

convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A contingent convertible security (known as “Co-Cos”) is a hybrid security that is only convertible under certain conditions (for example, the right to convert can only be exercised if the price of the underlying stock is a certain percentage over the conversion price). A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security’s governing instrument. If a convertible security held by an Underlying Fund is called for redemption, the Underlying Fund will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Furthermore, an issuer could refuse to permit an Underlying Fund to convert the convertible security into the underlying common stock, despite its obligation to do so. Any of these actions could have an adverse effect on an Underlying Fund’s ability to achieve its investment objective.

ETFs

The public trading price of shares in an Exchange-Traded Fund (“ETF”) may be different from the net asset value of such shares (i.e., ETF shares may trade at a premium over, or a discount to, the net asset values of such shares) and similarly, the public trading market price per ETF share may be different from the net asset value per ETF share. ETF arbitrage strategies are designed to profit from such deviations. The exploitation of such arbitrage opportunities should tend to cause the public trading price to track net asset value per share closely over time, thus limiting the opportunities for arbitrage.

ETF shares are listed for trading on exchanges. Trading in such shares may be halted due to market conditions or, in light of exchange rules and procedures, for reasons that, in the view of the relevant exchange, make trading in the ETF shares inadvisable. In addition, trading is subject to trading halts caused by extraordinary market volatility pursuant to “circuit breaker” rules that require trading to be halted for a specific period based on a specified market decline. There can be no assurance that the requirements necessary to maintain the listing of any ETF’s shares will continue to be met or will remain unchanged.

Although it is anticipated that the ETF shares will be listed and traded on exchanges, there can be no guarantee that an active trading market for such shares will develop or be maintained. If an Underlying Fund needs to sell ETF shares at a time when no active market for them exists, the price it receives for such shares, assuming that the Underlying Fund is able to sell them, likely will be lower than that it would receive if an active market did exist. In addition, certain ETFs arbitrage strategies require an Underlying Fund to be able to redeem or create ETF shares. If the Underlying Fund is unable to do so, the strategy could be rendered unprofitable.