

Balanced Portfolio

Commentary | 1Q26 | Managed Accounts

Highlights

- The Congress Balanced Portfolio (“the Portfolio”) returned -4.9% (net) vs -2.6% for the 60% S&P 500 / 40% Bloomberg Int. Govt/Credit Index (“the Index”) in 1Q26.
- The S&P 500 had its worst quarter since 2022 as returns diverged amongst the Magnificent 7 while fixed income returns, which started the year positive, ended the quarter flat as yields rose sharply on the conflict in Iran.
- While the S&P 500 saw a general broadening out of leadership, performance was concentrated in the more value-oriented sectors, evidenced by strong returns in Energy, Materials, Utilities, and Consumer Staples.
- The Portfolio’s overweight equity allocation and the equity sleeve’s tilt toward growth stocks detracted from performance.
- The Portfolio’s fixed income holdings outperformed, aided by our modestly shorter duration positioning and overweight to corporate bonds.
- Since inception in 1985, the Portfolio has provided 86% of the S&P 500 return (gross of fees) and 79% (net of fees) with only 67% of the volatility (gross of fees*).

Portfolio Review

- Equity returns in the Index started the quarter positive, as broad-based performance across sectors offset negative returns in Technology. However, stocks ended the quarter mostly negative, driven almost entirely by the sharp sell-off in March, where Energy was the only sector with positive returns.
 - While the Portfolio’s fixed income allocation kept pace or modestly outperformed in each month of the quarter, this was offset by weaker results in the equity allocation, particularly Health Care and Technology.
- Industrials was the largest contributor to returns, notably GE Vernova and Eaton. GE Vernova supplies and services power generation equipment and posted strong earnings and backlog growth during the quarter. Eaton, which provides power management systems, benefited from a growing backlog and focus on higher margin electrical, cooling, and power solutions. Within Energy, Williams Co., a natural gas pipeline company, was aided by solid earnings and its continued shift to providing power to data centers.
- Technology was the largest detractor, particularly Microsoft and ServiceNow. Microsoft fell on growing caution around its elevated AI infrastructure spending, while ServiceNow was down in concert with heightened AI-related concerns in the software industry. Health Care also detracted, particularly Boston Scientific, a global medical device company. While the company remains a leader in medical technology, the stock fell on a continued deceleration in growth.
- Within the fixed income allocation, the Portfolio outperformed on its modestly short duration posture, as rates rose across the curve, and allocation to higher quality corporates, as higher quality spreads outperformed lower quality. This was partially offset by an overweight to Financials.
- During the quarter, we increased our Technology exposure with ASML, which designs and manufactures cutting edge equipment for semiconductor manufacturers. We also added MongoDB, a database software company that we believe is well-positioned to benefit from the growing use of AI. In Consumer Discretionary, we added Hilton, a leading global hospitality operator. We also added Interactive Brokers in Financials, and Eli Lilly in Health Care.

- In fixed income, we sold Pfizer and bought Morgan Stanley on relative valuation to capture additional spread and yield. We also purchased Abbott Laboratories, selling Treasury exposure given its attractive relative valuation. Within Treasuries, we extended duration given the run up in yields.

Outlook

- We believe Balanced portfolios offer an attractive value proposition for investors seeking the return profile of equities with the stability of fixed income.
 - While fixed income and equity correlations remain elevated, bonds have historically offered a diversified return stream.
- Our recommended allocation remains 65% equity and 35% fixed income.
 - The conflict in Iran has introduced heightened uncertainty, but we think the fundamental strength of the US economy remains intact. Additionally, we believe the broadening of market performance that we saw at the start of the year will continue as the largest companies continue to spend record capex on AI infrastructure buildout.
- We believe the Portfolio is well-positioned and has exposure to areas of the economy with potentially durable, long-term growth drivers.
 - We maintain more direct AI exposure as well as “pick and shovels” holdings in Industrials (Eaton, Howmet, GE Vernova), Technology (Arista, Amphenol), and Energy (Williams).
 - Within the Consumer sectors, we own companies that benefit from value-oriented spending (Costco, TJX) and consumers keeping vehicles longer (O’Reilly).
 - In Real Estate, we have exposure to higher-end senior living (Welltower), which we believe is bolstered by favorable demographics.

