Transfer Agent"), 235 West Galena Street, Milwaukee, Wisconsin, 53212-3948, serves as the Fund's transfer agent and dividend paying agent.

**Legal Counsel**

Godfrey & Kahn, S.C., 833 East Michigan Street, Suite 1800, Milwaukee, WI 53202 serves as counsel to the Fund.

**Independent Registered Public Accounting Firm**

Cohen & Company, Ltd., 1350 Euclid Avenue, Suite 800, Cleveland, OH 44115 serves as the independent registered public accounting firm of the Fund.

**Distribution and Servicing of Fund Shares**

The Trust has entered into a distribution agreement (the "Distribution Agreement") with the Distributor, ALPS Distributors, Inc., 1290 Broadway, Suite 1100, Denver, CO 80203, pursuant to which the Distributor acts as the Fund's principal underwriter, provides certain administration services and promotes and arranges for the sale of the Fund's shares. The offering of the Fund's shares is continuous, and the Distributor distributes the Fund's shares on a best efforts basis. The Distributor is a registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA").

The Distribution Agreement has an initial term of two years and will continue in effect only if its continuance is specifically approved at least annually by the Board of Trustees or by vote of a majority of the Fund's outstanding voting securities and, in either case, by a majority of the Trustees who are not parties to the Distribution Agreement or "interested persons" (as defined in the 1940 Act) of any such party. The Distribution Agreement is terminable without penalty by the Trust on behalf of the Fund on 60 days' written notice when authorized either by a majority vote of the outstanding voting securities of the Fund or by vote of a majority of the Trustees who are not "interested persons" (as defined in the 1940 Act) of the Trust. The Distribution Agreement will automatically terminate in the event of its "assignment" (as defined in the 1940 Act).

The aggregate dollar amount of underwriting commissions (i.e., front-end sales charges) on the sale of the Fund's shares paid to the Distributor for the fiscal years ended November 30, 2019, 2018 and 2017 was \$28,798, \$10,168 and \$7,342, respectively. Of these amounts, the Distributor retained \$0, \$0 and \$0, respectively.

**Distribution (Rule 12b-1) Plan**

The Fund has adopted a distribution plan (the "Distribution Plan") pursuant to Rule 12b-1 under the 1940 Act.

Under the Distribution Plan, the Fund is authorized to pay the Distributor, or other such entities as approved by the Board of Trustees, a Rule 12b-1 distribution/shareholder servicing fee ("Rule 12b-1 Fee") for the sale and servicing of the Fund's Investor Class shares, Class A shares, Class C shares, Class R1 shares and Class R2 shares. The maximum amount of the Rule 12b-1 Fee authorized under the Distribution Plan is expressed as a percentage of the Fund's average daily net assets attributable to the applicable share class, as follows:

| <b>Share Class</b>    | <b>Annual Rule 12b-1 Fee</b> |
|-----------------------|------------------------------|
| Investor Class shares | 0.25%                        |
| Class A shares        | 0.25%                        |
| Class C shares        | 0.75%                        |
| Class R1 shares       | 0.50%                        |
| Class R2 shares       | 0.50%                        |

The Distributor may pay any or all amounts received under the Distribution Plan to other persons, including the Adviser, for any distribution and/or shareholder servicing activity. Because these fees are paid out of the Fund's assets attributable to Investor Class shares, Class A shares, Class C shares, Class R1 shares and Class R2 shares on an on-going basis, over time these fees will increase the cost of your investment in such shares of the Fund and may cost you more than paying other types of sales charges. The Distribution Plan provides that the Distributor may use all or any portion of such Rule 12b-1 Fee to finance any activity that is principally intended to result in the sale or servicing of Fund shares, subject to the terms of the Distribution Plan.

The Rule 12b-1 Fee is payable to the Distributor regardless of the distribution/shareholder servicing expenses actually incurred. Because the Rule 12b-1 Fee is not directly tied to expenses, the amount of distribution and/or servicing fees paid by the Fund during any year may be more or less than actual expenses incurred pursuant to the Distribution Plan. For this reason, this type of distribution fee arrangement is characterized by the SEC staff as a "compensation" plan.

The Distributor may use the Rule 12b-1 Fee to pay for activities related to distribution including, but not limited to, advertising, compensating underwriters, dealers and selling personnel engaged in the distribution of Fund shares, the printing and mailing of prospectuses, statements of additional information and reports to other than current Fund shareholders, the printing and mailing of sales literature pertaining to the Fund, and obtaining whatever information, analyses and reports with respect to marketing and promotional activities that the Fund may, from time to time, deem advisable. Additionally, a portion of the Rule 12b-1 Fee (no more than 0.25% of the Fund's average daily net assets, subject to the maximum annual rate of each share class) may be paid for sub-accounting services provided to beneficial owners whose shares are held of record in omnibus, other group accounts or accounts traded through registered clearing agents, as well as account maintenance and personal service to shareholders. These services may include, but are not limited to, assisting in, establishing and maintaining shareholder accounts and records, assisting with purchase and redemption requests, arranging for bank wires, monitoring dividend payments from the Fund to shareholders, and receiving and answering correspondence.

The tables below show the amounts of Rule 12b-1 Fees incurred on behalf of the Investor Class shares, Class A shares, Class R1 shares and Class R2 shares of the Fund and the allocation of such Rule 12b-1 Fees for the fiscal year ended November 30, 2019. Because Class C shares of the Fund commenced operations on March 30, 2020, the Fund made no expenditures under the Distribution Plan on behalf of that share class.

|                                 | <b>Actual Rule 12b-1 Fees Incurred on behalf of Investor Class Shares of the Fund</b> | <b>Actual Rule 12b-1 Fees Incurred on behalf of Class A Shares of the Fund</b> | <b>Actual Rule 12b-1 Fees Incurred on behalf of Class R1 Shares of the Fund</b> | <b>Actual Rule 12b-1 Fees Incurred on behalf of Class R2 Shares of the Fund</b> |
|---------------------------------|---|--|---|---|
|                                 | <b>Fiscal Year Ended November 30, 2019</b>  | <b>Fiscal Year Ended November 30, 2019</b>                                     | <b>Fiscal Year Ended November 30, 2019</b>                                      | <b>Fiscal Year Ended November 30, 2019</b>                                      |
|                                 | <b>Total Dollars Allocated</b>  | <b>Total Dollars Allocated</b>   | <b>Total Dollars Allocated</b>  | <b>Total Dollars Allocated</b>  |
| Advertising/Marketing           | \$0   | \$0  | \$0   | \$0   |
| Printing/Postage                | \$0   | \$0  | \$0   | \$0   |
| Payment to distributor          | \$0   | \$0  | \$0   | \$0   |
| Payment to dealers              | \$290,283   | \$276,332  | \$3,933   | \$160   |
| Compensation to sales personnel | \$0   | \$0  | \$0   | \$0   |
| Other                           | \$0   | \$0  | \$0   | \$0   |
| <b>Total</b>                    | <b>\$290,283</b>  | <b>\$276,332</b>   | <b>\$3,933</b>  | <b>\$160</b>  |

The fees paid to the Distributor for the Investor Class, Class A shares, Class R1 and Class R2 shares of the Fund for the periods described below are set forth in the following tables. Because Class C shares of the Fund commenced operations on March 30, 2020, the Fund made no expenditures under the Distribution Plan on behalf of that share class.

|                | <b>For Fiscal Year Ended November 30, 2017</b> |   | <b>For Fiscal Year Ended November 30, 2018</b> |   | <b>For Fiscal Year Ended November 30, 2019</b> |   |
|----------------|--|---|--|---|--|---|
|                | <b>Rule 12b-1 Fees</b>                         | <b>Contingent Deferred Sales Charge</b> | <b>Rule 12b-1 Fees</b>                         | <b>Contingent Deferred Sales Charge</b> | <b>Rule 12b-1 Fees</b>                         | <b>Contingent Deferred Sales Charge</b> |
| Investor Class | \$468,458                                      | \$0                                     | \$355,811                                      | \$0                                     | \$290,283                                      | \$0                                     |
| Class A        | \$370,276                                      | \$0                                     | \$371,643                                      | \$0                                     | \$276,332                                      | \$10                                    |
| Class R1       | \$8,124  | \$0                                     | \$5,221  | \$0                                     | \$3,933  | \$0                                     |
| Class R2       | \$6,515  | \$0                                     | \$1,463  | \$0                                     | \$160  | \$0                                     |

To the extent these asset-based fees and other payments made under the Distribution Plan to these financial intermediaries for the distribution and shareholder servicing services they provide to the Fund's shareholders exceed the Rule 12b-1 Fees available, these payments are made by the Adviser from its own resources, which may include its profits from the advisory fee it receives from the Fund. In addition, the Fund may participate in various "fund supermarkets" in which a mutual fund supermarket sponsor (usually a broker-dealer) offers many mutual funds to the sponsor's customers without charging the customers a sales charge. In connection with its participation in such platforms, the Fund may use all or a portion of the Rule 12b-1 Fees to pay one or more supermarket sponsors a negotiated fee for distributing

the Fund's shares. In addition, in its discretion, the Adviser may pay additional fees to such intermediaries from its own assets.

The Distribution Plan provides that it will continue from year to year upon approval by the majority vote of the Board of Trustees, including a majority of the trustees who are not "interested persons" of the Fund, as defined in the 1940 Act, and who have no direct or indirect financial interest in the operations of the Distribution Plan or in any agreement related to such plan (the "Qualified Trustees"), as required by the 1940 Act, cast in person at a meeting called for that purpose. It is also required that the trustees who are not "interested persons" of the Fund, select and nominate all other trustees who are not "interested persons" of the Fund. The Distribution Plan and any related agreements may not be amended to materially increase the amounts to be spent for distribution and shareholder servicing expenses without approval of shareholders holding a majority of the Fund's shares outstanding. All material amendments to the Distribution Plan or any related agreements must be approved by a vote of a majority of the Board of Trustees and the Qualified Trustees, cast in person at a meeting called for the purpose of voting on any such amendment.

The Distribution Plan requires that the Distributor provide to the Board of Trustees, at least quarterly, a written report on the amounts and purpose of any payment made under the Distribution Plan. The Distributor is also required to furnish the Board of Trustees with such other information as may reasonably be requested in order to enable the Board of Trustees to make an informed determination of whether the Distribution Plan should be continued. With the exception of the Adviser, no "interested person" of the Fund, as defined in the 1940 Act, and no Qualified Trustee of the Fund has a direct or indirect financial interest in the Distribution Plan or any related agreement. The Board has determined that the Distribution Plan is likely to benefit Investor Class, Class A, Class C, Class R1 and Class R2 shareholders of the Fund by providing an incentive for financial intermediaries to engage in sales and marketing efforts on behalf of the Fund and to provide enhanced services to Investor Class, Class A, Class C, Class R1 and Class R2 shareholders.

As noted above, the Distribution Plan provides for the ability to use Fund assets to pay financial intermediaries (including those that sponsor mutual fund supermarkets), plan administrators and other service providers to finance any activity that is principally intended to result in the sale of Fund shares. The payments made by the Fund to these financial intermediaries are based primarily on the dollar amount of assets invested in the Fund through the financial intermediaries. These financial intermediaries may pay a portion of the payments that they receive from the Fund to their investment professionals. In addition to the ongoing asset-based fees paid to these financial intermediaries under the Distribution Plan, the Fund may, from time to time, make payments under the Distribution Plan that help defray the expenses incurred by these intermediaries for conducting training and educational meetings about various aspects of the Fund for their employees. In addition, the Fund may make payments under the Distribution Plan for exhibition space and otherwise help defray the expenses these financial intermediaries incur in hosting client seminars where the Fund is discussed. Flat fees on a one-time or irregular basis may be made for the initial set-up of the Fund on an intermediary's systems, participation or attendance at an intermediary's meetings, or for other reasons.

### **Shareholder Servicing Plan**

The Fund has adopted a Shareholder Servicing Plan on behalf of its Class A shares, Class C shares, Investor Class shares, Class I1 shares, Class R1 shares and Class R2 shares (the "Shareholder Servicing Plan") that allows the Fund to make payments to financial intermediaries and other service providers in return for shareholder servicing and maintenance of Class A, Class C, Investor Class, Class I1, Class R1 and Class R2 shareholder accounts. The shareholder support services may include, among others, providing general shareholder liaison services (including responding to shareholder inquiries), providing information on shareholder investments, and establishing and maintaining shareholder accounts and

records. The maximum amount of shareholder servicing and maintenance fees (“Shareholder Servicing Fee”) authorized under the Shareholder Servicing Plan is an annual rate of 0.25% of the Fund’s average daily net assets attributable to each share class subject to the plan. The Shareholder Servicing Fee currently being implemented is expressed as a percentage of the Fund’s average daily net assets attributable to the applicable share class, as follows:

| <b>Share Class</b>    | <b>Annual Shareholder Servicing Fee</b> |
|-----------------------|---|
| Investor Class shares | 0.17%                                   |
| Class A shares        | 0.17%                                   |
| Class C shares        | 0.25%                                   |
| Class II shares       | 0.15%                                   |
| Class R1 shares       | 0.25%                                   |
| Class R2 shares       | 0.10%                                   |

For those share classes that currently charge less than the maximum Shareholder Servicing Fee, the Fund may increase such fee, but not beyond the maximum of 0.25%, only after providing affected shareholders with 30 days’ prior written notice.

Payments under the Shareholder Servicing Plan may not exceed the respective amounts shown above unless the Board approves the implementation of higher amounts.

## **Portfolio Transactions and Brokerage**

Pursuant to the Advisory Agreement, the Adviser determines which securities are to be purchased and sold by the Fund and which broker-dealers are eligible to execute the Fund’s portfolio transactions. Purchases and sales of securities in the over-the-counter market will generally be executed directly with a “market-maker” unless, in the opinion of the Adviser, a better price and execution can otherwise be obtained by using a broker for the transaction.

Purchases of portfolio securities for the Fund will be effected through broker-dealers (including banks) that specialize in the types of securities that the Fund will be holding, unless better executions are available elsewhere. Dealers usually act as principal for their own accounts. Purchases from dealers will include a spread between the bid and the asked price. If the execution and price offered by more than one dealer are comparable, the order may be allocated to a dealer that has provided research or other services as discussed below.

In placing portfolio transactions, the Adviser will use reasonable efforts to choose broker-dealers capable of providing the services necessary to obtain the most favorable price and execution available. The full range and quality of services available will be considered in making these determinations, such as the size of the order, the difficulty of execution, the operational facilities of the firm involved, the firm’s risk in positioning a block of securities and other factors. In those instances where it is reasonably determined that more than one broker-dealer can offer the services needed to obtain the most favorable price and execution available, consideration may be given to those broker-dealers that furnish or supply research and statistical information to the Adviser that it may lawfully and appropriately use in its investment advisory capacities, as well as provide other brokerage services in addition to execution services. The Adviser considers such information, which is in addition to and not in lieu of the services required to be performed by it under its Advisory Agreement with the Fund, to be useful in varying degrees, but of indeterminable value. Portfolio transactions may be placed with broker-dealers who sell shares of the Fund subject to rules adopted by FINRA and the SEC. Portfolio transactions may also be placed with broker-dealers in which the Adviser has invested on behalf of the Fund and/or client accounts.

While it is the Fund’s general policy to first seek to obtain the most favorable price and execution available in selecting a broker-dealer to execute portfolio transactions for the Fund, weight is also given to the ability of a broker-dealer to furnish brokerage and research services to the Fund or to the Adviser, even if the specific services are not directly useful to the Fund and may be useful to the Adviser in advising other clients. In negotiating commissions with a broker or evaluating the spread to be paid to a dealer, the Fund may therefore pay a higher commission or spread than would be the case if no weight were given to the furnishing of these supplemental services, provided that the amount of such commission or spread has been determined in good faith by the Adviser to be reasonable in relation to the value of the brokerage and/or research services provided by such broker-dealer. The standard of reasonableness is to be measured in light of the Adviser’s overall responsibilities to the Fund.