Average Annualized Performance (%) as of 3/31/2026

| | QTD | YTD | 1 Yr | 3 Yrs | 5Yrs | 10 Yrs | Since Inception (1/1/1985) |
|----------------------------|------|------|------|-------|------|--------|----------------------------|
| Balanced Composite (Gross) | -4.8 | -4.8 | 8.9 | 12.6 | 7.6 | 10.6 | 10.1 |
| Balanced Composite (Net) | -4.9 | -4.9 | 8.5 | 12.1 | 7.1 | 10.1 | 9.3 |
| Benchmark ¹ | -2.6 | -2.6 | 12.4 | 12.6 | 7.9 | 9.4 | 9.5 |

Past performance does not guarantee future results. ¹Blended Benchmark: 60% S&P500/40% Bloomberg US Intermediate Govt/Credit Index

*Characteristics are gross of fees and are computed without the deduction of fees and expenses.

Data is as of 3/31/2026. Sources throughout this presentation: Congress Asset Management, Bloomberg, and Morningstar Direct. The information throughout this presentation is for illustrative purposes and is subject to change at any time. Holdings and sector weightings are subject to change and should not be considered investment advice or a recommendation to buy or sell a particular security. Actual holdings and sector weightings may vary by client. Gross performance shown does not reflect the deduction of investment management fees and certain transaction costs, which will reduce investment performance. This information is supplemental to the GIPS Report. Performance returns of less than one year are not annualized. This managed account strategy involves risk, may not be profitable, may not achieve its objective, and may not be suitable or appropriate for all investors. Investors should consider the investment objectives, risks, and fees of this strategy carefully with their financial professional before investing. Performance is preliminary and subject to change at any time. Specific investments described herein do not represent all investment decisions made by Congress Asset Management. The reader should not assume that investment decisions identified and discussed were or will be profitable.

Equity Sleeve

Top 5 Contributors/Detractors

| Stock | Avg. Weight% |
|------------------------|--------------|
| GE Vernova, Inc. | 1.79 |
| Williams Cos., Inc. | 1.63 |
| Howmet Aerospace, Inc. | 2.45 |
| Costco Wholesale Corp. | 1.90 |
| Eaton Corp. plc | 1.87 |

GE Vernova, Inc. (GEV) is a global energy equipment and services company that provides a portfolio of power generation, electrification, and renewable energy solutions. GEV reported substantial order growth within its Power and Electrification segments, supported by sustained demand for grid stability and increased electricity consumption from the data center sector, and is targeting 100GW of orders and slot reservations under contract by the end of 2026. Management further noted a continued expansion in margins within the equipment backlog, suggesting a sustained pricing environment and lack of available turbine capacity in the market.

Williams Cos., Inc. (WMB) is a leading U.S. natural gas midstream operator. The stock benefited from quarterly results that highlighted incremental growth opportunities tied to power generation, particularly those driven by rising data center demand. Energy stocks also received support from a higher geopolitical risk premium, reflecting heightened tensions related to the Iran conflict.

Howmet Aerospace, Inc. (HWM) is a leading global provider of advanced engineered solutions for the aerospace and power generation markets. The company's strong quarterly performance was driven by a favorable mix shift toward higher-margin commercial aerospace engine spares, alongside the continued secular expansion of its industrial gas turbine (IGT) business. HWM delivered meaningful revenue growth as rising IGT demand, supported by increasing data center energy requirements, has emerged as a margin-accretive growth pillar. This momentum is further supported by the strategic integration of recent fastener acquisitions, which increase content per shipset and potentially reinforce the company's long-term earnings profile.

Bottom 5 Contributors/Detractors

| Stock | Avg. Weight% |
|-------------------------|--------------|
| Boston Scientific Corp. | 1.50 |
| Microsoft Corp. | 2.09 |
| ServiceNow, Inc. | 1.15 |
| Shopify, Inc. | 1.43 |
| MongoDB, Inc. | 0.43 |

Boston Scientific Corp. (BSX) is a leader in the medical technology industry. BSX has experienced rapid growth in its electrophysiology business, reflecting strong adoption of its advanced product offerings. However, quarterly results for that segment fell short of expectations and pointed to moderating growth, which weighed on the stock.

Microsoft Corp. (MSFT) offers a broad suite of computer applications, cloud solutions, and cybersecurity products. Quarterly underperformance reflected growing investor caution around the return on investment of MSFT's elevated capital expenditures to build AI-related infrastructure, as well as concerns that Copilot's functionality may be lagging competing tools. However, in our view, these pressures are largely sentiment-driven rather than indicative of a deterioration in Microsoft's long-term strategic positioning. We believe the company holds a strong position in cloud computing and artificial intelligence, supported by strong financial discipline, durable revenue streams, and a wide competitive moat.

ServiceNow, Inc. (NOW) provides automated workflow solutions that streamline repeatable tasks, enabling customers to save time, reduce costs, and enhance the client experience. This quarter's underperformance was tied to continued negative sentiment surrounding its planned \$8 billion acquisition of cybersecurity firm Armis, concerns over slowing organic growth, and fears of AI disintermediation. However, we see meaningful synergy potential between ServiceNow and Armis and view ServiceNow as a market leader with expanding margins, strong competitive positioning, and accelerating AI-driven innovation.

Fixed Income Sleeve

The Portfolio outperformed on its modestly short duration posture, as rates rose across the curve, and allocation to higher quality corporates, as higher quality spreads outperformed lower quality. This was partially offset by an overweight to Financials.

Top 5 Contributors/Detractors

Issue

| |
|-------------------------------------|
| Bank of America Corp. of 12/20/28 |
| JPMorgan Chase & Co. of 1/23/30 |
| Wells Fargo & Co. of 7/25/29 |
| Goldman Sachs Group Inc. of 7/23/30 |
| ConocoPhillips of 1/15/30 |

Bottom 5 Contributors/Detractors

Issue

| |
|-------------------------------------|
| US Treasury of 5/15/27 |
| US Treasury of 11/15/32 |
| Amazon.com, Inc. of 5/12/31 |
| Bristol-Myers Squibb Co. of 2/22/34 |
| Pfizer, Inc. of 5/19/28 |

Information is as of 3/31/2026. Sources: Congress Asset Management and Bloomberg. The information throughout this presentation is for illustrative purposes and is subject to change at any time. Holdings, sector weightings and securities identified as top contributors and detractors throughout this presentation are subject to change and should not be considered investment advice or a recommendation to buy or sell a particular security. Actual holdings may vary by client. The securities identified do not represent all the securities purchased, sold or recommended to clients. The reader should not assume that investment decisions identified and discussed were or will be profitable. For information regarding the methodology used to select these holdings or to obtain a list showing the contribution of every holding in the strategy's composite account, which we believe is most representative to both a current and/or prospective client, please contact us at 1-800-234-4516. Gross performance shown does not reflect the deduction of investment management fees and certain transaction costs, which will reduce investment performance. Past performance does not guarantee future results.

Transactions

Portfolio Activity

| Purchases | Sector | Sales | Sector |
|---------------------------------|------------------------|--------------------------|------------------------|
| Hilton Worldwide Holdings, Inc. | Consumer Discretionary | Netflix, Inc. | Communication Services |
| ASML Holding N.V. | Information Technology | Dell Technologies Inc. | Information Technology |
| MongoDB, Inc. | Information Technology | Synopsys, Inc. | Information Technology |
| Interactive Brokers Group, Inc. | Financials | Palo Alto Networks, Inc. | Information Technology |
| Eli Lilly & Co. | Health Care | | |

1Q 2026 Transaction Summary - Fixed Income Sleeve

- We sold Pfizer, Inc. of 5/19/28 and bought Morgan Stanley of 1/09/30 on relative valuation to capture additional spread and yield. This also slightly extended duration.
- We sold US Treasury of 2/28/26 and bought US Treasury of 7/15/27 to extend duration and adjust key rate exposures.
- We sold US Treasury of 5/15/27 and bought Abbott Laboratories of 3/15/31 given what we view as an attractive relative valuation of this recently issued bond. This allowed us to capture additional spread and yield for the Portfolio and also offered an opportunity to extend duration.

The securities identified do not represent all the securities purchased, sold or recommended to clients. The reader should not assume that investment decisions identified and discussed were or will be profitable.

Definitions: [S&P500](#) is a market-capitalization weighted index, which measures price movements of the common stock of 500 large U.S. companies within leading industries. Indices are unmanaged, do not reflect fees and expenses and are not available for direct investment. [The Bloomberg US Intermediate Govt/Credit Index](#) tracks the performance of intermediate term U.S. government and corporate bonds. Indices are unmanaged, do not reflect fees and expenses and are not available for direct investment. [Standard Deviation](#) is a measure of the dispersion of a set of data from its mean. It is used by investors as a gauge for the amount of expected volatility.