Investment decisions for the Fund are made independently from those of other client accounts. Nevertheless, it is possible that at times identical securities will be acceptable for both the Fund and one or more of such client accounts. In such event, the position of the Fund and such client account(s) in the same issuer may vary and the length of time that each may choose to hold its investment in the same issuer may likewise vary. However, to the extent any of these client accounts seek to acquire the same security as the Fund at the same time, the Fund may not be able to acquire as large a portion of such security as it desires, or it may have to pay a higher price or obtain a lower yield for such security. Similarly, the Fund may not be able to obtain as high a price for, or as large an execution of, an order to sell any particular security at the same time. If one or more of such client accounts simultaneously purchases or sells the same security that the Fund is purchasing or selling, each day’s transactions in such security will be allocated between the Fund and all such client accounts in a manner deemed equitable by the Adviser, taking into account the respective sizes of the accounts and the amount being purchased or sold and consistent with the policies of the Adviser. It is recognized that in some cases this system could have a detrimental effect on the price or value of the security insofar as the Fund is concerned. In other cases, however, it is believed that the ability of the Fund to participate in volume transactions may produce better executions for the Fund. Notwithstanding the above, the Adviser may execute buy and sell orders for accounts and take action in performance of its duties with respect to any of its accounts that may differ from actions taken with respect to another account, so long as the Adviser shall, to the extent practical, allocate investment opportunities to accounts, including the Fund, over a period of time on a fair and equitable basis and in accordance with applicable law.

The Fund is required to identify any securities of its “regular brokers or dealers” that the Fund has acquired during its most recent fiscal year. During the fiscal year ended November 30, 2018, the Fund did not acquire any securities of its “regular brokers or dealers.”

The Fund is also required to identify any brokerage transactions during its most recent fiscal year that were directed to a broker because of research services provided, along with the amount of any such transactions and any related commissions paid by the Fund. The following table shows the amount of transactions and related commissions paid by the Fund for transactions directed to a broker because of research services provided during the fiscal year ended November 30, 2019:

| <b>Commissions</b> | <b>Transactions</b> |
|--------------------|---------------------|
| \$262,993          | \$530,028,819       |

The following table shows the amounts paid by the Fund in brokerage commissions for the fiscal years ended November 30, 2019, 2018 and 2017.

| <b>Brokerage Commissions<br/>Paid During</b>          |   |   |
|---|---|---|
| <b><u>Fiscal Year Ended<br/>November 30, 2019</u></b> | <b><u>Fiscal Year Ended<br/>November 30, 2018</u></b> | <b><u>Fiscal Year Ended<br/>November 30, 2017</u></b> |
| \$269,978 <sup>1</sup>                                | \$172,288 <sup>1</sup>                                | \$284,381   |

<sup>1</sup>The decrease in brokerage commissions from 2017 to 2018 is attributable to a reduction in portfolio transactions. Portfolio transactions for 2018 were primarily limited to meeting redemption requests. The increase in brokerage commissions from 2018 to 2019 is attributable to an increase in portfolio transactions due to new positions added to the Fund as well as an increase in subscriptions.

## **Portfolio Turnover**

Although the Fund generally will not invest for short-term trading purposes, portfolio securities may be sold without regard to the length of time they have been held when, in the opinion of the Adviser, investment considerations warrant such action. Portfolio turnover rate is calculated by dividing (1) the lesser of purchases or sales of portfolio securities for the fiscal year by (2) the monthly average of the value of portfolio securities owned during the fiscal year. A 100% turnover rate would occur if all the securities in the Fund's portfolio, with the exception of securities whose maturities at the time of acquisition were one year or less, were sold and either repurchased or replaced within one year. A high rate of portfolio turnover (100% or more) generally leads to above-average transaction and brokerage commission costs and may generate capital gains, including short-term capital gains taxable to shareholders at ordinary income rates. To the extent that the Fund experiences an increase in brokerage commissions due to a higher portfolio turnover rate, the performance of the Fund could be negatively impacted by the increased expenses incurred by the Fund.

For the fiscal years ended November 30, 2019 and 2018, the portfolio turnover rates for the Fund were as follows:

| <b>Portfolio Turnover Rate<br/>During</b>             |   |
|---|---|
| <b><u>Fiscal Year Ended<br/>November 30, 2019</u></b> | <b><u>Fiscal Year Ended<br/>November 30, 2018</u></b> |
| 20.75%  | 10.98%  |

## **Code of Ethics**

The Fund, the Adviser and the Distributor have each adopted a Code of Ethics under Rule 17j-1 of the 1940 Act. These Codes of Ethics permit, subject to certain conditions, personnel of the Adviser and Distributor to invest in securities that may be purchased or held by the Fund.

## **Proxy Voting Procedures**

The Board of Trustees has adopted proxy voting policies and procedures ("Proxy Policies") wherein the Trust has delegated to the Adviser the responsibility for voting proxies relating to portfolio securities held by the Fund as part of its investment advisory services, subject to the supervision and oversight of the Board. The Proxy Voting Policies of the Adviser are described below. Notwithstanding this delegation of responsibilities, however, the Fund retains the right to vote proxies relating to its portfolio securities. The fundamental purpose of the Proxy Policies is to ensure that each vote will be in a manner that reflects the best interest of the Fund and its shareholders, taking into account the value of the Fund's investments.



### ***Procedures***

It is the Adviser's policy, where it has accepted responsibility, to vote proxies on behalf of a particular client, to vote such proxies in the best interest of its clients and ensure that the vote is not the product of an actual or potential conflict of interest. The Adviser's director of research (the "Director of Research") is responsible for ensuring that proxies are voted in a manner consistent with the proxy voting guidelines adopted by the Adviser (the "Proxy Voting Guidelines") and the Adviser's policies and procedures. Absent special circumstances, which are further discussed below, all proxies will be voted consistent with the Adviser's policies and procedures.

The Director of Research will be responsible for monitoring corporate actions, making proxy voting decisions, and ensuring that proxies are submitted in a timely manner. When the Adviser receives proxy proposals where the Proxy Voting Guidelines do not contemplate the issue or otherwise outline its general position as voting on a case-by-case basis, the proxy will be forwarded to the Adviser's chief investment officer (the "CIO"), who will review the proposal and either vote the proxy or instruct the Director of Research on how to vote the proxy.

It is intended that the Proxy Voting Guidelines will be applied with a measure of flexibility. The Director of Research may vote a proxy contrary to the Proxy Voting Guidelines if, in the sole determination of the Director of Research, it is determined that such action is in the best interest of the Adviser's clients. In the exercise of such discretion, the Director of Research may take into account a wide array of factors relating to the matter under consideration, the nature of the proposal, and the company involved. Special circumstances or instructions from clients may also justify casting different votes for different clients with respect to the same proxy vote.

### ***ERISA Plans***

Plans managed by the Adviser governed by the Employee Retirement Income Security Act ("ERISA") shall be administered consistent with the terms of the governing plan documents and applicable provisions of ERISA. In cases where the Adviser has been delegated sole proxy voting discretion, these policies and procedures will be followed subject to the fiduciary responsibility standards of ERISA. These standards generally require fiduciaries to act prudently and to discharge their duties solely in the interest of participants and beneficiaries. The Department of Labor has indicated that voting decisions of ERISA fiduciaries must generally focus on the course that would most likely increase the value of the stock being voted.

### ***Conflicts of Interest***

The Adviser may occasionally be subject to conflicts of interest in the voting of proxies due to business or personal relationships it maintains with persons having an interest in the outcome of certain votes. The Adviser, along with any affiliates and/or employees, may also occasionally have business or personal relationships with other proponents of proxy proposals, participants in proxy contests, corporate directors, or candidates for directorships.

If the Director of Research becomes aware of any potential or actual conflict of interest relating to a particular proxy proposal, the Director of Research will promptly report such conflict to the Adviser's CCO. The Adviser will take the following steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict:

- Where the Proxy Voting Guidelines outline the Adviser's voting position, as either "for" or "against" such proxy proposal, voting will be accordance with the its Proxy Voting Guidelines.
- Where the Proxy Voting Guidelines outline the Adviser's voting position to be determined on a "case-by-case" basis for such proxy proposal, or such proposal is not contemplated in the Proxy

Voting Guidelines, then one of the two following methods will be selected by the Director of Research depending upon the facts and circumstances of each situation and the requirements of applicable law:

- Voting the proxy in accordance with the voting recommendation of a non-affiliated third party vendor; or
- Provide the client with sufficient information regarding the proxy proposal and obtain the client's consent or direction before voting.

### ***Third Party Delegation***

The Adviser may delegate to a non-affiliated third party vendor, the responsibility to review proxy proposals and make voting recommendations to the Adviser. The CIO will ensure that any third party recommendations followed will be consistent with the Proxy Voting Guidelines. In all cases, however, the ultimate decisions on how to vote proxies are made by the Adviser's CIO.

### ***Mutual Funds***

Where the Adviser acts as investment adviser to a closed-end and/or open-end registered investment company and is responsible for voting their proxies, such proxies will be voted in accordance with any applicable investment restrictions of a fund and, to the extent applicable, any resolutions or other instructions approved by an authorized person of the fund. In the event of a conflict of interest for a security in a fund, the fund cannot be provided with information regarding the proposal and consent cannot be obtained from the fund.

### ***Special Circumstances***

The Adviser may choose not to vote proxies in certain situations or for certain accounts, such as: (i) where a client has informed the Adviser that they wish to retain the right to vote the proxy; (ii) where the Adviser deems the cost of voting the proxy would exceed any anticipated benefit to the client; (iii) where a proxy is received for a client that has terminated the Adviser's services; (iv) where a proxy is received for a security that the Adviser no longer manages (i.e., the Adviser had previously sold the entire position); and/or (v) where the exercise of voting rights could restrict the ability of an account's portfolio manager to freely trade the security in question (as is the case, for example, in certain foreign jurisdictions known as "blocking markets").

In addition, certain accounts over which the Adviser has proxy-voting discretion may participate in securities lending programs administered by the custodian or a third party. Because title to loaned securities passes to the borrower, the Adviser will be unable to vote any security that is out on loan to a borrower on a proxy record date. If the Adviser has investment discretion, however, the Adviser shall reserve the right to instruct the lending agent to terminate a loan in situations where the matter to be voted upon is deemed to be material to the investment and the benefits of voting the security are deemed to outweigh the costs of terminating the loan.

The actual voting records relating to portfolio securities during the most recent 12-month period ended June 30th is available without charge, upon request, by calling toll-free, 1-877-807-4122 or by accessing the SEC's website at [www.sec.gov](http://www.sec.gov).

## **Anti-Money Laundering Compliance Program**

The Trust has established an Anti-Money Laundering Compliance Program (the "Program") as required by the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA PATRIOT Act"). To ensure compliance with this law, the Trust's Program provides for the development of internal practices, procedures and controls, designation

of anti-money laundering compliance officers, an ongoing training program and an independent audit function to determine the effectiveness of the Program. Mr. LeMire has been designated as the Anti-Money Laundering Officer of the Trust.

Procedures to implement the Program include, but are not limited to: determining that the Distributor and the Transfer Agent have established proper anti-money laundering procedures; reporting suspicious and/or fraudulent activity; and conducting a complete and thorough review of all new account applications. The Fund will not transact business with any person or entity whose identity cannot be adequately verified under the provisions of the USA PATRIOT Act.

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

### **Portfolio Holdings Information**

The Trust on behalf of the Fund has adopted portfolio holdings disclosure policies (“Portfolio Holdings Policies”) that govern the timing and circumstances of disclosure of portfolio holdings of the Fund. The Adviser has also adopted the Portfolio Holdings Policies. Information about the Fund’s portfolio holdings will not be distributed to any third party except in accordance with these Portfolio Holdings Policies. The Adviser and the Board of Trustees have considered the circumstances under which the Fund’s portfolio holdings may be disclosed under the Portfolio Holdings Policies. The Adviser and the Board of Trustees also considered actual and potential material conflicts that could arise in such circumstances between the interests of the Fund’s shareholders and the interests of the Adviser, Distributor or any other affiliated person of the Fund. After due consideration, the Adviser and the Board of Trustees have determined that the Fund has a legitimate business purpose for disclosing portfolio holdings to persons described in the Portfolio Holdings Policies. The Board of Trustees also authorized the Adviser or appointed officers to consider and authorize dissemination of portfolio holdings information to additional parties, after considering the best interests of the shareholders and potential conflicts of interest in making such disclosures.

The Board of Trustees exercises continuing oversight of the disclosure of the Fund’s portfolio holdings: (1) by overseeing the implementation and enforcement of the Portfolio Holdings Policies, Codes of Ethics and other relevant policies of the Fund and its service providers by the Trust’s CCO; (2) by considering reports and recommendations by the CCO concerning any material compliance matters (as defined in Rule 38a-1 under the 1940 Act); and (3) by considering whether to approve any amendment to these Portfolio Holdings Policies. The Board of Trustees reserves the right to amend the Portfolio Holdings Policies at any time without prior notice in its sole discretion.

Disclosure of the Fund’s complete holdings is required to be made quarterly within 60 days of the end of each fiscal quarter, in the annual and semi-annual reports to Fund shareholders, and in the quarterly holdings report on Form N-PORT. These reports will be made available, free of charge, on the EDGAR database on the SEC’s website at [www.sec.gov](http://www.sec.gov).

The Adviser may not receive compensation in connection with the disclosure of information about the Fund’s portfolio securities. In the event of a conflict between the interests of the Fund and the interests of the Adviser or an affiliated person of the Adviser, the CCO of the Adviser, in consultation with the Trust’s CCO, shall make a determination in the best interests of the Fund, and shall report such determination to the Board of Trustees at the end of the quarter in which such determination was made.

Any employee of the Adviser who suspects a breach of this obligation must report the matter immediately to the Adviser's CCO or to his or her supervisor.

In addition, material non-public holdings information may be provided without lag as part of the normal investment activities of the Fund to each of the following entities which, by explicit agreement or by virtue of their respective duties to the Fund, are required to maintain the confidentiality of the information disclosed: the Administrator; the Custodian; the Transfer Agent; the Fund's independent registered public accounting firm; counsel to the Fund or the Board of Trustees (current parties are identified in this SA); broker-dealers (in connection with the purchase or sale of securities or requests for price quotations or bids on one or more securities); and regulatory authorities. Portfolio holdings information not publicly available with the SEC may only be provided to additional third parties, in accordance with the Portfolio Holdings Policies, when the Fund has a legitimate business purpose, and the third party recipient is subject to a confidentiality agreement. Currently, between the 5th and 10th business day of the month following a calendar quarter, the Fund provides its quarterly portfolio holdings to rating and ranking organizations, including Lipper, a Thomson Reuters company, Morningstar, Inc., Standard & Poor's Financial Services, LLC, Bloomberg L.P., Thomson Reuters Corporation, Vickers Stock Research Corporation and Capital-Bridge, Inc., and BNY/Mellon. In addition, within 30 days of the calendar quarter end, the Fund posts to its website a list of its top ten holdings as well as a full list of portfolio holdings. Portfolio holdings information may be separately provided to any person, at the same time that it is filed with the SEC or one day after it is first published on the Fund's website. Additional portfolio holdings disclosure may be approved under the Portfolio Holdings Policies by the Trust's CCO, Treasurer or President.

In no event shall the Adviser, its affiliates or employees, or the Fund receive any direct or indirect compensation in connection with the disclosure of information about the Fund's portfolio holdings.

There can be no assurance that the Portfolio Holdings Policies and these procedures will protect the Fund from potential misuse of that information by individuals or entities to which it is disclosed.

## **Determination of Net Asset Value**

The NAV of the Fund's shares will fluctuate and is determined as of the close of trading on the New York Stock Exchange (the "NYSE") (generally 4:00 p.m., Eastern time) each business day. The NYSE annually announces the days on which it will not be open for trading. The most recent announcement indicates that it will not be open on the following days: New Year's Day, Martin Luther King, Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. However, the NYSE may close on days not included in that announcement.

The NAV per share is computed by dividing the value of the securities held by the Fund plus any cash or other assets (including interest and dividends accrued but not yet received) minus all liabilities (including accrued expenses) by the total number of shares in the Fund outstanding at such time.

$$\frac{\text{Net Assets}}{\text{Shares Outstanding}} = \text{Net Asset Value Per Share}$$

Generally, the Fund's investments are valued at market value or, in the absence of a market value, at fair value as determined in good faith by the Adviser and the Valuation Committee pursuant to procedures approved by or under the direction of the Board of Trustees.