Congress Asset Management Co. Balanced Composite 1/1/2015 - 12/31/2024

| Year | Total Return Gross of Fees% | Total Return Net of Fees% | 60% S&P 500 40% BUIGCI Blend Return % (dividends reinvested) | CAM Recomm. Allocation % | Composite Gross 3-Yr St Dev (%) | 60% S&P 500 40% BUIGCI Blend Return 3-Yr St Dev (%) | Number of Portfolios | Gross Dispersion % | Total Composite Assets End of Period (\$ millions) | Total Firm Discretionary Assets End of Period (\$ millions) | Total Firm Advisory-Only Assets End of Period (\$ millions) | Total Firm Assets End of Period # (\$ millions) |
|------|-----------------------------|---------------------------|--|--------------------------|---------------------------------|---|----------------------|--------------------|--|---|---|---|
| 2024 | 16.2 | 15.7 | 15.9 | 60/40 | 13.2 | 11.7 | 20 | 0.95 | 22 | 14,207 | 9,471 | 23,678 |
| 2023 | 21.9 | 21.3 | 17.6 | 60/40 | 13.4 | 11.6 | 26 | 1.17 | 37 | 12,146 | 8,514 | 20,660 |
| 2022 | -17.2 | -17.6 | -13.9 | 60/40 | 14.7 | 13.3 | 24 | 0.78 | 31 | 10,083 | 6,799 | 16,882 |
| 2021 | 17.5 | 17.0 | 15.9 | 65/35 | 11.0 | 10.4 | 34 | 1.10 | 50 | 12,778 | 8,018 | 20,796 |
| 2020 | 20.3 | 19.8 | 14.3 | 65/35 | 11.4 | 11.2 | 27 | 1.44 | 47 | 10,746 | 5,523 | 16,269 |
| 2019 | 24.5 | 23.9 | 21.3 | 65/35 | 7.6 | 7.1 | 26 | 1.66 | 44 | 8,445 | 4,083 | 12,528 |
| 2018 | 2.5 | 2.0 | -2.0 | 65/35 | 7.0 | 6.3 | 21 | 0.67 | 32 | 7,102 | 3,132 | 10,234 |
| 2017 | 19.2 | 18.5 | 13.6 | 70/30 | 6.7 | 5.8 | 10 | n/a | 15 | 7,272 | 3,274 | 10,546 |
| 2016 | 4.7 | 4.0 | 8.1 | 70/30 | 7.3 | 6.3 | 6 | n/a | 7 | 5,693 | 2,445 | 8,139 |
| 2015 | 2.4 | 1.7 | 1.5 | 65/35 | 7.6 | 6.3 | 11 | 0.61 | 13 | 5,941 | 1,153 | 7,094 |

#The "Total Firm Assets" column includes unified managed account (UMA) assets

Congress Asset Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Congress Asset Management has been independently verified for the periods 1/1/96 – 12/31/24. The verification report(s) is/are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedure for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

Firm Information: Congress Asset Management Co. (CAM) is an investment advisor registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. Registration does not imply a certain level of skill or training. CAM manages a variety of public equity, private equity, fixed income and ETF managed portfolios for private and institutional clients. CAM acquired Prelude Asset Management, LLC on March 15, 2010. CAM merged with Congress Capital Partners, LLP on June 30, 2015. CAM acquired certain strategies of Century Capital Management, LLC on September 15, 2017.

Composite Characteristics: The Balanced Composite was created on January 1, 1993, and the inception date of the composite is January 1, 1985, which reflects the first full month an account was fully invested in the strategy and met the inclusion criteria. The composite includes all fully discretionary portfolios with a value over \$500 thousand (US dollars) managed with the recommended asset allocation between large cap equities and fixed income set by the Investment Policy Committee for a minimum of one full month. The current recommendation is a 60/40 allocation and accounts with allocations falling within 15% of the recommendation are eligible for composite inclusion. Accounts with wrap commissions are excluded from the composite. Prior to September 1, 2005, the composite did not include taxable accounts, private client accounts, or accounts with less than \$1 million. For the Balanced Composite we present a custom benchmark, which is a 60/40 blend of the S&P 500 Index and Bloomberg US Intermediate Government / Credit Index. The custom benchmark is calculated by weighting the respective index returns on a daily basis. The benchmark returns are not covered by the report of independent verifiers. Closed account data is included in the composite as mandated by the standards in order to eliminate a survivorship bias. A list of composite descriptions, a list of broad distribution pooled funds, and a list of limited distribution pooled fund descriptions are available upon request. Prior to January 1, 1993, the composite is not in compliance with GIPS.