Each security owned by the Fund that is listed on a securities exchange is valued at its last sale price on that exchange on the date as of which assets are valued. When the security is listed on more than one exchange, the Fund will use the price on the exchange that the Fund generally considers to be the principal exchange on which the security is traded. Portfolio securities listed on the NASDAQ Stock Market, Inc. ("NASDAQ") will be valued at the NASDAQ Official Closing Price ("NOCP"), which may

not necessarily represent the last sale price. If the NOCP is not available, such securities shall be valued at the last sale price on the day of valuation. If there has been no sale on such exchange or on NASDAQ on such day, the security is valued at the mean between the most recent bid and asked prices on such day. Over-the-Counter Securities that are not traded on NASDAQ shall be valued at the most recent trade price.

Debt securities other than short-term instruments are valued at the mean between the closing bid and asked prices provided by a pricing service (“Pricing Service”). If the closing bid and asked prices are not readily available, the Pricing Service may provide a price determined by a matrix pricing method or other analytical pricing models. Short-term debt securities, such as commercial paper, bankers acceptances and U.S. Treasury Bills, having a maturity of less than 60 days are valued at amortized cost. If a short-term debt security has a maturity of greater than 60 days, it is valued at market price.

Redeemable securities issued by open-end, registered investment companies, including money market funds, are valued at the NAV of such companies for purchase and/or redemption orders placed on that day.

When market quotations are not readily available, any security or other asset is valued at its fair value as determined under fair value pricing procedures approved by the Board of Trustees. These fair value pricing procedures will also be used to price a security when corporate events, events in the securities market or world events cause the Adviser to believe that a security’s last sale price may not reflect its actual fair market value. The intended effect of using fair value pricing procedures is to ensure that the Fund’s shares are accurately priced. The Board of Trustees will regularly evaluate whether the Fund’s fair value pricing procedures continue to be appropriate in light of the specific circumstances of the Fund and the quality of prices obtained through their application by the Trust’s valuation committee.

When fair value pricing is employed, the prices of securities used by the Fund to calculate its NAV may differ from quoted or published prices for the same securities. Due to the subjective and variable nature of fair value pricing, it is possible that the fair value determined for a particular security may be materially different (higher or lower) from the price of the security quoted or published by others or the value when trading resumes or is realized upon sale. Therefore, if a shareholder purchases or redeems Fund shares when the Fund holds securities priced at a fair value, the number of shares purchased or redeemed may be higher or lower than would be the case if the Fund were using market value pricing.

In the case of foreign securities, the occurrence of certain events after the close of foreign markets, but prior to the time the Fund’s NAV is calculated (such as a significant surge or decline in the U.S. or other markets) often will result in an adjustment to the trading prices of foreign securities when foreign markets open on the following business day. If such events occur, the Fund will value foreign securities at fair value, taking into account such events, in calculating the NAV. In such cases, use of fair valuation can reduce an investor’s ability to seek to profit by estimating the Fund’s NAV in advance of the time the NAV is calculated. The Adviser anticipates that the Fund’s portfolio holdings will be fair valued only if market quotations for those holdings are considered unreliable.

All other assets of the Fund are valued in such manner as the Board of Trustees in good faith deems appropriate to reflect their fair value.

### **Additional Purchase and Redemption Information**

The information provided below supplements the information contained in the Prospectus regarding the purchase and redemption of Fund shares.

## How to Purchase Shares

You may purchase shares of the Fund directly from the Transfer Agent, or from securities brokers, dealers or other financial intermediaries (collectively, “Financial Intermediaries”). Investors should contact their Financial Intermediary directly for appropriate instructions, as well as information pertaining to accounts and any service or transaction fees that may be charged. The Fund may enter into arrangements with certain Financial Intermediaries whereby such Financial Intermediaries (and their authorized designees) are authorized to accept your order on behalf of the Fund (each an “Authorized Intermediary”). If you transmit your purchase request to an Authorized Intermediary before the close of regular trading (generally 4:00 p.m., Eastern time) on a day that the NYSE is open for business, shares will be purchased at the next calculated NAV, plus any applicable sales charge, after the Financial Intermediary receives the request. Investors should check with their Financial Intermediary to determine if it is an Authorized Intermediary.

Shares are purchased at the next calculated NAV, plus any applicable sales charge, after the Transfer Agent or Authorized Intermediary receives your purchase request in good order. In most cases, in order to receive that day’s NAV, the Transfer Agent must receive your order in good order before the close of regular trading on the NYSE (generally 4:00 p.m., Eastern time).

The Trust reserves the right in its sole discretion (i) to suspend the continued offering of the Fund’s shares, (ii) to reject purchase orders in whole or in part when, in the judgment of the Adviser or the Distributor, such rejection is in the best interest of the Fund, and (iii) to reduce or waive the minimum for initial and subsequent investments for certain fiduciary accounts or under circumstances where certain economies can be achieved in sales of the Fund’s shares.

## Sales Charges on Class A Shares

Class A of the Fund are retail shares that require that you pay a sales charge when you invest in the Fund, unless you qualify for a reduction or waiver of the sales charge. If you purchase Class A shares of the Fund you will pay the public offering price (“POP”), which is the NAV per share next determined after your order is received plus a sales charge (shown in percentages below) depending on the amount of your investment. Since sales charges are reduced for Class A share purchases above certain dollar amounts, known as “breakpoint thresholds,” the POP is lower for these purchases. The dollar amount of the sales charge is the difference between the POP of the shares purchased (based on the applicable sales charge in the table below) and the NAV of those shares. Because of rounding in the calculation of the POP, the actual sales charge you pay may be more or less than that calculated using the percentages shown below. The sales charge does not apply to shares purchased with reinvested distributions. The sales charge for Class A shares of the Fund is calculated as follows:<sup>(1)</sup>

| <b>Class A Shares Investment Amount</b> | <b>Sales Charge as a % of Offering Price</b> | <b>Sales Charge as a % of Net Amount Invested</b> | <b>Dealer Reallowance as a % of Offering Price</b> |
|---|--|---|--|
| Less than \$25,000 <sup>(2)</sup>       | 5.75%  | 6.10%   | 5.00%  |
| \$25,000 but less than \$50,000         | 5.00%  | 5.26%   | 4.25%  |
| \$50,000 but less than \$100,000        | 4.50%  | 4.71%   | 3.75%  |
| \$100,000 but less than \$250,000       | 3.50%  | 3.63%   | 2.75%  |
| \$250,000 but less than \$500,000       | 2.50%  | 2.56%   | 2.00%  |
| \$500,000 but less than \$750,000       | 2.00%  | 2.04%   | 1.60%  |
| \$750,000 but less than \$1 million     | 1.50%  | 1.52%   | 1.20%  |
| \$1 million or more <sup>(3)(4)</sup>   | None   | None  | Up to 1.00%  |

- (1) The offering price is calculated to two decimal places using standard rounding criteria. As a result, the number of shares purchased and the dollar amount of the sales charge as a percentage of the offering price and of your net investment may be higher or lower depending on whether there was a downward or upward rounding.
- (2) The minimum initial investment for Class A shares of the Fund is \$3,000.
- (3) There is no front-end sales charge for purchases of Class A shares of \$1,000,000 or more. However, a Contingent Deferred Sales Charge (“CDSC”) of 1.00% may be applied to redemptions of Class A shares within 18 months of purchase.
- (4) The Adviser may directly or indirectly pay a commission to dealers that sell amounts of \$1,000,000 or more of Class A according to the following schedule: 1.00% of the first \$3,000,000, 0.50% of amounts from \$3,000,001 to \$50,000,000, and 0.25% of amounts over \$50,000,000. The Fund's distributor, ALPS Distributors, Inc. (the “Distributor”), will then also pay to such dealers an annual Rule 12b-1 Fee of up to 0.25% of the average daily net assets attributable to the Class A shares held by its clients beginning in the thirteenth month. Where a dealer does not receive payment of this commission, the dealer will receive the annual Rule 12b-1 Fee starting immediately after purchase. Any payments made by the Adviser as described above are eligible for reimbursement to the Adviser under the Fund’s Distribution Plan (as defined below).

You should always discuss the suitability of your investment with your broker-dealer or financial adviser.

### **Class A Sales Charge Reductions and Waivers**

The sales charge on Class A shares of the Fund may be reduced or waived based on the type of transaction, the combined market value of your accounts or intended investment, and for certain groups or classes of shareholders. If you believe you are eligible for any of the following reductions or waivers, it is up to you to ask the selling agent or shareholder servicing agent for the reduction or waiver and to provide appropriate proof of eligibility.

*Reinvested Distributions:* You pay no sales charges on Class A shares you buy with reinvested distributions of the same share class from the Fund.

*Breakpoint Thresholds:* You may reduce the sales charge on Class A shares by investing an amount to meet one of the breakpoint thresholds indicated in the tables above.

*Rights of Accumulation:* You may combine your current purchase of Class A shares of the Fund with all other classes of shares of the Fund currently owned for the purpose of qualifying for the lower initial sales charge rates that apply to larger purchases. The applicable sales charge for the new purchase is based on the total of your current purchase of Class A shares of the Fund and the current value (based on the current public offering price) of all other classes of shares of the Fund you own at the financial intermediary at which you are making the current purchase. You may not aggregate shares held at different financial intermediaries. If the current purchase is made directly through the Fund’s Transfer Agent, UMB Fund Services, Inc. (the “Transfer Agent”), only those shares held directly at the Transfer Agent may apply toward the right of accumulation. You may aggregate shares that you own and that are currently owned by members of your “immediate family” including your spouse, child, stepchild, parent, stepparent, sibling, grandchild and grandparent, including in-law and adoptive relationships residing at the same address. Shares held in the name of a nominee or custodian under pension, profit sharing or employee benefit plans may not be combined with other shares to qualify for the right of accumulation. You must notify the Transfer Agent or your financial intermediary at the time of purchase in order for the right of accumulation to apply. The Fund is not liable for any difference in purchase price if you fail to notify the Transfer Agent of your intent to exercise your right of accumulation and the Fund reserves the right to modify or terminate this right at any time.

*Reinstatement Privilege:* If you redeem Class A shares of the Fund, and within 60 days purchase and register new shares of the same share class, you will not pay a sales charge on the new purchase amount. The amount eligible for this privilege may not exceed the amount of your redemption proceeds. To exercise this privilege, contact the Transfer Agent or your financial intermediary.

*Letter of Intent:* By signing a Letter of Intent (“LOI”), you can reduce your Class A sales charge. Your individual purchases will be made at the applicable sales charge based on the amount you intend to invest

over a 13-month period. The LOI will apply to all purchases of the share class designated in the LOI. Any shares of the share class designated in the LOI that are purchased within 90 days of the date you sign the letter of intent may be used as credit toward completion, but the reduced sales charge will only apply to new purchases made on or after that date. Purchases resulting from the reinvestment of distributions do not apply toward fulfillment of the LOI. Shares equal to 5.75% for Class A shares of the amount of the LOI will be held in escrow during the 13-month period. If at the end of that time the total amount of purchases made is less than the amount intended, you will be required to pay the difference between the reduced sales charge and the sales charge applicable to the individual purchases had the LOI not been in effect. This amount will be obtained from redemption of the escrow shares. Any remaining escrow shares will be released to you.

*Investments of \$1,000,000 or More:* There is neither an initial sales charge on a lump sum Class A share purchase of \$1,000,000 or more, nor on any purchase into a Class A account with an accumulated value of \$1,000,000 or more. However, if you have taken advantage of this waiver and redeem your shares within 18 months of purchase, there is a CDSC of 1.00% imposed on such shares based on the lesser of original cost or current market value. The CDSC will not apply if you are otherwise entitled to a waiver of the initial sales charge as listed in “Initial Sales Charge Waivers,” below. Also, the CDSC will not apply if you are entitled to a waiver as listed in “Contingent Deferred Sales Charges Waivers,” below.

***Initial Sales Charge Waivers:*** Sales charges for Class A shares may be waived under certain circumstances for some investors or for certain purchases. You will not have to pay a sales charge on purchases of Class A shares if:

- you are an affiliate of the Adviser or any of its or the Fund’s officers, directors, trustees, employees or retirees;
- you are a registered representative of any broker-dealer authorized to sell Fund shares, subject to the internal policies and procedures of the broker-dealer;
- you are a member of the immediate family of any of the persons listed in the above bullets (i.e., parent, child, spouse, domestic partner, sibling, step or adopted relationships, grandparent, grandchild and UTMA accounts naming qualifying persons);
- authorized qualified employee benefit plans\*;
- rollovers of current investments through authorized qualified employee benefit plans or savings plans\*, provided the shares are transferred to the Fund as either a direct rollover, or subsequent to distribution, the rolled-over proceeds are contributed to a IRA through an account directly with the Fund;
- registered investment advisers, trust companies and bank trust departments exercising discretionary investment authority with respect to amounts to be invested in the Fund;
- persons participating in a fee-based program (such as a wrap account) under which they (i) pay advisory fees to a broker-dealer or other financial institution or (ii) pay fees to a broker-dealer or other financial institution for providing transaction processing and other administrative services, but not investment advisory services;
- registered broker dealers who have entered into an agreement with the Distributor and have been approved by the Distributor to offer Fund shares to self-directed investment brokerage accounts that may or may not charge a transaction fee.

\* Qualified employee benefit plans or savings plans for which the Fund has entered into an agreement to waive the sales charge.

To receive a reduction in your Class A sales charge, you must let your financial institution or shareholder services representative know at the time you purchase shares that you qualify for such a reduction. You may be asked by your financial adviser or shareholder services representative to provide account



statements or other information regarding your related accounts or related accounts of your immediate family in order to verify your eligibility for a reduced sales charge. Your investment professional or financial institution must notify the Fund if your share purchase is eligible for the sales load waiver. Sales charges will not be applied to shares purchased by reinvesting distributions.

### **Contingent Deferred Sales Charge Waivers**

For Class A shares, a CDSC of 1.00% is imposed on shares purchased at the \$1,000,000 breakpoint (as described in “Sales Charges for Class A and Class C Shares,” above) that are redeemed within 18 months of purchase. For Class C shares, a CDSC is imposed on shares that are redeemed within 12 months of purchase. In the case of a partial redemption, the first shares redeemed are any reinvested shares. After that, shares are always redeemed on a “first in/first out” basis. If the first shares redeemed have been held for longer than 18 months in the case of Class A shares or 12 months in the case of Class C shares from the date of purchase, then no CDSC is imposed on the redemption. The CDSC is imposed on a lot by lot basis on the market value or initial purchase price, whichever is lower. This deferred sales charge may be waived under certain circumstances such as:

- death of the shareholder;
- divorce, where there exists a court decree that requires redemption of the shares;
- return of IRA excess contributions;
- shares redeemed by the Fund due to low balance or other reasons;
- required minimum distributions at age 70½ (waivers apply only to amounts necessary to meet the required minimum amount based on assets held within the Fund); and
- other circumstances related to death, financial hardship or any other rare instances that would require the Adviser to have discretion.

If you would like information about sales charge waivers, call your financial representative or contact the Fund at 877-807-4122.

### **Automatic Conversion to Class A Shares**

Class C shares of the Fund are eligible for automatic conversion to Class A shares of the Fund approximately eight years after the date of each original purchase and will be subject to Class A’s lower Rule 12b-1 Fee (as set forth above). The automatic conversion of Class C shares to Class A shares will be on the basis of the NAV per share, without the imposition of any sales load, fee or other charge, meaning the value of your investment will not change, but the number of shares of the Fund that you own may be higher or lower after the conversion.

Class C shares of the Fund will convert automatically into Class A shares of the Fund on a monthly basis in the month of, or the month following, the eighth anniversary of the Class C shares’ purchase date. Class C shares of the Fund acquired through a reinvestment of dividends or distributions will convert to Class A shares of the Fund pro rata with Class C shares of the Fund not acquired through the reinvestment of dividends or distributions. All such automatic conversions of Class C shares will constitute tax-free exchanges for federal income tax purposes.

For shareholders investing in Class C shares through retirement plans, omnibus accounts, and in certain other instances, the Fund and its agents may not have transparency into how long a shareholder has held Class C shares for purposes of determining whether such Class C shares are eligible for automatic conversion into Class A shares. In these circumstances, the Fund will not be able to automatically convert Class C shares into Class A shares as described above. In order to determine eligibility for conversion in these circumstances, it is the responsibility of the shareholder or their financial intermediary (and not the Fund) to notify the Fund that the shareholder is eligible for the conversion of Class C shares to Class A

shares, and the shareholder or their financial intermediary may be required to maintain and provide the Fund with records that substantiate the holding period of such shareholder's Class C shares.