Calculation Methodology: Valuations and returns are computed and stated in U.S. dollars. Gross of fees returns are calculated gross of management and custodial fees and net of transaction costs. Prior to 2007 net of fees returns were calculated by reducing gross returns by 1/4th of the highest management fee in the Balanced Composite, which was 1.00%, applied quarterly. Effective January 1, 2007, net of fees returns are calculated using actual management fees. The composite results portrayed reflect the reinvestment of dividends, capital gains, and other earnings when appropriate. Accruals for fixed income and equity securities are included in calculations. Internal dispersion is calculated using the asset-weighted standard deviation of annual gross-of-fees returns of those portfolios that were included in the composite for the entire year. For those years when less than six portfolios were included in the composite for the full year, no dispersion measure is presented. The three-year annualized ex-post standard deviation measures the variability of the composite, and the benchmark returns over the preceding 36-month period.

Fee Schedule: The firms' individual account fee schedule is as follows: 1.00% for first \$1 million, 0.80% for next \$4 million, 0.60% for next \$5 million. Management fees for individual accounts with assets under management exceeding \$10 million, and for institutional accounts are negotiated. The individual account fee schedule may be subject to negotiation where circumstances warrant. As fees are deducted quarterly, the compounding effect will increase the impact of the fees by an amount directly related to the gross account performance. For example, an account earning a 10% annual gross return with a 1% annual fee deducted quarterly would earn an 8.9% annual net return due to compounding.

Other Disclosures: Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Past performance does not guarantee future results. This performance report should not be construed as a recommendation to purchase or sell any particular securities held in composite accounts. Market conditions can vary widely over time and can result in a loss of portfolio value. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Important Disclosure

Not an Offer, Recommendation or Professional Advice: This document does not constitute advice or a recommendation or offer to sell or a solicitation to deal in any security or financial product. It is provided for information purposes only and on the understanding that the recipient has sufficient knowledge and experience to be able to understand and make their own evaluation of the proposals and services described herein, any risks associated therewith and any related legal, tax, accounting or other material considerations. To the extent that the reader has any questions regarding the applicability of any specific issue discussed above to their specific portfolio or situation, prospective investors are encouraged to contact Congress Asset Management or consult with the professional advisor of their choosing.

Use of Third-Party Information: Certain information contained herein has been obtained from third party sources and such information has not been independently verified by Congress Asset Management. No representation, warranty, or undertaking, expressed or implied, is given to the accuracy or completeness of such information by Congress Asset Management or any other person. While such sources are believed to be reliable, Congress Asset Management does not assume any responsibility for the accuracy or completeness of such information. Congress Asset Management does not undertake any obligation to update the information contained herein as of any future date.

Currentness: Except where otherwise indicated, the information contained in this presentation is based on matters as they exist as of the date of preparation of such material and not as of the date of distribution or any future date. Recipients should not rely on this material in making any future investment decision

Benchmarks: Any indices and other financial benchmarks shown are provided for illustrative purposes only, are unmanaged, reflect reinvestment of income and dividends and do not reflect the impact of advisory fees. Investors cannot invest directly in an index. Comparisons to indexes have limitations because indexes have volatility and other material characteristics that may differ from a particular fund or strategy. For example, a hedge fund may typically hold substantially fewer securities than are contained in an index.

Forward-Looking Statements: Certain information contained herein constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," "continue," or "believe," or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events, results or actual performance may differ materially from those reflected or contemplated in such forward-looking statements. Nothing contained herein may be relied upon as a guarantee, promise, assurance or a representation as to the future.

Balanced Strategy Risks

Large Companies Risk: The securities of large-capitalization companies may be relatively mature compared to smaller companies and therefore subject to slower growth during times of economic expansion. Large-capitalization companies may also be unable to respond quickly to new competitive challenges, such as changes in technology and consumer tastes.

Mid-Capitalization Investing Risk: The securities of mid-capitalization companies may be more vulnerable to adverse issuer, market, political, or economic developments than securities of large-capitalization companies. The securities of mid-capitalization companies generally trade in lower volumes and are subject to greater and more unpredictable price changes than large-capitalization stocks or the stock market as a whole.

Growth Style Investment Risk: Growth stocks may lose value or fall out of favor with investors. Growth stocks may be more sensitive to changes in current or expected earnings than the prices of other stocks.

Equity Securities Risk: Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value. These fluctuations may cause a security to be worth less than its cost when originally purchased or less than it was worth at an earlier time.

Foreign Investment Risk: Foreign securities involve increased risks due to political, social and economic developments abroad, as well as due to differences between U.S. and foreign regulatory practices. When the Strategy invests in ADRs as a substitute for an investment directly in the underlying foreign shares, the Strategy is exposed to the risk that the ADRs may not provide a return that corresponds precisely with that of the underlying foreign shares.