In addition, a financial intermediary may sponsor and/or control accounts, programs or platforms that impose a different conversion schedule or eligibility requirements in regards to the conversion of Class C shares into Class A shares. In these cases, certain Class C shareholders may not be eligible to convert to Class A shares as described above. However, these Class C shareholders may be permitted to exchange their Class C shares for Class A shares pursuant to the terms of the financial intermediary's conversion policy. Financial intermediaries will be responsible for making such exchanges in those circumstances. Please consult with your financial intermediary if you have any questions regarding the conversion of Class C shares to Class A shares.

### **How to Redeem Shares and Delivery of Redemption Proceeds**

You may redeem your Fund shares any day the NYSE is open for regular trading, either directly with the Transfer Agent or through your Financial Intermediary.

Payments to shareholders for shares of the Fund redeemed directly from the Transfer Agent will be made as promptly as possible, but no later than seven days after receipt by the Transfer Agent of the written request in proper form, with the appropriate documentation as stated in the Prospectus, except that the Fund may suspend the right of redemption or postpone the date of payment during any period when (a) trading on the NYSE is restricted as determined by the SEC or the NYSE is closed for other than weekends and holidays; (b) an emergency exists as determined by the SEC making disposal of portfolio securities or valuation of net assets of the Fund not reasonably practicable; or (c) for such other period as the SEC may permit for the protection of the Fund's shareholders. Under unusual circumstances, the Fund may suspend redemptions, or postpone payment for more than seven days, but only as authorized by SEC rules.

The value of shares on redemption or repurchase may be more or less than the investor's cost, depending upon the fair market value of the Fund's portfolio securities at the time of redemption or repurchase.

### **Telephone Redemptions**

Shareholders with telephone transaction privileges established on their account may redeem Fund shares by telephone. Upon receipt of any instructions or inquiries by telephone from the shareholder, the Fund or its authorized agents may carry out the instructions and/or respond to the inquiry consistent with the shareholder's previously established account service options. For joint accounts, instructions or inquiries from either party will be carried out without prior notice to the other account owners. In acting upon telephone instructions, the Fund and its agents use procedures that are reasonably designed to ensure that such instructions are genuine. These include recording all telephone calls, requiring pertinent information about the account and sending written confirmation of each transaction to the registered owner.

The Transfer Agent will employ reasonable procedures to confirm that instructions communicated by telephone are genuine. If the Transfer Agent fails to employ reasonable procedures, the Fund and the Transfer Agent may be liable for any losses due to unauthorized or fraudulent instructions. If these procedures are followed, however, to the extent permitted by applicable law, neither the Fund nor its agents will be liable for any loss, liability, cost or expense arising out of any redemption request, including any fraudulent or unauthorized request. For additional information, contact the Transfer Agent.

### **Redemption in-Kind**

The Fund does not intend to redeem shares in any form except cash. The Trust, however, has filed a notice of election under Rule 18f-1 of the 1940 Act that allows the Fund to redeem in-kind redemption requests of a certain amount. Specifically, if the amount you are redeeming during any 90-day period is

in excess of the lesser of \$250,000 or 1% of the net assets of the Fund, valued at the beginning of such period, the Fund has the right to redeem your shares by giving you the amount that exceeds \$250,000 or 1% of the net assets of the Fund in securities instead of cash. If the Fund pays your redemption proceeds by a distribution of securities, you could incur brokerage or other charges in converting the securities to cash, and you will bear any market risks associated with such securities until they are converted into cash. For federal income tax purposes, redemptions made in-kind are taxed in the same manner as redemptions made in cash.

## **Federal Income Tax Matters**

Each series of the Trust is treated as a separate entity for federal income tax purposes. The Fund, as a series of the Trust, intends to qualify and elect to be treated as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”), provided the Fund complies with all applicable requirements regarding the source of its income, diversification of its assets and timing and amount of its distributions. The Fund’s policy is to distribute to its shareholders all of its investment company taxable income and any net capital gain for each fiscal year in a manner that complies with the distribution requirements of the Code, so that the Fund will not be subject to any federal income or excise taxes on amounts distributed. However, the Fund cannot guarantee that its anticipated distributions will be sufficient to eliminate all taxes at the Fund level. If the Fund does not qualify as a RIC and is unable to obtain relief from such failure, it would be taxed as a regular corporation and, in such case, it would be more beneficial for a shareholder to directly own the Fund’s underlying investments rather than indirectly owning such underlying investments through the Fund.

To qualify as a RIC, the Fund must derive at least 90% of its gross income from “good income,” which includes: (1) dividends, interest, certain payments with respect to securities loans and gains from the sale or other disposition of stock, securities or foreign currencies; and (2) other income (including but not limited to gains from options, futures or forward contracts) derived with respect to the Fund’s business of investing in such stock, securities or foreign currencies. Some Fund investments may produce income that will not qualify as good income for the purposes of this annual gross income requirement. There can be no assurance that the Fund will satisfy all requirements to be taxed as a RIC.

Furthermore, the Fund must diversify its holdings such that at the end of each fiscal quarter, (i) at least 50% of the value of the Fund’s assets consists of cash, cash equivalents, U.S. government securities, securities of other RICs, and other acceptable securities, provided that for purposes of this test, no security of any one issuer may constitute more than 5% of the value of the Fund’s assets and no more than 10% of the outstanding voting securities of any such issuer; and (ii) no more than 25% of the value of the Fund’s assets may be invested in the securities of any one issuer (other than U.S. government securities or securities of other RICs), or of any two or more issuers that are controlled, as determined under applicable Code rules, by the Fund and that are engaged in the same, similar or related trades or businesses, or of certain qualified publicly traded partnerships.

The Fund will be subject to a 4% excise tax if it fails to distribute (or be deemed to have distributed) by December 31 of each calendar year (i) at least 98% of its ordinary income for such year, (ii) at least 98.2% of its capital gain net income for the 12-month period ending on October 31 during such year (reduced by any net ordinary losses, but not below the Fund’s net capital gain for that period) and (iii) any amounts from the prior calendar year that were not distributed and on which the Fund paid no federal income tax.

Investment company taxable income generally consists of interest, dividends, and net short-term capital gain, less expenses. Net capital gain is the excess of the net long-term gain from the Fund’s sales or

exchanges of capital assets over the net short-term loss from such sales or exchanges, taking into account any capital loss carryforward of the Fund. The Fund may elect to defer certain losses for tax purposes.

Distributions of investment company taxable income are taxable to shareholders as ordinary income. For non-corporate shareholders, a portion of the Fund's distributions of investment company taxable income may consist of "qualified dividend income" eligible for taxation at the reduced federal income tax rates applicable to long-term capital gains to the extent that the amount distributed is attributable to and reported as "qualified dividend income" and the shareholder meets certain holding period requirements with respect to its Fund shares. For corporate shareholders, a portion of the Fund's distributions of investment company taxable income may qualify for the intercorporate dividends-received deduction to the extent the Fund receives dividends directly or indirectly from U.S. corporations, reports the amount distributed as eligible for deduction and the shareholder meets certain holding period requirements with respect to its Fund shares. The aggregate amount so reported to either non-corporate or corporate shareholders cannot, however, exceed the aggregate amount of such dividends received by the Fund for its taxable year.

Distributions of net capital gain are taxable as long-term capital gain regardless of the length of time shares have been held. Distributions of net capital gain are not eligible for "qualified dividend income" treatment or the dividends-received deduction referred to in the previous paragraph.

Distributions of any investment company taxable income and net capital gain will be taxable as described above whether received in additional Fund shares or in cash. Shareholders who choose to receive distributions in the form of additional shares will have a cost basis for federal income tax purposes in each share so received equal to the NAV of a share on the reinvestment date. Distributions are generally taxable when received. However, distributions declared in October, November or December to shareholders of record and paid the following January are taxable as if received on December 31. Distributions are generally includable in alternative minimum taxable income in computing a non-corporate shareholder's liability for the alternative minimum tax.

Certain individuals, trusts and estates may be subject to a Medicare tax (in addition to the regular income tax). The Medicare tax is imposed on the lesser of: (i) the taxpayer's investment income, net of deductions properly allocable to such income; or (ii) the amount by which such taxpayer's modified adjusted gross income exceeds certain thresholds (\$250,000 for married individuals filing jointly, \$200,000 for unmarried individuals and \$125,000 for married individuals filing separately). The Fund's distributions are includable in a shareholder's investment income for purposes of this Medicare tax. In addition, any capital gain realized by a shareholder upon the sale or redemption of Fund shares is includable in such shareholder's investment income for purposes of this Medicare tax.

A sale or redemption of Fund shares, whether for cash or in-kind proceeds, may result in recognition of a taxable capital gain or loss. Gain or loss realized upon a sale or redemption of Fund shares will generally be treated as long-term capital gain or loss if the shares have been held for more than one year, and, if held for one year or less, as short-term capital gain or loss. Any loss realized upon a sale or redemption of shares held for six months or less will be treated as a long-term capital loss to the extent of any distributions of net capital gain received or deemed to be received with respect to such shares. In determining the holding period of such shares for this purpose, any period during which the shareholder's risk of loss is offset by means of options, short sales, or similar transactions not counted. Any loss realized upon a sale or redemption may be disallowed under certain wash sale rules to the extent shares of the Fund are purchased (through reinvestment of distributions or otherwise) within 30 days before or after the sale or redemption. If a shareholder's loss is disallowed under the wash sale rules, the basis of the new shares will be increased to preserve the loss until a future sale or redemption of the shares.

Under the Foreign Account Tax Compliance Act (“FATCA”), the Fund may be required to withhold a generally nonrefundable 30% tax on (i) distributions of investment company taxable income and (ii) distributions of net capital gain and the gross proceeds of a sale or redemption of Fund shares paid after December 31, 2018 to (A) certain “foreign financial institutions” unless such foreign financial institution agrees to verify, monitor, and report to the IRS the identity of certain of its accountholders, among other items (or unless such entity is otherwise deemed compliant under the terms of an intergovernmental agreement with the United States), and (B) certain “non-financial foreign entities” unless such entity certifies to the Fund that it does not have any substantial U.S. owners or provides the name, address, and taxpayer identification number of each substantial U.S. owner, among other items. In December 2018, the IRS and Treasury Department released proposed Treasury Regulations that would eliminate FATCA withholding on Fund distributions of net capital gain and the gross proceeds from a sale or redemption of Fund shares. Although taxpayers are entitled to rely on these proposed Treasury Regulations until final Treasury Regulations are issued, these proposed Treasury Regulations have not been finalized, may not be finalized in their proposed form, and are potentially subject to change. This FATCA withholding tax could also affect the Fund’s return on its investments in foreign securities or affect a shareholder’s return if the shareholder holds its Fund shares through a foreign intermediary. You are urged to consult your tax adviser regarding the application of this FATCA withholding tax to your investment in the Fund and the potential certification, compliance, due diligence, reporting, and withholding obligations to which you may become subject in order to avoid this withholding tax.

Except in the case of certain exempt shareholders, if a shareholder does not furnish the Fund with its correct Social Security Number or taxpayer identification number and certain certifications or the Fund receives notification from the Internal Revenue Service (“IRS”) requiring backup withholding, the Fund is required by federal law to withhold federal income tax from the shareholder’s distributions and redemption proceeds at a rate set under Section 3406 of the Code for U.S. residents.

Foreign taxpayers (including nonresident aliens) are generally subject to a flat withholding rate of 30% on U.S.-source income that is not effectively connected with a trade or business in the U.S. This withholding rate may be lower under the terms of a tax treaty or convention.

This section is not intended to be a full discussion of federal income tax laws and the effect of such laws on you. There may be other federal, state, foreign, or local tax considerations to a particular shareholder. This discussion is based on the Code, Treasury Regulations, judicial decisions, and IRS guidance, all of which are subject to change, and possibly with retroactive effect. No assurance can be given that legislative, judicial, or administrative changes will not be forthcoming which could affect the accuracy of any statements made in this section. You are urged to consult your own tax adviser.

## **Distributions**

The Fund will realize income primarily in the form of dividends and interest earned on the Fund’s investments in securities. This income, less the expenses incurred in its operations, is the Fund’s net investment income, substantially all of which will be distributed to the Fund’s shareholders.

The amount of the Fund’s distributions is dependent upon the amount of net investment income received by the Fund from its portfolio holdings, is not guaranteed and is subject to the discretion of the Board of Trustees. The Fund does not pay “interest” or guarantee any fixed rate of return on an investment in its shares.

The Fund also may realize capital gains or losses in connection with sales or other dispositions of its portfolio securities. Any net gain that the Fund may realize from transactions involving investments held less than the period required for long-term capital gain or loss recognition or otherwise producing

short-term capital gains and losses (taking into account any capital loss carryforwards) will be distributed to shareholders as a part of the Fund's distributions of net investment income. If during any year the Fund realizes a net gain on transactions involving investments held for the period required for long-term capital gain or loss recognition or otherwise producing long-term capital gains and losses, the Fund will generally have a net long-term capital gain. After deduction of the amount of any net short-term capital loss, the balance (to the extent not offset by any capital loss carryforward) will be distributed and treated as long-term capital gains in the hands of the shareholders regardless of the length of time that the shares may have been held by the shareholder. Net capital losses realized by the Fund may be carried over indefinitely and will generally retain their character as short-term or long-term capital losses. For more information concerning applicable capital gains tax rates, please consult your tax adviser.

Any distribution paid by the Fund reduces the Fund's NAV per share on the date paid by the amount of the distribution per share. Accordingly, a distribution paid shortly after a purchase of shares by a shareholder would represent, in substance, a partial return of capital (to the extent it is paid on the shares so purchased), even though it would be subject to federal income taxes.

Distributions will be reinvested in additional shares of the Fund unless the shareholder has otherwise indicated. Investors have the right to change their elections with respect to the reinvestment of distributions by notifying the Transfer Agent in writing. However, any such change will be effective only as to distributions for which the record date is five or more business days after the Transfer Agent has received the written request.

### **Cost Basis Reporting**

The Fund is required to report to certain shareholders and the IRS the cost basis of shares acquired by such shareholders on or after January 1, 2012 ("covered shares") when the shareholder sells or redeems such shares. These requirements do not apply to shares held through a tax-deferred arrangement, such as a 401(k) plan or an IRA, or to shares held by tax-exempt organizations, financial institutions, corporations (other than S corporations), credit unions and certain other governmental bodies. Shares acquired before January 1, 2012 ("non-covered shares") are treated as if held in a separate account from covered shares. The Fund is not required to determine or report a shareholder's cost basis in non-covered shares and is not responsible for the accuracy or reliability of any information provided for non-covered shares.

The cost basis of a share is generally its purchase price adjusted for distributions, returns of capital, and other corporate actions. Cost basis is used to determine whether the sale or redemption of a share results in a gain or loss. If you sell or redeem covered shares during any year, then the Fund will report the gain or loss, cost basis, and holding period of such covered shares to the IRS and you on Form 1099.

A cost basis method is the method by which the Fund determines which specific covered shares are deemed to be sold or redeemed when a shareholder sells or redeems less than its entire holding of covered shares and has made multiple purchases of covered shares on different dates at differing net asset values. If a shareholder does not affirmatively elect a cost basis method, the Fund will use the average cost method, which averages the basis of all covered shares in an account regardless of holding period, and covered shares sold or redeemed are deemed to be those with the longest holding period first. Each shareholder may elect in writing (and not over the telephone) any alternate IRS-approved cost basis method to calculate the cost basis in its covered shares. The default cost basis method applied by the Fund or the alternate method elected by a shareholder may not be changed after the settlement date of a sale or redemption of Fund shares.

If you hold Fund shares through a broker (or another nominee), please contact that broker or nominee with respect to the reporting of cost basis and available elections for your account.

You are encouraged to consult your tax adviser regarding the application of these cost basis reporting rules and, in particular, which cost basis calculation method you should elect.

### **Financial Statements**

The audited financial statements, accompanying notes and report of the independent registered public accounting firm appearing in the Fund's 2019 Annual Report to Shareholders are incorporated herein by reference.