Sector-Focus Risk: Investing a significant portion of the Strategy's assets in one sector of the market exposes the Strategy to greater market risk and potential monetary losses than if those assets were spread among various sectors.

Information Technology Sector Risk: The information technology sector can be significantly affected by rapid obsolescence of existing technology, short product cycles, falling prices and profits, competition from new market entrants, government regulation, and general economic conditions.

General Market Risk: Economies and financial markets throughout the world are becoming increasingly interconnected, which increases the likelihood that events or conditions in one country or region will adversely impact markets or issuers in other countries or regions. Securities in the Strategy's portfolio may underperform in comparison to securities in the general financial markets, a particular financial market, or other asset classes due to a number of factors, including: inflation (or expectations for inflation); deflation (or expectations for deflation); interest rates; global demand for particular products or resources; natural disasters or events; pandemic diseases; terrorism; regulatory events; other governmental trade or market control programs and related geopolitical events. In addition, the value of the Strategy's investments may be negatively affected by the occurrence of global events such as war, terrorism, environmental disasters, natural disasters or events, country instability, and infectious disease epidemics or pandemics.

Credit Risk: The risk that an issuer of a fixed income security will fail to make interest payments or repay principal when due, in whole or in part. Changes in an issuer's financial strength, the market's perception of an issuer's creditworthiness, or in a security's credit rating may affect a security's value. In addition, investments in sovereign debt involves a heightened risk that the issuer responsible for repayment of the debt may be unable or unwilling to pay interest and repay principal when due, and the Strategy may lack recourse against the issuer in the event of default. Investments in sovereign debt are also subject to the risk that the issuer will default independently of its sovereign. Below investment grade securities (high yield/junk bonds) have speculative characteristics, and changes in economic conditions or other circumstances are more likely to impair the ability of issuers of those securities to make principal and interest payments than is the case with issuers of investment grade securities.

Extension Risk: The risk that if interest rates rise, repayments of principal on certain debt securities, including, but not limited to, floating rate loans and mortgage-related securities, may occur at a slower rate than expected and the expected maturity of those securities could lengthen as a result. Securities that are subject to extension risk generally have a greater potential for loss when prevailing interest rates rise, which could cause their values to fall sharply.

Interest Rate Risk: The risk that debt instruments will change in value because of changes in interest rates. The value of an instrument with a longer duration (whether positive or negative) will be more sensitive to changes in interest rates than a similar instrument with a shorter duration. Bonds and other debt instruments typically have a positive duration. The value of a debt instrument with positive duration will generally decline if interest rates increase. Certain other investments, such as interest-only securities and certain derivative instruments, may have a negative duration. The value of instruments with a negative duration will generally decline if interest rates decrease. Inverse floaters, interest-only and principal-only securities are especially sensitive to interest rate changes, which can affect not only their prices but can also change the income flows and repayment assumptions about those investments.

Prepayment Risk: The risk that the issuer of a debt security, including floating rate loans and mortgage related securities, repays all or a portion of the principal prior to the security's maturity. In times of declining interest rates, there is a greater likelihood that the Strategy's higher yielding securities will be pre-paid with the Strategy being unable to reinvest the proceeds in an investment with as great a yield. Prepayments can therefore result in lower yields to shareholders of the Strategy.

Sector-Focus Risk: Investing a significant portion of the Strategy's assets in one sector of the market exposes the Strategy to greater market risk and potential monetary losses than if those assets were spread among various sectors.

Municipal Securities Risk: Investing in various municipal securities may involve risk related to the ability of the municipalities to continue to meet their obligations for the payment of interest and principal when due. A number of municipalities have had significant financial problems recently, and these and other municipalities could, potentially, continue to experience significant financial problems resulting from lower tax revenues and/or decreased aid from state and local governments in the event of an economic downturn. This could decrease the Strategy's income or hurt the ability to preserve liquidity.

U.S. Government and Agency Issuer Risk: Treasury obligations may differ in their interest rates, maturities, times of issuance and other characteristics. Obligations of U.S. Government agencies and authorities are supported by varying degrees of credit but generally are not backed by the full faith and credit of the U.S. Government. No assurance can be given that the U.S. Government will provide financial support to its agencies and authorities if it is not obligated by law to do so.

Management Risk: The Strategy is actively-managed and may not meet its investment objective based on the Advisor's success or failure to implement investment strategies for the Strategy.